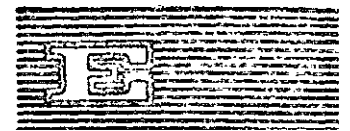


UNITED NATIONS  
ECONOMIC  
AND  
SOCIAL COUNCIL



Distr.  
GENERAL  
E/CEPAL/G.1151  
30 April 1981  
ENGLISH  
ORIGINAL: SPANISH

CEPAL  
Economic Commission for Latin America  
Nineteenth session  
Montevideo, Uruguay, 4-15 May 1981



REGIONAL INTEGRATION AND CO-OPERATION  
IN THE 1980s

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## Introduction

The purpose of this document is to provide a detailed panorama of the present situation and prospects of the integration systems and of co-operation activities in the region. It will also serve as background material for the consolidated study Latin American development in the 1980s (E/CEPAL/G.1150), to be submitted for consideration by governments at the nineteenth session of the Economic Commission for Latin America in May 1981 in Montevideo, Uruguay; this study supplements and expands the information contained in that document.

In recent years, a wide-ranging discussion has taken place concerning the foundations and results of regional integration; it was therefore thought worthwhile to present some information on this topic in chapter I, and contrast it with the ideas linking integration with insertion in the world economy and the industrialization process.

Chapter II deals first with the course of integration of the region in general, and then analyses the trends and prospects of each integration system individually. Other sections also deal with the Latin American Economic System (SELA) and the financial and monetary co-operation machinery operating in Latin America and the Caribbean.

The other modalities of regional co-operation, which are very varied in their forms and in the fields they cover, are illustrated in chapter III, divided into governmental and entrepreneurial co-operation activities. The fundamental aim is to show the considerable wealth of forms and machinery through which binational or multinational collaboration is taking place, and this chapter may therefore be considered an attempt systematically to identify the important links being forged among the countries of the region through various co-operation agreements and treaties.

Finally, chapter IV contains suggestions concerning priority action and areas for regional integration and co-operation. The activities recommended and the fields chosen may be instrumented for drawing up concerted programmes in these fields which will help to focus the efforts of the institutions administering the processes, and of collaborating agencies, on the issues and instruments which the governments consider most appropriate for advancing in the search for better and more advantageous relations among the countries of the region. Given the nature of the topic, this chapter is virtually identical to section D of chapter VI of the abovementioned document Latin American development in the 1980s.

## I. INTEGRATION AND CO-OPERATION: OBJECTIVES AND DILEMMAS

### A. TRADE, INDUSTRIALIZATION AND INTEGRATION

Latin America and the Caribbean already have a long tradition in the field of integration and co-operation. The first systematic attempts to bring about economic integration in the region go back to the 1950s. The result of these efforts has been the creation of four integration groupings which, although subject to serious tensions in recent years, have brought major benefits by appreciably increasing trade among their member countries and helping to forge a large number of significant links among them. At the same time, in Latin America and the Caribbean a large number of co-operation activities - bilateral or multilateral, and based on the integration systems or outside them - have been undertaken, which have helped to solve specific problems and generate an increasingly broad network of links and common interests.

The countries of the region have traditionally occupied a position of dependence (asymmetrical interdependence) with regard to the developed world. Among other things, this has meant that raw materials and other non-manufactured goods account for three-quarters of their exports, more than two-thirds of which go to the industrialized market economy countries, whereas imports from the latter consist overwhelmingly (84%) of capital goods, manufactured products and processed inputs with high levels of technology and value added. Although this situation of dependence, as defined above, has slowly been progressing towards one of more balanced trade, the countries of the region are still far from achieving this objective.

The structure of the region's exports - heavily biased towards primary commodities - is largely a result of the features of the regional industrialization process, in which there are great differences in development between countries and industrial branches, and within each branch there are noteworthy gaps or shortcomings in the supply of capital goods and specific inputs, and a generalized lack of capacity for original technological innovation. Import substitution in industry has not been sufficiently selective or profound to create a complete production structure embracing the various stages of the process in the branches or sectors of interest to each country, which would permit more self-reliant development, while at the same time generating the means for adjusting to the changes taking place in those industries at the international level.<sup>1/</sup>

Rapid changes in the characteristics of the products of the more dynamic branches of the industry will not be possible in the countries of

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<sup>1/</sup> This topic is analysed in depth in J. Ayza, G. Fichet and N. González, América Latina: Integración económica y sustitución de importaciones, Economic Commission for Latin America, Fondo de Cultura Económica, Mexico City, 1975.

the region unless there is an appropriate technological infrastructure which would make it possible to adapt the production system to new manufacturing conditions, and specialized industries for capital goods and intermediate inputs which accompany, and sometimes induce, changes in product design and specifications. Failing this, and inasmuch as the countries wish to continue to follow product trends in the developed countries, industrial activity will unquestionably lead to a higher import coefficient and thus to foreign trade disequilibrium.

Besides the problems of the relative composition of the exports and imports, the region has lost ground in terms of its share of total world trade (see table 1). Between 1970 and 1978, world trade grew at a cumulative annual rate of 19.7%, whereas total exports from the region grew at a rate of 17.4%, while between 1974 and 1978 these rates were 11.2% and 7.2%, respectively. This indicates that the crisis affected the exports of the Latin American and Caribbean countries more than those of the other nations of the world taken as a whole.

Table 1

LATIN AMERICA AND THE CARIBBEAN: SHARE OF REGIONAL EXPORTS  
IN WORLD EXPORTS, IN SELECTED YEARS OF THE  
PERIOD 1960-1978

(Millions of US dollars, FOB and percentages)

	Exports		Regional share
	Latin America and the Caribbean <u>a/</u>	World	
1960	8 373	126 340	6.6
1965	11 134	184 300	6.0
1970	14 549	280 000	5.2
1971	14 875	314 100	4.7
1972	17 135	372 300	4.6
1973	24 521	517 800	4.7
1974	39 649	768 700	5.2
1975	36 426	788 100	4.6
1976	41 700	897 400	4.6
1977	48 942	1 018 200	4.8
1978	52 407	1 175 800	4.5

Source: United Nations, Monthly Bulletin of Statistics, December 1968, August 1973 and July 1980.

a/ 23 countries.

/During the

During the boom period in the industrialized countries, the demand for Latin American commodities increased, generally leading to a larger volume of exports but not necessarily to a real improvement in their long-term prices. Today, with the falling off of prosperity, not only has demand declined for the products traditionally exported by the region to the industrialized markets, but also (and this is unusual) the depression in the centres has been accompanied by sharp rises in the prices of the products exported by those countries. The unbalanced trade links with the centres and the prospects of slow growth in most of the developed countries mean that other options must be sought to boost the trade of the countries of the region.

Intra-regional trade has not become the main engine of growth of the external sector in quantitative terms, as in recent years it has accounted for one sixth of total Latin American and Caribbean exports; however, it has contributed significantly to the growth of manufacturing exports. Thus, manufactured goods account for 61% of intra-regional sales, as against only 21% of exports to the rest of the world, as will be seen in greater detail in chapter II below. In qualitative terms, then, the composition of trade within the region has been more balanced than that of trade with third countries; and this is certainly a major achievement of the integration processes at work in Latin America and the Caribbean, for which this is a key objective.

Consequently, the growth of trade should be viewed not only in terms of its effects on the balance of payments, but especially in relation to its impact on the development of each country's industrial structure. In this sense, it may be argued that the region has made striking progress in comparison with earlier periods. The figures given above, however, refer to the situation of all the countries as a whole, and may hide significant differences among them. Indeed, this usually happens, on account of the region's great heterogeneity, although in this case the high proportion of manufactures in total exports have favoured the industrially more advanced nations as well as some medium-sized and small countries such as Colombia, Uruguay and the members of the Central American Common Market.

At heart, integration has always been closely linked with the industrialization process, particularly as a response to the concern for making use of economies of scale, external economies and specialization of production. The larger economic space resulting from the liberalization of mutual trade among member countries provides industry with the potential for achieving more broad, dynamic, steady and efficient development than when based solely on each country's domestic market. One of the means for laying the foundations of a common market is the establishment of a regional or subregional tariff preference providing a significant difference in customs tariffs in favour of trade among the member countries of the integration agreement.

At present, many countries of the region are seeking suitable forms of developing the fabrication of capital goods, relatively the most backward of all industrial branches in Latin America and the Caribbean,

/and also

and also of some essential inputs from iron and steel, petrochemicals and the processing of non-ferrous metals. If this interest in completing the industrial structure could take concrete form, this would be a fundamental factor for reducing the great gap between the region and the developed nations, and for balancing their external trade with the latter. An industry growing in a more harmonious, selective and specialized manner, filling the remaining gaps in production and technology, will provide the basis for an exporting potential whereby to obtain the foreign currency needed for other sectors or for branches of the industrial sector itself. Economic integration is an efficient means of achieving this aim, inasmuch as it provides a broader and more stable market than those of the individual member countries, and is an essential condition for successful ventures in the fabrication of capital goods and in general in the industries with large production scales, as is shown by the experience of the industrialized countries which have protected or are protecting the markets for this type of activities until they achieve a certain degree of international competitiveness.

On the other hand, few countries choose to lay themselves wholly and indiscriminately open to international competition as a formula for making good the structural shortcomings of industry and of the economy in general, instead of trying to boost selectively and thoroughly the development of infrastructure and of the intermediate and capital goods industries.

The underpinning of a huge, reasonably protected market has traditionally been the factor allowing the industrialized countries - large, medium and small - to have a preponderant share of the international trade of manufactures with a high value and technological content. In the case of the developed countries with small populations, specialization in specific industrial branches, almost always originally linked with their natural resources, enables them to compete actively in the world market while at the same time efficiently satisfying their domestic needs. In addition, for the countries of the European Communities and the industrialized countries of the Council for Mutual Economic Assistance (CMEA), economic integration has been one of the main vehicles for achieving a high degree of development in manufacturing industry, and particularly in the basic and heavy capital goods industries.

None of these arguments is new: already in 1959 a United Nations document summarized the central concerns of the time by advocating the formation of a Latin American common market to help to satisfy the requirements of industrialization and reduce the external vulnerability of the countries of the region. It was stated that:

"So long as these countries' economies were principally directed towards supplying the large industrial centres with primary commodities, they had no major incentives to reciprocal trade. Except as regards some degree of primary complementarity, they were linked by no close economic relations, nor was there any reason why such relations should exist. The trouble is that this same economic régime still persists at the present stage of industrial development. The



progressive establishment of the common market would mean that it could undergo a gradual transformation, with the great ensuing benefits that might be derived from a more rationally organized system of production, under which the potentialities of the land would be more efficiently utilized, and industry, thrusting beyond the narrow bounds of each country's individual market, would acquire more economic dimensions and, by virtue of improved productivity, would be able to increase its already considerable contribution to the standard of living in Latin America.

"Moreover, the common market could play a leading part in mitigating the Latin American countries' vulnerability to external contingencies and fluctuations, which, notwithstanding their industrialization, is still acute, precisely because of the arbitrary fragmentation of the latter process".<sup>2/</sup>

These two aims of integration, which were the central concerns of the time, remain fully valid despite the lapse of two decades of industrialization (not always as deep, rapid or widespread as desired); and external vulnerability continues, somewhat reduced, but above all lulled by the rise in international liquidity and the facilities for increasing international indebtedness in response to external sector disequilibrium.

Integration also remains fully valid as an economic and political option for solving many of the problems affecting the countries of the region, and primarily to give a new boost to industrialization and to improving the bargaining power of Latin America and the Caribbean vis-à-vis the developed centres.

The fact cannot be overlooked, however, that as in the past to a varying degree Latin America and the Caribbean is a heterogeneous grouping, with disagreements and tensions among some governments; this must be taken into account in order to produce a climate that is favourable to integration embracing all the countries of every integration system or the entire region. Political will has often been undermined by slowness in obtaining visible results from the integration processes, although very often the causes may be found in the very lack of support for integration machinery and institutions.

The future trends of these processes are therefore uncertain and somewhat contradictory: while on the one hand integration and co-operation appear as basic elements for underpinning growth compatible with the needs and aspirations of the countries of the region, on the other the difficulties of reconciling national standpoints and policies with the imperatives of joint action are heightened. A balanced combination of legitimate national interests with a long-term view of the benefits redounding from greater economic and political unity among the countries of the region may provide a viable solution enabling each and every one of the Latin American and

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<sup>2/</sup> United Nations, The Latin American Common Market, United Nations publication, Sales No.: 59.II.G.4, Mexico City, July 1959, p. 4.

Caribbean nations to tackle the problems of gaining a suitable place in the turbulent world economy, and to overcome some of the main obstacles to their own internal development.

#### B. THE ROLE OF REGIONAL CO-OPERATION FROM THE STANDPOINT OF TRENDS IN EXTERNAL RELATIONS

The forthcoming decade shows features which should mean that the Latin American and Caribbean countries will attach greater importance to further integration and mutual co-operation. Besides the fact that actions in this direction are part of the programme for the establishment of the New International Economic Order, the main reason for expecting this to happen is that upheavals in the world economy and international political tension appear to be a hallmark of the world system for many years to come, with the familiar sequel of low growth rates in the industrialized centres, stagflation, the growth of protectionism in those countries, energy shortfalls, sharply uneven technological progress of some industrial sectors among the developed nations themselves, and other factors of instability and sluggish growth.

In view of the above, the developing countries may be expected to rely increasingly on their own forces and establish collective solutions to the difficulties created by the lack of dynamism from the centres. This means attaching a key role to the domestic market potential of each country, and to regional integration and co-operation activities, while at the same time trying to find the most favourable forms of insertion in the world economy so as to minimize the negative effects of protectionism and of the developed regions' weak growth. The growing internationalization of the world economy makes it more difficult to escape the negative consequences of the crisis of the centres, as well as the influence of development policies and styles which, as a rule, do not provide a satisfactory answer to the social and economic problems of the majority of the population.

At the same time, the strengthening of the systems and structures of economic and political linkage among Latin American and Caribbean nations; will to a large extent simultaneously enhance their bargaining power and position in relation to the dominant economic blocs and the transnational corporations. Although hitherto the joint bargaining discipline has existed in many cases, it must be accentuated in the face of the concrete challenges facing most of the countries of the region, such as, for example, the industrialized countries' rising protection of their domestic markets. The region's negotiating position will certainly be stronger as its collective action becomes more effective and the links binding together the countries of the region become sufficiently solid to enable them to stand as a unit possessing real bargaining power.

/Another important

Another important decision will be to determine what type of integration is desired, which amounts to asking who should be favoured by the process. As indicated in chapter II, one of the shortcomings of the efforts aimed at greater economic union has been the limited effect of the integration schemes upon the population of the member countries, and the scanty participation of the latter in the creation and course of such movements.

On the contrary, various studies <sup>3/</sup> have shown that the transnational corporations, using tariff preferences and the limited co-ordination of policies on the treatment of foreign capital and technology, have stepped up their position and activities within the regional integration processes. Integration, then, calls for a clear definition of the future recipients of the benefits resulting from the complex process of partial or total union of the markets of member countries; and it does not result from mere compliance with specific rules in those fields, but rather from the will to implement them in their entirety. Relations with transnational corporations clearly show this need: it is difficult to imagine balanced relations with the transnationals in the absence of a modicum of co-operation and common rules to compensate for the generally smaller bargaining power of the countries of the region in their dealings with them.

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<sup>3/</sup> For example, the Joint CEPAL/United Nations Centre on Transnational Corporations Unit has carried out a number of case studies relating to the Cartagena Agreement and the Latin American Free Trade Association (LAFTA) on the influence of the transnational corporations on integration.

## II. INTEGRATION AND CO-OPERATION SYSTEMS IN LATIN AMERICA AND THE CARIBBEAN

### A. GLOBAL ASPECTS OF INTEGRATION

#### 1. The problems of integration

The formal integration groupings of the region, which include the great majority of its countries,<sup>4/</sup> have been subject to great tensions since the mid-1970s on account of many complex factors stemming both from changes in the political and economic structures of the Latin American and Caribbean countries themselves and from the effects on them of the upheavals in the rest of the world, particularly the industrialized countries, which have the greatest influence on trends and stability in the region. All this has led to uncertainty and instability, which helps to explain why governments have virtually all adopted the position of avoiding inflexible commitments which restrict their freedom to employ as freely as possible the instruments of external economic policy. This has led to a continuous counterpoint between the objective of greater flexibility in international relations, so as to be in a better position to respond to unforeseen developments, and the aim of forging a suitable, solid framework for links with other countries of the region, in order to exploit the possibility of deriving benefits from trade and economic and political ties with countries with which they are naturally closer in terms of geography, culture and tradition.

To some extent, all four integration treaties of the region (Treaty of Montevideo, Treaty of Managua, Cartagena Agreement and Chaguaramas Agreement) have failed to achieve the explicit targets set forth in them. This failure is largely due to:

(i) the weakening of real political support by member countries for the integration processes to which they belong. There are a number of reasons to which this loss of interest in upholding and implementing the traditional integration machinery may be ascribed. In the first place, there has been increasing discontent in the countries with a smaller potential capacity for taking advantage of the broader market resulting from mutual tariff cuts. Other factors are the situations of disagreement or conflict among neighbouring countries of the region, major internal political changes in some countries (sometimes with significant alterations in their policies on economic issues and on relations with the region and with the rest of the world) and the priority attached by some governments to the solution of pressing and serious national problems such as critical poverty, inflation, unemployment, the energy shortfalls and so forth, which they have attempted to tackle outside the integration processes;

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<sup>4/</sup> The only countries which do not participate in some regional integration grouping are Cuba, Haiti, Panama, the Dominican Republic and Suriname. However, all these countries are members of SELA.

/(ii) the

(ii) the pronounced differences in levels of development and in economic and political structures of the countries of the region, which hinder the possibility of finding simple integration machinery which will guarantee a balanced distribution of opportunities for sharing in the ensuing benefits. This heterogeneity not only is a real obstacle to the implementation of the conventional instruments of integration, but has been a permanent source of dissatisfaction for those countries which have not obtained the expected benefits;

(iii) the strong traditional links of the Latin American and Caribbean economies with the major industrialized centres, through the transnational corporations, foreign trade and links in the field of financing, technology, culture and other fundamental areas strongly oriented towards those centres, as well as the economic policies and styles of development also heavily committed to this form of insertion in the world economy. All this makes it difficult to carry out the necessary adjustment of national policies to attain the objectives of integration, be it strengthening the various kinds of relations involved in the process, or establishing suitable conditions which make integration possible through the harmonization of policies and instruments;

(iv) as a rule, the integration processes failed to become sufficiently deep-rooted to be included among the vital and permanent activities and interests of the population or concerns of senior government officials or public and private entrepreneurs; furthermore, integration has rarely been explicitly taken into account in the development plans and programmes of the countries or enterprises of the region; and

(v) as mentioned at the outset, the instability which has characterized the international scene in recent years may have caused some countries belonging to integration processes to seek the least restrictive conditions possible, and a high degree of liberty to adopt economic policies in keeping with the circumstances they have to tackle. In other words, the need for flexibility in integration arrangements has arisen forcefully, in contrast with the rigid deadlines and targets set forth in most of the integration treaties signed in the 1960s.

In the particular case of the Latin American Free Trade Association (LAFTA), the reaction to the inflexibility of the terms of the original protocol has been the adoption of a new treaty giving rise to the Latin American Integration Association (ALADI), which in spirit clearly aims at greater permissibility and a general absence of conditions and objectives with fixed deadlines.

Despite the tensions and moments of crisis experienced at different times and to varying degrees by the integration processes in recent years, there have at the same time been signs of progress, particularly in the possibilities of growth which integration has opened up for the countries' foreign trade, and in specific advances in the development of some instruments which assist intra-regional trade, such as financing facilities, the

/facilitation of

facilitation of transport, physical interconnexions among neighbouring countries, improved communication systems, adoption of standard tariff nomenclatures, the growth of personal contacts among foreign trade operators and others.

## 2. Development of trade and the effect of preferences

Intra-regional trade, measured by exports, grew elevenfold between the years 1960 and 1978, from US\$ 800 million to 8 400 million, while exports to the rest of the world increased during the same period almost sixfold, from US\$ 7 800 million to 44 600 million, so that the share of intra-regional trade in total trade increased from 8.7% to 15.8% during the same eighteen years. The most dynamic period for exports within the region was from 1970 to 1975, when they rose to 16.8% of total trade; but their growth rate declined appreciably in the next three years, particularly in 1978, and was lower than the relative growth of exports outside the region (see table 2).

Ninety per cent of intra-regional trade takes place within integration groupings, a fact which reflects the limited trade links existing among countries belonging to different integration areas. In addition, the LAFTA member countries accounted for nearly 70% of total intra-regional exports and 87% of the region's trade with the rest of the world (see table 3).

Manufactured goods accounted for 26.2% (US\$ 13 500 million) of total exports from Latin America and the Caribbean in 1978, and raw materials and other non-manufactured articles for 73.8% (US\$ 38 000 million). In 1970, the figures were 2 300 million (15.3%) and 12 400 million (84.7%), respectively. The rise in the share of manufactures in total exports was caused primarily by the dynamism of sales in markets outside the region, which rose from US\$ 1 500 million to US\$ 9 400 million between 1970 and 1978; and secondly, by intra-regional exports of manufactures, which rose from US\$ 800 million to 4 200 million in the same period. It should be stressed, furthermore, that in 1978 60.8% of trade within each integration grouping consisted of manufactured goods, which certainly helped to provide a significant springboard for the activities subsequently directed towards other markets (see tables 4 and 5).

As mentioned earlier, except in the last three years total intra-regional exports grew more rapidly than trade with the rest of the world in the period 1960-1978, after the implementation of the first integration processes in the region. The chief factors of this higher growth included: (i) mutual tariff preferences granted among member countries of each integration grouping; (ii) various trade facilitation mechanisms (financing, simplification of procedures, improved means of transport, etc.); (iii) improved export promotion policies; and (iv) the better knowledge and the trade links generated by the integration process itself.

Table 2

LATIN AMERICA AND THE CARIBBEAN: INTRA-REGIONAL AND  
EXTRAREGIONAL EXPORTS a/

	Intra-regional exports <u>a/</u>	Extraregional exports	Totals
A. <u>Millions of dollars</u>			
1960	752.6	7 865.1	8 617.7
1965	1 259.3	10 074.3	11 333.6
1970	1 963.1	13 521.8	15 484.9
1975	6 132.2	30 451.9	36 584.1
1978	8 403.8	44 634.1	53 037.9
B. <u>Percentages of cumulative annual growth</u>			
1960-1965	10.8	5.1	5.6
1965-1970	9.3	6.1	6.4
1970-1975	25.6	17.6	18.8
1975-1978	11.1	13.6	13.2
1960-1978	14.4	10.1	10.6

Sources: LAFTA: Statistical bulletins of the LAFTA Statistical Office.  
Andean Group: "Estadísticas de Comercio Externo de los países del Grupo Andino, 1969-1979", JUN/di 499.  
Central American Common Market (CACM): Data from "Integración en Cifras", SIECA, various issues.  
Caribbean Community (CARICOM): National sources of countries, "Economic Activity in Caribbean Countries", CEPAL Office for the Caribbean, and Digest of Foreign Trade Statistics of the CARICOM Secretariat.  
Latin America: International Monetary Fund (IMF), Direction of Trade, various issues.

a/ Includes total exports among the 11 countries members of LAFTA, five countries members of CACM, Barbados, Dominican Republic, Guyana, Haiti, Jamaica, Panama, Suriname and Trinidad and Tobago.

Table 3

LATIN AMERICAN AND CARIBBEAN INTEGRATION SYSTEMS: EXPORTS WITHIN  
EACH SYSTEM AND TOTALS FOR THE REGION, IN SELECTED YEARS

(Millions of current dollars, FOB, and percentages)

	1960	1965	1970	1975	1976	1977	1978
<b>LAPTA</b>							
Intrazonal	566.6	841.9	1 278.3	4 040.6	4 641.6	5 748.7	5 776.5
Totals	7 344.8	9 388.7	12 608.2	32 207.9	34 479.1	40 239.6	44 573.8
Percentages <u>a/</u>	7.7	9.0	10.1	12.5	13.5	14.3	13.0
<b>ANDEAN GROUP <u>b/</u></b>							
Intrasubregional	-	-	111.4	472.8	613.3	824.7	758.0
Totals	-	-	5 380.0	13 260.0	14 302.0	15 785.0	17 204.0
Percentages <u>a/</u>	-	-	2.1	3.6	4.3	5.2	4.4
<b>CACM</b>							
Intrazonal	30.9	132.8	286.2	541.3	653.1	789.2	860.7
Totals	444.2	762.5	1 098.0	2 213.3	2 999.0	4 091.5	3 756.7
Percentages <u>a/</u>	6.7	17.4	26.1	24.5	21.8	19.3	22.9
<b>CARICOM <u>c/</u></b>							
Intrazonal	...	...	82.0	324.0	323.0	318.0	314.0
Totals	...	...	1 057.0	3 161.0	3 345.0	3 406.0	3 402.6
Percentages <u>a/</u>	...	...	7.8	10.3	9.7	9.3	9.2
<b>LATIN AMERICA <u>d/</u></b>							
Intraregional	752.6	1 259.3	1 963.1	6 132.2	6 895.6	8 252.5	8 403.8
Totals	8 617.7	11 333.6	15 484.9	36 584.1	42 043.4	49 473.5	53 037.9
Percentage <u>e/</u>	8.7	11.1	12.7	16.8	16.4	16.7	15.8

Source: LAPTA: Statistical bulletins of the LAPTA Statistical Office.

ANDEAN GROUP: "Estadísticas de Comercio Exterior de los Países del Grupo Andino, 1969-1979", Jun/di 499.

CACM: Data from "Integración en Cifras", SIECA, various issues.

CARICOM: National sources of the individual countries; CEPAL, Caribbean Office, Economic Activity in Caribbean Countries, and CARICOM secretariat, Digest of Trade Statistics.

LATIN AMERICA: Data from "Direction of Trade", IMF, various issues.

a/ Intrazonal exports as percentages of total exports.

b/ Does not include Chile.

c/ Includes all countries members of CARICOM.

d/ Covers total trade among the 11 countries belonging to LAPTA, 5 belonging to CACM, Barbados, Dominican Republic, Guyana, Jamaica, Trinidad and Tobago, Haiti, Panama, and Suriname.

e/ Intraregional exports as a percentage of total exports.



Table 4

LATIN AMERICA AND THE CARIBBEAN: TOTAL EXPORTS AND EXPORTS OF MANUFACTURES OF THE FOUR INTEGRATION SYSTEMS <sup>a/</sup> BY PRINCIPAL PLACES OF DESTINATION, 1970, 1975 AND 1978

(Millions of current dollars, FOB)

	1970	1975	1978
<u>Totals</u>			
Within each system	1 616.5	4 797.9	6 844.7
To the rest of the world	13 068.7	32 651.3	44 689.8
<u>Total to the world</u>	<u>14 705.2</u>	<u>37 449.2</u>	<u>51 534.5</u>
<u>Manufactures</u>			
Within each system	809.2	2 518.3	4 159.4
To the rest of the world	1 462.6	4 236.3	9 358.2
<u>Total to the world</u>	<u>2 271.8</u>	<u>6 754.6</u>	<u>13 517.6</u>
<u>Other goods</u>			
Within each system	807.3	2 279.6	2 685.3
To the rest of the world	11 626.1	28 415.0	35 331.6
<u>Total to the world</u>	<u>12 433.4</u>	<u>30 694.6</u>	<u>38 016.9</u>

Source: CEPAL, on the basis of official statistics supplied by countries and statistical publications of the secretariats of the integration systems.

<sup>a/</sup> Covers the 11 countries belonging to LAFTA, 5 belonging to CACM and 4 to CARICOM. The countries of the Andean Group are included among the LAFTA countries.

Table 5  
 LATIN AMERICA<sup>a/</sup> AND THE CARIBBEAN: TOTAL EXPORTS AND EXPORTS OF MANUFACTURES<sup>b/</sup>  
 OF THE REGION AND OF EACH INTEGRATION SYSTEM, 1970, 1975 AND 1978  
 (Millions of current dollars, FOB)

	1970	1975	1978
<b>LATIN AMERICA</b>			
<u>Manufactures</u>			
Within each system	809.2	2 518.3	4 159.4
To the rest of the world	1 462.6	4 236.3	9 358.2
<u>Total to the world</u>	<u>2 271.8</u>	<u>6 754.6</u>	<u>13 517.6</u>
<u>Totals</u>			
Within each system	1 616.5	4 797.9	6 844.7
To the rest of the world	13 088.7	32 651.3	44 689.8
<u>Total to the world</u>	<u>14 705.2</u>	<u>37 449.2</u>	<u>51 534.5</u>
<u>Other goods</u>			
Within each system	807.3	2 279.6	2 685.3
To the rest of the world	12 433.4	30 694.6	38 016.9
<u>Total to the world</u>	<u>11 628.1</u>	<u>28 415.0</u>	<u>35 331.6<sup>c/</sup></u>
<b>LAFTA</b>			
<u>Manufactures</u>			
To LAFTA	542.3	1 960.9	3 247.2
To the rest of the world	1 137.4	3 582.3	8 629.7
<u>Total to the world</u>	<u>1 729.7</u>	<u>5 543.2</u>	<u>11 876.9</u>
<u>Totals</u>			
To LAFTA	1 278.3	4 040.4	5 776.5
To the rest of the world	11 329.9	28 167.5	38 797.3
<u>Total to the world</u>	<u>12 608.2</u>	<u>32 207.9</u>	<u>44 573.8</u>
<u>Share of manufactures</u>			
To LAFTA	42.4	48.5	56.2
To the rest of the world	10.5	12.7	22.2
<u>Total to the world</u>	<u>13.7</u>	<u>17.2</u>	<u>26.7</u>
<b>CACM</b>			
<u>Manufactures</u>			
To CACM	241.9	470.7	814.3 <sup>c/</sup>
To the rest of the world	49.1	143.7	185.7
<u>Total to the world</u>	<u>291.0</u>	<u>614.4</u>	<u>1 000.0<sup>c/</sup></u>
<u>Totals</u>			
To CACM	286.2	541.3	860.7 <sup>c/</sup>
To the rest of the world	811.8	1 672.0	2 896.0
<u>Total to the world</u>	<u>1 098.0</u>	<u>2 213.3</u>	<u>3 756.7</u>
<u>Share of manufactures</u>			
To CACM	84.5	87.0	94.6
To the rest of the world	6.1	8.6	6.4
<u>Total to the world</u>	<u>26.5</u>	<u>27.8</u>	<u>26.6</u>
<b>CARIBBEAN</b>			
<u>Manufactures</u>			
To the Caribbean	25.0 <sup>c/</sup>	86.7	97.9
To the rest of the world	226.1	510.3	542.8
<u>Total to the world</u>	<u>251.1</u>	<u>597.0</u>	<u>640.7</u>
<u>Totals</u>			
To the Caribbean	52.0	216.2	207.5
To the rest of the world	947.0	2 811.8	2 996.5
<u>Total to the world</u>	<u>999.0</u>	<u>3 028.0</u>	<u>3 204.0</u>
<u>Share of manufactures</u>			
To the Caribbean	48.1	40.1	47.2
To the rest of the world	23.9	18.2	18.1
<u>Total to the world</u>	<u>25.1</u>	<u>19.7</u>	<u>20.0</u>

Source: CEPAL, on the basis of official statistics supplied by countries and the secretariats of the integration systems. The countries of the Andean Group are included under LAFTA.

a/ Latin America includes 20 countries: 11 belonging to LAFTA, 5 to CACM and 4 to the Caribbean.

b/ Manufactures according to the International Standard Industrial Classification of all Economic Activities (ISIC), Series M, No 4, Rev.1.

c/ Figures partially estimated.

A recent study by the Inter-American Development Bank and the Institute for Latin American Integration <sup>5/</sup> on the effect of tariff margins of preference on trade within LAFTA confirms that they play a significant part in the generation of trade. Thus, in a representative sample of 80% of the trade in products negotiated within LAFTA in the period 1960-1978, it was found that in 61% of cases the margin of preference was an influential element in the decision to purchase in the countries enjoying the tariff concessions; this effect increased with margins of over 10%, and was greater in the case of manufactured products than for commodities. This suggests that mutual tariff cutbacks among member countries of the integration grouping continues to be one of the main instruments for the generation of trade, although they should be supplemented by other economic policy measures to have their full effect. This is further shown in particular cases, such as the trade agreements between Argentina and Uruguay and between Brazil and Uruguay, where tariff preferences have been a determining factor in the growth of exports (particularly from Uruguay, a country which has enjoyed more favourable treatment).<sup>6/</sup>

## B. THE INTEGRATION GROUPINGS

### 1. The Latin American Integration Association (ALADI)

#### (a) The growth and structure of the trade of the LAFTA countries <sup>7/</sup>

Ever since LAFTA was set up, trade within the area has grown more rapidly than sales to the rest of the world, except in 1978, so that the relative importance of this market for the contracting parties almost doubled, rising from 6.7% in 1961 to 12.9% in 1978 (see table 3). However, for Argentina, Bolivia, Chile, Paraguay and Uruguay, exports to LAFTA countries represented in 1978 between 23% and 29% of their total exports, while for Mexico and Venezuela (the two biggest oil-exporters of the region) this proportion was less than 8%, as may be seen in table 6.

In addition, exports of manufactures within the area have become the most important line of trade among LAFTA countries, and follow a sharply rising trend; on the other hand, exports of manufactures to countries outside the area have amounted to only 22% (see figure 1). In five countries, manufactured goods accounted for more than 55% of total area sales: Argentina (55.2%), Brazil (78.3%), Colombia (52.1%), Mexico (92%) and Uruguay (55.4%); and these

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<sup>5/</sup> IDB/INTAL, "El margen de preferencia arancelario y sus efectos en el comercio intra-ALALC: un estudio empírico", Buenos Aires, August 1980.

<sup>6/</sup> The results of these agreements are analysed in detail in chapter III below.

<sup>7/</sup> LAFTA's transformation into ALADI took place only in mid-1980, and therefore the trade figures refer solely to the LAFTA period.

Table 6

LAFTA: PATTERN OF EXPORTS TO THE WORLD AND OF INTRAZONAL EXPORTS, BY COUNTRY, 1978

(Millions of current dollars, FOB, and percentages)

		Exports to the world				Intrazonal exports			
		Total goods	Manu- factures a/b/	Non-manu- factured products <sup>c/</sup>	Fuels d/	Total goods	Manu- factures a/b/	Non-manu- factured products <sup>c/</sup>	Fuels d/
LAFTA	Value	45 478.7	11 876.9 <sup>e/</sup>	21 790.4	11 811.4 <sup>e/</sup>	5 857.9 <sup>e/</sup>	3 258.7 <sup>e/</sup>	1 854.8 <sup>e/</sup>	744.4 <sup>e/</sup>
	Percentage	100.0	26.1	47.9	26.0	100.0	55.0	31.7	12.7
Argentina	Value	6 476.0	2 255.9	4 170.1	50.0	1 512.9	835.5	661.5	15.9
	Percentage	100.0	34.8	64.4	0.8	100.0	55.2	43.7	1.1
Bolivia	Value	720.2	40.0	637.9	42.3	193.9 <sup>e/</sup>	13.5 <sup>e/</sup>	70.5	109.9 <sup>e/</sup>
	Percentage	100.0	5.6	88.5	5.9	100.0	7.0	36.3	56.7
Brazil	Value	12 658.9	5 660.1	6 805.8	193.0	1 619.3	1 268.5	255.8	95.0
	Percentage	100.0	44.7	53.8	1.5	100.0	78.3	15.8	5.9
Colombia	Value	2 857.5	485.9	2 286.0	85.6	299.3	186.0	113.0	0.3
	Percentage	100.0	17.0	80.0	3.0	100.0	62.1	37.8	0.1
Chile	Value	2 416.0	469.7	1 937.4	8.9	605.6	255.3	348.6	1.7
	Percentage	100.0	19.4	80.2	0.4	100.0	42.2	57.6	0.3
Ecuador	Value	1 557.5	288.2	550.9	718.4	229.0	87.2	29.8	112.0
	Percentage	100.0	18.5	35.4	46.1	100.0	38.1	13.0	48.9
Mexico	Value	5 808.1	1 990.0 <sup>e/</sup>	2 024.9	1 793.2	380.5	350.0 <sup>e/</sup>	28.5	2.0 <sup>e/</sup>
	Percentage	100.0	34.2	34.9	30.9	100.0	92.0	7.5	0.5
Paraguay	Value	292.0	65.8	226.2	-	66.8	36.2	30.6	-
	Percentage	100.0	22.5	77.5	-	100.0	54.2	45.8	-
Peru	Value	2 718.3	135.0 <sup>e/</sup>	2 403.3	180.0	320.8 <sup>e/</sup>	93.0 <sup>e/</sup>	217.8	10.0
	Percentage	100.0	5.0	88.4	6.6	100.0	29.0	67.9	3.1
Uruguay	Value	681.9	311.4	370.5	-	191.9	106.4	85.5	-
	Percentage	100.0	45.7	54.3	-	100.0	55.4	44.5	-
Venezuela	Value	9 292.3	174.9	377.4	8 740.0 <sup>e/</sup>	437.9 <sup>e/</sup>	27.1	13.2	397.6
	Percentage	100.0	1.9	4.1	94.0	100.0	6.2	3.0	90.8

Source: CEPAL, on the basis of official figures; LAFTA, Foreign Trade-Exports statistics, Series A.

a/ Manufactures are classified by industrial origin in accordance with ISIC/Rev.2.

b/ Manufactures do not include partially refined petroleum, petroleum derivatives or non-ferrous metals.

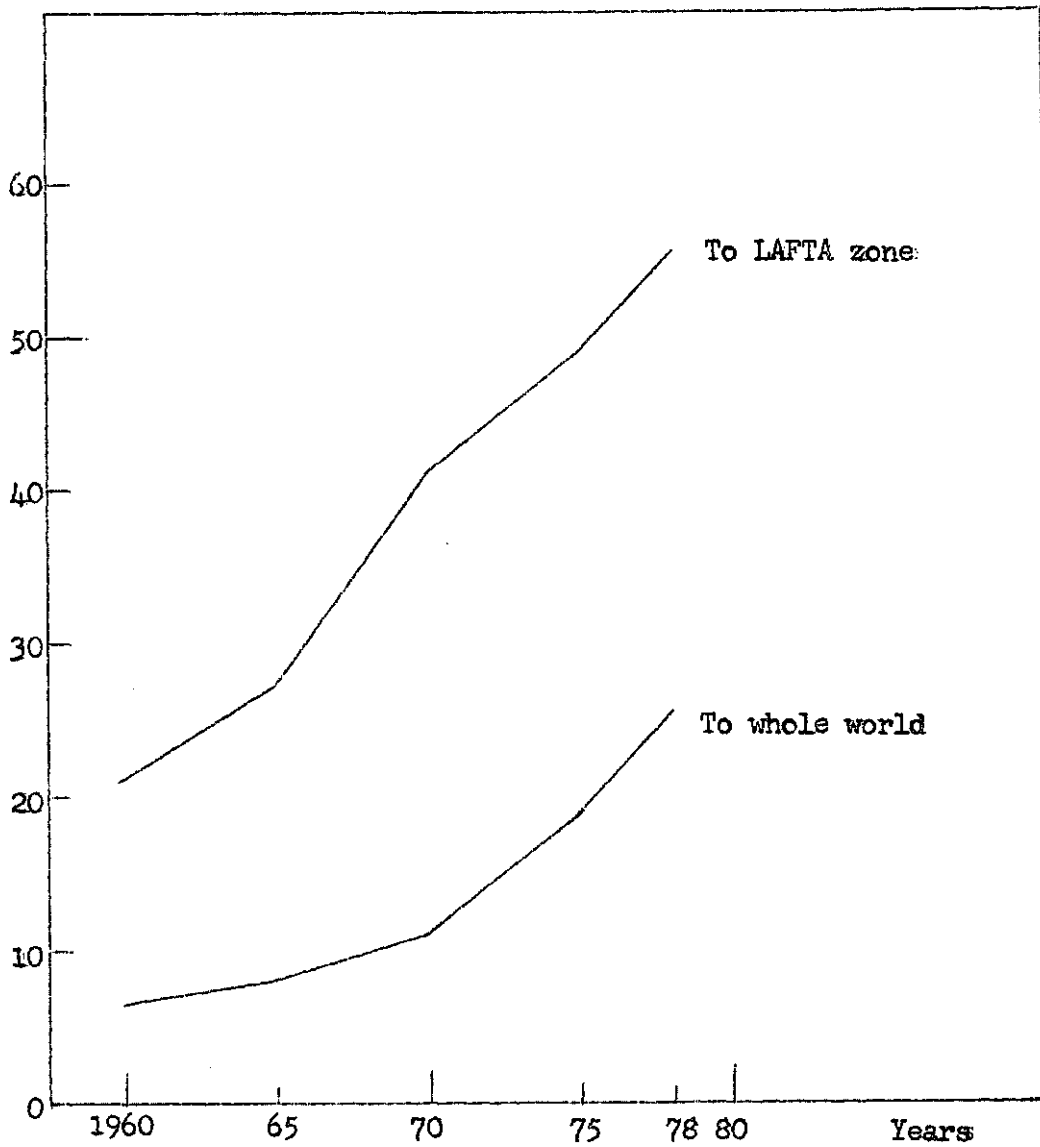
c/ Non-manufactured products do not include fuels.

d/ Fuels include crude oil, partially refined petroleum and petroleum derivatives.

e/ Estimated figures.

Figure 1

LATIN AMERICAN FREE TRADE ASSOCIATION (LAFTA)  
EXPORTS OF MANUFACTURES AS A PROPORTION OF TOTAL EXPORTS  
TO WHOLE WORLD AND TO LAFTA ZONE  
(per cent)



/countries, with

countries, with the exception of Colombia, have the highest proportions of manufacturing exports to the rest of the world - Argentina and Mexico about 30%, and Brazil and Uruguay about 40% (see tables 6 to 11).

With regard to the structure of manufacturing exports within the area and to the rest of the world, the concentration in the metal manufactures and machinery and the basic iron and steel industries is striking. These products account for half of total manufacturing exports within the area and one third of exports to the rest of the world (see table 7).

In sum, the conclusion may be drawn that the LAFTA market has provided strong support for the growth of total exports of the contracting parties, in some cases including manufactures of advanced technology, and for countries of varying size which have been able to take advantage of area preferences.

(b) The transformation of LAFTA into ALADI

In the course of the period 1979-1980 the activities of LAFTA were concentrated almost exclusively on the negotiations to bring about the materialization of the reorganization pursued during the lengthy period of attempts which officially began in 1974 with the collective negotiations of the Contracting Parties of the Montevideo Treaty of 1960.

The validity of the Treaty, the objective of which was the progressive establishment of a free trade area among the member countries, set in motion a programme of trade liberalization by means of a selective annual tariff reduction of a specific percentage of this trade so as to achieve the free trade area at the end of 12 years; this deadline was subsequently extended to twenty years by the Caracas Protocol signed at the end of 1969.

During the first five years of existence of LAFTA, the successive annual negotiations resulted in a considerable number of trade preferences, when steps were taken to cut tariffs and other duties with similar effects, reduce non-tariff restrictions and grant other advantages, aimed at promoting area trade in products which were the object of concessions granted by member countries, in order to carry out the commitments established by the liberalization programme.

Subsequently, some of the participants began to manifest their dissatisfaction with increasing persistence. This was accentuated as from 1967 on the part of various medium-sized countries with some support from the smallest countries; they disagreed with the distribution of the results of the implementation of the Treaty, which they attributed to the nature of the machinery used and the lack of corrective measures to achieve equal results for all.

With the persistence of this situation with no major changes, there was increased unwillingness to continue negotiating in order actually to implement the objectives established, and little by little the most dissatisfied members sought for an answer through subregionalization which would satisfy their aspirations. The signing of the Cartagena Agreement and its subsequent implementation marked the formal split in 1969 in the global system conceived of in the 1960 Treaty.

Table 7

LAFTA: VALUE AND SHARE OF EXPORTS TO THE WORLD AND OF INTRAZONAL EXPORTS, BY COUNTRY, 1961

(Millions of current dollars, FOB, and percentages)

		Exports to the world				Intrazonal exports			
		Total goods	Total manufactures <sup>a/b/</sup>	Non-manufactured products <sup>c/</sup>	Fuels <sup>d/</sup>	Total goods	Total manufactures <sup>a/b/</sup>	Non-manufactured products <sup>c/</sup>	Fuels <sup>d/</sup>
LAFTA	Value	7 269.9	511.9	4 941.7	2 266.3	487.5	112.0	212.2	163.3
	Percentage	100.0	7.0	61.8	31.2	100.0	23.0	43.5	33.5
Argentina	Value	964.1	132.0	831.6	0.5	112.3	21.9	90.2	0.2
	Percentage	100.0	13.7	86.3	-	100.0	19.5	80.3	0.2
Bolivia	Value	76.1	3.7	70.3	2.1	5.5	1.2	2.4	1.9
	Percentage	100.0	4.8	92.4	2.8	100.0	21.8	43.6	34.6
Brazil	Value	1 402.4	139.3	1 239.8	23.3	97.2	45.2	52.0	-
	Percentage	100.0	9.9	88.4	1.7	100.0	46.5	53.5	-
Colombia	Value	434.5	10.3	418.2	6.0	7.4	2.5	1.7	3.2
	Percentage	100.0	2.4	96.2	1.4	100.0	33.8	23.0	43.2
Chile	Value	508.2	36.3	471.8	0.1	37.8	25.5	12.2	0.1
	Percentage	100.0	7.2	92.8	-	100.0	67.4	32.3	0.3
Ecuador	Value	87.2	3.4	83.7	-	7.5	1.1	6.4	-
	Percentage	100.0	4.0	96.0	-	100.0	14.7	85.3	-
Mexico	Value	684.6	124.8	533.4	26.4	11.0	6.2	4.8	-
	Percentage	100.0	18.2	77.9	3.9	100.0	56.4	43.6	-
Paraguay	Value	30.7	14.2	16.5	-	9.9	2.1	7.8	-
	Percentage	100.0	46.2	53.8	-	100.0	21.2	78.8	-
Peru	Value	494.3	11.7	468.2	14.4	33.0	2.8	24.6	5.6
	Percentage	100.0	2.4	94.7	2.9	100.0	8.4	74.6	17.0
Uruguay	Value	174.7	18.6	156.1	-	5.1	3.2	1.9	-
	Percentage	100.0	10.6	89.4	-	100.0	62.7	37.3	-
Venezuela	Value	2 413.1	17.5	202.1	2 193.5	160.8	0.3	8.2	152.3
	Percentage	100.0	0.7	8.4	90.9	100.0	0.2	5.1	94.7

Source: CEPAL, on the basis of official figures; LAFTA, Foreign Trade-Exports statistics, Series A.

a/ Manufactures were classified by industrial origin in accordance with ISIC/Rev.2.

b/ Manufactures do not include partially refined petroleum, petroleum derivatives or non-ferrous metals.

c/ Non-manufactured products do not include fuels.

d/ Fuels include crude oil, partially refined petroleum and petroleum derivatives.

Table 8

LAFTA: VALUE AND SHARE OF EXPORTS TO THE WORLD AND OF INTRAZONAL EXPORTS, BY COUNTRY, 1965

(Millions of current dollars, FOB, and percentages)

		Exports to the world				Intrazonal exports			
		Total goods	Total manufactures <sup>a/b/</sup>	Non-manufactured products <sup>c/</sup>	Fuels <sup>d/</sup>	Total goods	Total manufactures <sup>a/b/</sup>	Non-manufactured products <sup>c/</sup>	Fuels <sup>d/</sup>
LAFTA	Value	9 385.7	734.2	6 878.8	1 772.7	841.6	229.3	455.5	156.8
	Percentage	100.0	7.8	73.3	18.9	100.0	27.3	54.1	18.6
Argentina	Value	1 493.5	144.3	1 340.1	9.1	246.6	45.2	201.2	0.2
	Percentage	100.0	9.7	89.7	0.6	100.0	18.3	81.6	0.1
Bolivia	Value	131.8	5.5	125.6	0.7	3.5	0.7	2.1	0.7
	Percentage	100.0	4.2	95.3	0.5	100.0	20.0	60.0	20.0
Brazil	Value	1 595.5	236.5	1 359.0	-	201.7	107.4	94.3	-
	Percentage	100.0	14.8	85.2	-	100.0	53.2	46.8	-
Colombia	Value	539.2	38.3	492.6	8.3	20.0	11.0	7.0	2.0
	Percentage	100.0	7.1	91.4	1.5	100.0	55.0	35.0	10.0
Chile	Value	680.1	33.5	646.6	-	56.4	19.6	36.8	-
	Percentage	100.0	4.9	95.1	-	100.0	34.7	65.3	-
Ecuador	Value	131.9	5.4	124.4	2.1	13.5	2.3	9.1	2.1
	Percentage	100.0	4.1	94.3	1.6	100.0	17.0	67.4	15.6
Mexico	Value	999.3	183.1	725.9	90.3	44.0	29.0	15.0	-
	Percentage	100.0	18.3	72.7	9.0	100.0	65.9	34.1	-
Paraguay	Value	57.3	23.1	34.2	-	17.6	3.9	13.7	-
	Percentage	100.0	40.3	59.7	-	100.0	22.2	77.8	-
Peru	Value	666.2	10.1	646.8	9.3	61.8	1.6	55.8	4.4
	Percentage	100.0	1.5	97.1	1.4	100.0	2.6	90.3	7.1
Uruguay	Value	196.3	11.8	184.5	-	15.6	2.2	13.4	-
	Percentage	100.0	6.0	94.0	-	100.0	14.1	85.9	-
Venezuela	Value	2 894.6	42.6	1 999.1	1 652.9	160.9	6.4	7.1	147.4
	Percentage	100.0	1.5	41.4	57.1	100.0	4.0	4.4	91.6

Source: CEPAL, on the basis of official figures; LAFTA, Foreign Trade-Exports statistics, Series A.

<sup>a/</sup> Manufactures are classified by industrial origin in accordance with ISIC/Rev.2.

<sup>b/</sup> Manufactures do not include partially refined petroleum, petroleum derivatives or non-ferrous metals.

<sup>c/</sup> Non-manufactured products do not include fuels.

<sup>d/</sup> Fuels include crude oil, partially refined petroleum and petroleum derivatives.



Table 9

LAFITA: VALUE AND SHARE OF EXPORTS TO THE WORLD AND OF INTRAZONAL EXPORTS, BY COUNTRY, 1970

(Millions of current dollars, FOB, and percentages)

		Exports to the world				Intrazonal exports			
		Total goods	Total manufactures <sup>a/b/</sup>	Non-manufactured products <sup>c/</sup>	Fuels <sup>d/</sup>	Total goods	Total manufactures <sup>a/b/</sup>	Non-manufactured products <sup>c/</sup>	Fuels <sup>d/</sup>
LAFTA	Value	12 611.1	1 729.7	7 850.7	3 030.7	1 278.3	542.3	616.4	119.6
	Percentage	100.0	13.7	62.2	24.1	100.0	42.4	48.2	9.4
Argentina	Value	1 773.3	420.3	1 345.7	7.3	365.8	139.0	222.3	4.5
	Percentage	100.0	23.7	75.9	0.4	100.0	38.0	60.8	1.2
Bolivia	Value	229.2	8.7	210.3	10.2	22.1	0.8	11.1	10.2
	Percentage	100.0	3.8	91.8	4.4	100.0	3.6	50.2	46.2
Brazil	Value	2 739.0	580.0	2 143.7	15.3	303.0	197.7	103.3	2.0
	Percentage	100.0	21.1	78.3	0.6	100.0	65.2	34.1	0.7
Colombia	Value	735.7	64.7	598.0	73.0	82.1	21.6	31.7	28.8
	Percentage	100.0	8.8	81.3	9.9	100.0	26.3	38.6	35.1
Chile	Value	1 228.3	86.9	1 141.4	-	137.9	61.7	76.2	-
	Percentage	100.0	7.1	92.9	-	100.0	44.7	55.3	-
Ecuador	Value	189.9	8.6	180.4	0.9	20.1	5.5	13.8	0.8
	Percentage	100.0	4.5	95.0	0.5	100.0	27.3	68.7	4.0
Mexico	Value	1 174.9	444.0	699.8	31.1	92.6	72.2	20.2	0.2
	Percentage	100.0	37.7	59.6	2.7	100.0	78.0	21.8	0.2
Paraguay	Value	64.0	25.5	38.5	-	24.7	9.8	14.9	-
	Percentage	100.0	39.8	60.2	-	100.0	39.7	60.3	-
Peru	Value	1 047.8	19.3	1 021.0	7.5	63.5	7.7	54.7	1.1
	Percentage	100.0	1.8	97.5	0.7	100.0	12.1	86.2	1.7
Uruguay	Value	224.1	39.2	184.9	-	29.2	10.9	18.3	-
	Percentage	100.0	17.5	82.5	-	100.0	37.3	62.7	-
Venezuela	Value	3 204.9	32.5	287.0	2 885.4	137.3	15.4	49.9	72.0
	Percentage	100.0	1.0	9.0	90.0	100.0	11.2	36.3	52.5

Source: CEPAL, on the basis of official figures; LAFTA, Foreign Trade-Exports statistics, Series A.

a/ Manufactures are classified by industrial origin in accordance with ISIC/Rev.2.

b/ Manufactures do not include partially refined petroleum, petroleum derivatives or non-ferrous metals.

c/ Non-manufactured products do not include fuels.

d/ Fuels include crude oil, partially refined petroleum and petroleum derivatives.

Table 10

LAFTA: VALUE AND SHARE OF EXPORTS TO THE WORLD AND OF INTRAZONAL EXPORTS, BY COUNTRY, 1975

(Millions of current dollars, FOB, and percentages)

		Exports to the world				Intrazonal exports			
		Total goods	Total manufactures <u>a/ b/</u>	Non-manufactured products <u>c/</u>	Fuels <u>d/</u>	Total goods	Total manufactures <u>a/ b/</u>	Non-manufactured products <u>c/</u>	Fuels <u>d/</u>
LAFTA	Value	30 574.2	5 543.2	15 099.1	9 931.9 <u>e/</u>	4 040.4	1 960.9	1 413.9	665.6
	Percentage	100.0	18.1	49.4	32.5	100.0	48.5	35.0	16.5
Argentina	Value	2 961.2	929.5	2 018.3	13.4	755.5	428.6	321.4	5.5
	Percentage	100.0	31.4	68.2	0.4	100.0	56.7	42.6	0.7
Bolivia	Value	530.1	28.3	390.3	111.5	184.9	10.1	86.7	88.1
	Percentage	100.0	5.3	73.6	21.0	100.0	5.6	46.9	47.7
Brazil	Value	8 669.3	2 724.7	5 674.2	270.4	1 197.5	851.6	274.6	71.3
	Percentage	100.0	31.4	65.5	3.1	100.0	71.1	22.9	6.0
Colombia	Value	1 465.2	322.7	1 040.0	102.5	233.0	121.5	110.3	1.2
	Percentage	100.0	22.0	71.0	7.0	100.0	52.2	47.3	0.5
Chile	Value	1 661.3	266.5	1 388.7	6.1	389.6	197.7	188.3	3.6
	Percentage	100.0	16.0	83.6	0.4	100.0	50.8	48.3	0.9
Ecuador	Value	973.9	60.5	325.4	588.0	231.0	39.8	29.7	161.5
	Percentage	100.0	6.2	33.4	60.4	100.0	17.2	12.9	69.9
Mexico	Value	3 464.0	864.2	2 134.8	465.0	283.3	171.7	106.9	4.7
	Percentage	100.0	25.0	61.6	13.4	100.0	60.6	37.7	1.7
Paraguay	Value	174.1	72.4	101.7	-	62.3	38.3	24.0	-
	Percentage	100.0	41.6	58.4	-	100.0	61.5	38.5	-
Peru	Value	1 314.6	46.3	1 247.2	21.1	216.8	20.5	182.8	13.5
	Percentage	100.0	4.1	94.9	1.6	100.0	9.5	84.3	6.2
Uruguay	Value	384.9	126.6	256.4	1.9	109.7	55.4	52.4	1.9
	Percentage	100.0	32.9	66.6	0.5	100.0	50.5	47.8	1.7
Venezuela	Value	8 975.6	101.5	522.1	8 352.0 <u>e/</u>	376.8	25.7	36.8	314.3
	Percentage	100.0	1.1	5.9	93.0	100.0	6.8	9.8	83.4

Source: CEPAL, on the basis of official figures; LAFTA, Foreign Trade-Exports statistics, Series A.

a/ Manufactures are classified by industrial origin in accordance with ISIC/Rev. 2.

b/ Manufactures do not include partially refined petroleum, petroleum derivatives or non-ferrous metals.

c/ Non-manufactured products do not include fuels.

d/ Fuels include crude oil, partially refined petroleum and petroleum derivatives.

e/ Estimated figures.

Table 11

LAFTA: PATTERN OF INTRAZONAL AND EXTRAZONAL EXPORTS OF MANUFACTURES, IN SELECTED YEARS BETWEEN 1961 AND 1978

(Percentages and values in millions of dollars, FOB)

	Intrazonal					Extrazonal				
	1961	1965	1970	1975	1978	1961	1965	1970	1975	1978
<u>Industrial groupings</u>										
Food, beverages and tobacco industry	12.9	6.6	7.5	7.1	8.3	40.4	29.5	27.7	19.2	22.9
Chemical and plastic products industry	14.7	16.6	13.7	14.2	13.3	27.8	27.3	15.9	12.5	8.5
Textiles and articles of clothing	1.3	2.9	2.1	5.4	7.2	10.4	9.8	8.7	15.0	11.1
Leather and footwear industries	0.1	0.2	0.1	0.4	1.4	1.9	3.8	8.2	10.5	9.8
Paper and paper products	5.3	6.4	7.6	5.2	4.8	0.6	0.8	0.9	1.8	2.5
Basic iron and steel and metal products industries	13.8	24.6	18.9	11.1	10.4	3.1	7.9	10.1	6.4	9.7
Non-electrical machinery	4.1	7.5	18.3	20.5	18.8	1.8	2.7	5.9	10.6	8.1
Electrical machinery	2.9	3.8	5.1	6.9	6.5	0.4	1.6	4.7	4.0	3.9
Transport equipment	4.8	3.5	4.0	12.6	12.3	1.9	1.0	2.9	8.7	11.0
Other manufactured products	40.0	27.9	22.7	16.6	16.9	11.7	15.6	14.9	11.2	12.5
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Total value (millions of dollars)	112.0	229.3	542.3	1 960.9	3 258.7	399.9	504.9	1 187.4	3 582.3	8 618.2

Source: CEPAL, on the basis of official statistics; LAFTA, Foreign Trade-Exports statistics, Series A; LAFTA, Permanent Executive Committee, foreign-trade bulletins and yearbooks.

/The signing

The signing of the Caracas Protocol, in December of that year, lengthened the period of transition anticipated for the constitution of the free trade area, and in addition to reducing the quantitative annual goals for tariff cuts, laid the bases for the start of collective negotiations among the Contracting Parties with the view to adapting the Treaty to a new stage of economic integration. This undertaking was now considered advisable in view of the failure to carry out the commitments originally established and the setting up of a subregional grouping with different machinery and goals within its own framework of preferences.

The collective negotiations began in 1974 and continued in 1975, running out before the Parties succeeded in deciding on the operational readjustment and the institutional reorganization which they had set themselves.

As a result, however, the generalized aspiration remained of expediting the operational machinery of the process begun and eliminating as far as possible the quantitative goals and the deadlines established for achieving the final shared objectives (aimed at the constitution in the long term of a Latin American common market). Initiatives were analysed for fomenting partial agreements between groups or pairs of countries, and limiting the Association's immediate objectives to an area of trade preferences. The different forms of treatment depending on the relative economic potential were the motive for long discussions, and as well as treatment as regards concerted action in favour of the less developed countries, opened the way to reaching the planned restructuring in a new stage of negotiations.

(c) The Montevideo Treaty of 1980

This level of negotiation began in 1979 and culminated in August 1980 with the signing of the new Treaty to constitute the Latin American Integration Association (ALADI), the prolongation of the span of LAFTA, and the real heir of its historical, economic and legal heritage, which contains the results of 20 years of common activity of its members. This stockpile of activity contains trade preferences, financial agreements and studies for the instrumental harmonization and facilitation of exchange operations, elements which have built up a certain functional community of support and which in addition to the set of relations generated in the region's economic and financial activities constitute a very valuable capital for the future development of regional co-operation and integration.

The Montevideo Treaty of 1980 leaves behind the specific objective of setting up a free trade area and endorses the elimination of the commitments which could constitute ties to quantitative and temporal goals. At the same time it opens the way to the concertation of a varied range of partial activities between pairs and groups of countries, considering that this is the means of facilitating the introduction of a dynamic element into the economic integration of the member countries in the circumstances typical of the situation of the region.

/The explicit

The explicit immediate objectives are the promotion and regulation of trade, economic complementarity and the development of co-operation activities which will assist in expanding the markets. Bearing in mind that the main element of impetus is constituted by partial activities, in line with the patterns of flexibility adopted in order to leave space for very different and varied forms of agreement among the member countries, convergence was put forward as the main guiding principle, defining it as the progressive multilateralization of the partial scope agreements, for the purpose of which periodic negotiations (triennial) will be held for the gradual or progressive establishment of a Latin American common market which is the long-term objective indicated.

Specifically, the new Treaty formally institutes an area of economic preferences by means of regional tariff preferences and agreements of regional or partial scope.

The tariff preference constitutes the multilateral link expressly stipulated. Initially it will be of a "minimum" nature, and it is estimated that it will hardly be valid as an element to generate trade at the beginning, although it is susceptible of further investigation through multilateral negotiations, and in this case of gradually gaining efficiency to the benefit of the multilateral consolidation of the emerging ALADI.

As regards the agreements of a regional nature, the Treaty limits itself to indicating that they are those in which all the member countries take part, and simply adds that they may refer to the material and include the instruments anticipated for the agreements of a partial nature.

The last-mentioned - the agreements of a partial nature - are intended to regulate duties and liabilities which will exist exclusively for the member countries which sign them or adhere to them. It is anticipated that they will refer to commerce, economic complementarity, agriculture, trade promotion or other matters (scientific and technological co-operation, conservation of the environment, tourism, etc.). They are open to accession by non-participant member countries, following negotiations; they will contain clauses which foster convergence, differentiated treatment in terms of the three categories of countries recognized, and negotiation procedures for their periodic revision at the request of any member country which considers itself injured.

These agreements, the establishment of which is obviously optional and open to the wishes of the Parties to reach an agreement in a bilateral or plurilateral form (by groups of more than two countries, but without including all those which are members of the Association), offer a practically unlimited field for negotiation, and bilateral initiatives can already be observed, in some cases aimed at establishing open competitive systems for trade and in other cases for facilitating complementarity and even taking advantage of existing opportunities in the short term for trade in products showing surpluses or deficits through limited concessions (temporary, subject to quotas).

The machinery instituted in the new scheme is basically completed by the establishment of a support system for the relatively less developed countries, the admission of differentiated treatment in terms of the three established categories of countries, according to their level of development, and possible links with other countries and integration schemes in Latin America, with extra-regional areas of integration or with other developing countries.

Activities in favour of the relatively less developed countries should be implemented through the openness of the markets of the member countries and agreements and programmes of other specific forms of co-operation which will be carried out through regional or partial agreements. As technical support, the creation of an economic promotion unit is anticipated within the secretariat of the Association, with resources allocated from the budget of ALADI itself, which it will be endeavoured to increase with extrabudgetary contributions.

The differentiated treatment will have to be implemented in the different operational machinery of the new integration system and should benefit the relatively less developed countries and also, to a lesser extent, the countries at an intermediate stage of development.

Convergence and co-operation with other countries and areas of integration of Latin America is open as a possibility, either for the possible establishment of a Latin American tariff preference, or in order for the member countries to negotiate partial agreements with them, in accordance with the norms established in the Treaty and without in this case the most-favoured-nation clause benefiting the other member countries of the Association.

The link with other extra-regional integration schemes is considered feasible through ALADI's participation in international horizontal co-operation programmes, and, as in the preceding case, through partial agreements which may be established by member countries, also without applying the most-favoured-nation clause, except for the relatively less developed countries - for the benefit of which it is applied - and for products already negotiated in partial agreements with other members, which are for this purpose subject to a declaration of compatibility.

(d) The instruments and historical heritage of ALADI

The economic preferences which the new Treaty institutes consist of the following components: (i) the trade preferences resulting from the renegotiation of those agreed upon by member countries under the liberalization programme of LAFTA, contained in national lists, the lists of non-extensive advantages and the complementarity agreements; (ii) the regional tariff preference, and (iii) the trade and other preferences which the member countries may negotiate in the partial or regional agreements which they may reach pursuant to the provisions of the new Treaty.

/The renegotiation

The renegotiation of the concessions agreed upon in the operational framework of LAFTA, as regulated by the relevant resolution of the Council of Foreign Ministers, constitutes a source of trade preferences, many of them operational, incorporated into the new integration scheme, following the updating and weeding out of earlier concessions.

The criteria and procedures established by the Council to regulate the transfer of preferences were adopted with the aim of strengthening and balancing trade flows in line with the different economic policies. It was also endeavoured to facilitate the consolidation of the regional and subregional integration process of the Contracting Parties, and as far as possible take measures for the special situation of certain particularly important or critical products.

The negotiation, carried out bilaterally or plurilaterally, will be formalized after a joint evaluation in order to conserve the interests of all the Contracting Parties and procure the negotiated extension of concessions to all of them, within partial agreements similar to those instituted as the main driving force of ALADI. Should the multilateralization of the concessions be achieved, their implementation must take place through regional-type agreements with the participation of all member countries.

At the same time as the process of negotiation of what has been termed LAFTA's historical heritage is taking place, some member countries which are to be found among the most decided proponents of the new integration scheme are carrying out negotiations, initially bilateral, in order to arrive at the first partial agreements of ALADI. This is the case of Argentina and Uruguay, which have decided to pursue the regulation of their trade links through a framework agreement in order to arrive at the gradual and progressive constitution of a free trade area; this initiative has motivated the interest of other member countries, and this opens up the possibility of expanding the geographical context and the economic importance of the initial project.

These facts enable it to be seen how the use of the machinery adopted in the Montevideo Treaty of 1980 is developing.

As has already been said, the regional tariff preference will have great difficulty in achieving significant commercial efficiency in the early years of the new Association; the increase in its margins is included among the express undertakings of the triennial negotiations of the Conference on Evaluation and Convergence, which is responsible for the dynamism of the integration process and progress in its multilateralization.

An official channel thus exists for the progressive intensification, on the basis of collective negotiation not subject to quantitative goals or strict terms, for the global obligations of the Contracting Parties within the functional machinery of ALADI. Its first stage will be the negotiation of the regional tariff preference, in line with the provisions of resolution 5 of the Council of Foreign Ministers, which established the basic norms,

/without setting

without setting a starting date for the validity of the preference, although it may be assumed that this will take place in the course of 1981, during the first six months of the new Association's activities.

For the implementation of the new integration scheme the partial agreements will constitute the main instrument at the service of the negotiating activity of the member countries. These agreements are considered by all countries as the flexible base required for the dynamic advance of the scheme, particularly in view of the structural differences, and the diversity in the orientation and implementation of national economic policies and the manifest desire to benefit the development of the subregional and binational associations among neighbouring countries and areas of relative homogeneity. As conceived and regulated, they offer a practically unlimited field of action for expanding economic relations in the development of co-operation between pairs and groups of countries. This freedom of action is broad enough to be suitable for a varied range of co-operative activities and initiatives, nearly always bilateral, which to date have been agreed upon outside the Association, to begin to be incorporated into the new integration scheme as part of the content of the partial agreements.

This type of agreement also opens up possibilities for the selective, progressive and balanced linking up of the subregional Andean agreement within the global context of ALADI, either by using sectoral complementarity agreements which are negotiated alongside the sectoral programmes of the subregional organization, or through other multipurpose agreements with more complex structures, the object of which is to regulate economic interests between the group of the Andean countries and one or more of the other member countries.

As regards the content of the agreements, the forms outlined and the latitude for exploring other different agreements eliminate all the obstacles which might have existed to reaching bilateral and plurinational agreements among the parties.

The partial agreements cover practically all the entire conceivable spectrum and constitute a flexible and practical instrument to boost the dynamizing of the process without subjecting it to a single programme of preestablished advances, as the Contracting Parties decided at the political level.

This operational split, accepted as the result of the regional situation and the experience within LAFTA, will certainly characterize the initial stage of ALADI's existence and will condition its subsequent evolution. But this should not necessarily involve rejecting the idea of boosting the joint progress of integration as a valuable objective for promoting the economic development of the region and an important political goal which contributes to defining unambiguously the personality of Latin America and consolidating its active presence in the world scenario.

The institution of the Conference on Evaluation and Convergence gives the system an organ specifically responsible for boosting the convergence of the achievements and partial progress so as to give a progressively multilateral

/course to



course to the results of the implementation of the limited scope machinery. As the body controlling the operation of the process it has sufficient attributions to assume the initiative for the timely remedy of disequilibria which may result from the use of the machinery created by the new Treaty, seek the convergence of the partial agreements by promoting their progressive generalization and foment the reaching of regional agreements in which all member countries take part. Its express function of conducting the collective negotiations for establishing and increasing the regional tariff preference defines the level and occasion for the multilateral association link to acquire real efficiency and become, as is desirable, a firm and useful support for the global progress of Latin American integration. This is what the Contracting Parties decided when they outlined machinery for multilateral links with other countries and areas of integration of Latin America, which opened up the possibility of agreeing on the establishment of a regional Latin American preference with them.

Although the concertation of regional agreements is not for the moment foreseeable in the short term, the permanent collective activity of the eleven participants finds other fields of action. In this regard mention should be made of developments in payments and short term financing to deal with temporary liquidity deficiencies; the work to expand the Santo Domingo Agreement is in progress, so that medium-term financial support can be offered to deal with global deficits in balances of payments and situations of lack of liquidity stemming from natural catastrophes, while new initiatives are being generated to extend regional financial co-operation.

The same can be seen in the harmonization of instruments and procedures for trade and the promotion of intra-area trade, where there exists valuable experience already acquired and an important operational link with the main relevant bodies in the member countries; this has been smoothing the way for a progressive approach in such matters as customs techniques and practices and the facilitation of regional exchange operations.

The systematization, processing and dissemination of the external trade statistics of the member countries and technical co-operation in this field of activities has developed with increasing efficiency within LAFTA. The modernization of equipment, and the operational reinforcement of the service anticipated allow the expectation of an increase in the collective co-operation required to give the Association an information centre for the supply of a broad range of up-to-date data on area trade and other related activities.

In addition to the usual activities carried out within the institutional framework of LAFTA and some others of the same type which have the consent and support of member countries, there are others which emerge from express provisions of the new Treaty and the resolutions of the Council of Foreign Ministers which regulate or complete the higher directives for the implementation of ALADI. Among the latter should be mentioned, owing to their foreseeable projections, those aimed at establishing the system of support to the relatively less developed countries and particularly the special co-operation programmes, which will cover both the provision of specialized assistance and the promotion of Latin American multinational

/enterprises for

enterprises for production and marketing and joint activities aimed at the implementation of projects in which other member countries share an interest.

In brief, the new operational scheme of ALADI, which is extremely flexible and permissive, and detached from quantitative goals and strict deadlines, has provided, following five years of negotiations and confrontations, the minimum framework for the unanimous agreement which is required to formalize the readjustment of LAFTA which the situation has made necessary.

The reaffirmation of ideals and aspirations contained in the declarations of the Montevideo Treaty of 1980 express the desire of the Parties to continue with the construction of a regional common market, and the doors open to the Latin American projection confirm the value they assign to this mediate objective, of definite political weight and wide-ranging economic projections. These provisions are the fundamental support of ALADI for initiating the new stage of regional co-operation and integration and making the partial impulses of its most dynamic members a common task.

## 2. The Central American Common Market (CACM)

### (a) The development of CACM

In its formal aspects CACM has not registered noteworthy changes since 1969, when the conflict which emerged between two of its member countries put an end to an institutional process of development which, particularly in the early years of its experience, had been extremely intensive and rapid. The 1970s were characterized by the stagnation already mentioned in formal aspects, and by some loss of the initial dynamism observed in regional trade. Despite this, the organic structure set in motion by this scheme has shown its considerable level of maturity, since the great majority of the institutions have continued to function relatively normally, despite the many contretemps and conflictive situations which the member countries had to face in the course of recent years.

The liberalization of intra-regional trade and the agreement on a common external tariff are among the major achievements of the Central American Common Market. The expansion of the market, caused by preferential tariff margins, notably intensified intra-regional trade the share of which in the total exports of the member countries increased from 6.7% in 1960 to 26.1% in 1970 (see table 3). As from 1970 this share tended to drop, and was surpassed in dynamism by exports made outside the region. In recent years, the intra-area market absorbed close to 20% of CACM exports, suffering a downturn in 1978 and stagnating in 1979 at around US\$ 900 million. It is estimated that in 1980 trade within the market for the first time surpassed US\$ 1 billion.

In intra-area trade, manufactures are far in the lead, accounting for close to 90% of the total, while they represented only 5.7% of exports to the rest of the world in 1977. This is true of all the CACM countries since in Honduras, the country with the smallest content of manufactures in intra-area

/exports, such

exports, such exports still exceed 65%. The main components in the structure of exports of manufactures are goods produced by the chemical and plastic products industry, the textiles and wearing apparel industry and the food, beverages and tobacco industry (see tables 12 to 15).

The fluctuations of overall trade within CACM referred to above have been directly related to a number of adverse internal and external developments, such as the conflict of 1969, the world economic recession, the critical situation caused by the higher cost of petroleum since the middle of the past decade, the difficult political and economic situation which various countries of the subregion are experiencing and the civil war followed by the change of régime in Nicaragua in 1979.

On various occasions transit between neighbouring countries has been interrupted when borders were closed, a number of countries have had serious balance-of-payments problems and multilateral treaties have to a certain extent broken down and in some cases have been replaced by bilateral agreements or special treatment arrangements in which a single country is favoured. Meanwhile intra-area trade disequilibria continue although the deficit countries are not always the same.

The severity of these problems is counterbalanced by the relatively sustained way in which both trade and, in general, the many other links and institutions put into operation by this integration system have continued to develop.

By way of example, mention may be made of the financial and monetary co-operation among countries, which was channelled through the Central American Monetary Council, the Central American Bank of Economic Integration (CABEI), the Central American Clearing House and the Central American Monetary Stabilization Fund (FOCEM). All these institutions have continued operating relatively normally to the extent that they have even been able to lend timely financial support to member countries with payments problems and to integration projects in general. In 1979 the Fund to Finance Deficit Balances in the Clearing House (FFISDECA), the priority objective of which is to provide Nicaragua with financial support, was added to this already extensive list of financial institutions in the Community.

Moreover, in connexion with the integration of energy sources, the activities embarked upon to interconnect the electricity networks of the whole of the Central American isthmus have continued.

#### (b) The restructuring of CACM

In 1979 there was a marked decrease in the activities of the various subregional forums; however, early in 1980 the Ministers and Vice-Ministers of Economics and the Governors of CABEI began meeting again. Activities related to the negotiation of a new common external tariff also recommenced. With regard to the restructuring of the integration process (the present Treaty expires at the end of 1981), it should be noted that so far there has been no real opportunity to initiate negotiations of that scope due to the developments referred to above.

Table 12

CACM: PATTERN OF EXPORTS TO THE WORLD AND OF INTRAZONAL EXPORTS, 1965, 1970 AND 1975 TO 1978

(Millions of current dollars, FOB)

	Exports to the world				Intrazonal exports			
	Total goods	Total manufactures <u>a/b/</u>	Non-manufactured products <u>c/</u>	Fuels <u>d/</u>	Total goods	Total manufactures <u>a/b/</u>	Non-manufactured products <u>c/</u>	Fuels <u>d/</u>
1965								
Value	754.8	115.9	635.3	3.6	132.1	97.0	31.5	3.6
Percentage	100.0	15.3	84.2	0.5	100.0	73.4	23.9	2.7
1970								
Value	1 098.0	291.0	798.5	8.5	286.3	241.9	43.2	1.2
Percentage	100.0	26.5	72.7	0.8	100.0	84.5	15.1	0.4
1975								
Value	2 298.8	614.4	1 666.0	18.4	530.0	470.7	53.1	6.2
Percentage	100.0	26.7	72.5	0.8	100.0	88.8	10.0	1.2
1976								
Value	3 007.7	763.7	2 233.9	10.1	674.3	567.5	98.6	8.2
Percentage	100.0	25.4	74.3	0.3	100.0	84.2	14.6	1.2
1977								
Value	4 108.7	884.5	3 215.6	8.6	795.2	696.8	91.1	7.3
Percentage	100.0	21.5	78.3	0.2	100.0	87.6	11.5	0.9
1978								
Value	4 135.0	1 000.0 <sup>e/</sup>	...	...	...	...	...	...
Percentage	100.0	24.2	...	...	...	...	...	...

Source: CEPAL, on the basis of official statistics and foreign-trade yearbooks.

a/ Manufactures are classified by industrial origin in accordance with ISIC/Rev. 2.

b/ Manufactures do not include partially refined petroleum, petroleum derivatives or non-ferrous metals.

c/ Non-manufactured products do not include fuels.

d/ Fuels include crude oil, partially refined petroleum and petroleum derivatives.

e/ Estimated values.

Table 13

CACM: PATTERN OF EXPORTS TO THE WORLD AND OF INTRAZONAL EXPORTS, BY COUNTRY, 1977

(Millions of current dollars, FOB, and percentages)

	Exports to the world				Intrazonal exports			
	Total goods	Total manufactures <u>a/b/</u>	Non-manufactured products <u>c/</u>	Fuels <u>d/</u>	Total goods	Total manufactures <u>a/b/</u>	Non-manufactured products <u>c/</u>	Fuels <u>d/</u>
<b>CACM</b>								
Value	4 108.7	884.5	3 215.6	8.6	795.2	696.8	91.1	7.3
Percentage	100.0	21.5	78.3	0.2	100.0	87.6	11.5	0.9
<b>Costa Rica</b>								
Value	828.1	209.9	617.5	0.7	173.8	167.0	6.8	-
Percentage	100.0	25.3	74.6	0.1	100.0	96.1	3.9	-
<b>El Salvador</b>								
Value	972.8	210.7	756.1	6.0	211.7	185.6	20.1	6.0
Percentage	100.0	21.7	77.7	0.6	100.0	87.6	9.5	2.8
<b>Guatemala</b>								
Value	1 160.2	237.1	922.9	0.2	222.5	205.5	16.8	0.2
Percentage	100.0	20.4	79.6	-	100.0	92.3	7.6	0.1
<b>Honduras</b>								
Value	510.8	103.7	406.5	0.6	53.2	35.6	17.6	-
Percentage	100.0	20.3	79.6	0.1	100.0	66.9	33.1	-
<b>Nicaragua</b>								
Value	636.8	123.1	512.6	1.1	134.0	103.1	29.8	1.1
Percentage	100.0	19.3	80.5	0.2	100.0	77.0	22.2	0.8

Source: CEPAL, on the basis of official statistics and foreign-trade yearbooks.

a/ Manufactures are classified by industrial origin in accordance with ISIC/Rev. 2.

b/ Manufactures do not include partially refined petroleum, petroleum derivatives or non-ferrous metals.

c/ Non-manufactured products do not include fuels.

d/ Fuels include crude oil, partially refined petroleum and petroleum derivatives.

Table 14

CACM: PATTERN OF EXPORTS OF MANUFACTURES TO THE WORLD, 1965 AND 1969 TO 1978

(Millions of current dollars, FOB)

Year	ISIC/Rev.2 Sched- ules	Total manufac- tures a/b/	311+312+ 313+314c/	351+ 352+ 356d/	321+ 322e/	323+ 324f/	341g/	371+ 381h/	382i/	383j/	384k/	Others l/
1965		115.9	17.2	24.6	24.0	7.2	5.4	5.7	0.2	3.4	0.3	27.9
1969		245.7	32.9	49.1	55.2	13.6	8.0	20.9	2.7	10.7	1.8	50.8
1970		291.0	38.4	61.0	68.2	16.5	11.2	21.4	3.6	13.0	1.2	56.5
1971		292.5	34.6	66.0	65.2	13.5	10.0	21.1	4.6	13.2	0.9	63.4
1972		338.4	35.6	76.3	69.8	14.8	12.2	24.4	5.9	14.7	2.1	82.6
1973		457.1	44.7	99.7	93.3	17.1	20.6	37.9	7.2	21.4	1.3	113.9
1974		600.2	61.2	146.7	128.2	22.3	31.9	46.9	7.7	29.0	1.8	124.5
1975		614.4	58.7	159.7	120.4	23.9	27.8	40.2	6.2	28.8	4.8	143.9
1976		763.7	73.0	198.7	153.3	31.8	33.0	55.7	11.4	37.3	3.0	166.5
1977		884.5	96.6	231.4	170.7	35.8	37.5	67.6	20.8	43.0	3.4	177.7
1978		1 000.0	100.0	260.0	210.0	43.0	50.0	69.0	6.0	48.0	3.5	210.5

Source: CEPAL, on the basis of official statistics and foreign-trade yearbooks.

- a/ Manufactures are classified by industrial origin in accordance with ISIC/Rev. 2.
- b/ Manufactures do not include partially refined petroleum, or petroleum derivatives.
- c/ Food, beverages and tobacco industries.
- d/ Chemicals and plastic products industries.
- e/ Textiles and articles of clothing (excluding footwear).
- f/ Leather and footwear industries.
- g/ Paper and paper products.
- h/ Basic iron and steel and metal products industries.
- i/ Non-electrical machinery.
- j/ Electrical machinery.
- k/ Transport equipment.
- l/ Remaining manufactured products.

Table 15

CACM: PATTERN OF INTRAZONAL EXPORTS OF MANUFACTURES, 1965 AND 1969 TO 1977

(Millions of current dollars, FOB)

Year	ISIC/Rev.2 Sched- ules	Total manufac- tures a/b/	311+312+ 313+314c/	351+ 352+ 356d/	321+ 322e/	323+ 324f/	341g/	371+ 381h/	382i/	383j/	384k/	Others l/
1965		97.0	14.3	20.7	23.7	7.2	5.2	5.5	0.1	3.3	0.3	16.7
1969		243.3	25.4	43.0	54.5	13.6	7.5	19.8	2.1	9.6	1.7	66.1
1970		241.9	29.7	50.3	65.7	16.5	10.6	19.4	2.1	9.6	1.7	36.3
1971		234.6	26.5	52.5	61.4	13.3	9.3	19.2	3.7	11.8	0.9	36.0
1972		251.5	26.6	62.7	57.5	13.9	11.5	20.5	4.9	13.0	0.9	40.0
1973		341.5	33.8	78.9	81.8	15.6	18.7	34.7	6.3	18.4	1.2	52.1
1974		456.0	44.1	116.8	112.1	14.4	28.3	43.6	6.2	24.3	1.7	64.5
1975		470.7	43.6	124.1	102.0	21.3	24.5	37.3	5.2	23.5	4.6	84.6
1976		567.5	51.9	151.8	123.3	24.9	30.8	51.5	9.8	30.5	2.5	90.5
1977		696.8	68.7	188.6	146.0	31.5	35.6	60.3	19.1	37.1	2.8	107.1

Source: CEPAL, on the basis of official statistics and foreign-trade yearbooks.

a/ Manufactures are classified by industrial origin in accordance with ISIC/Rev. 2.

b/ Manufactures do not include partially refined petroleum, petroleum derivatives or non-ferrous metals.

c/ Food, beverages and tobacco industries.

d/ Chemicals and plastic products industries.

e/ Textiles and articles of clothing (excluding footwear).

f/ Leather and footwear industries.

g/ Paper and paper products.

h/ Basic iron and steel and metal products industries.

i/ Non-electrical machinery.

j/ Electrical machinery.

k/ Transport equipment.

l/ Remaining manufactured products.

/In these

In these circumstances, the peace agreement recently signed between El Salvador and Honduras is of great importance. This laboriously negotiated agreement puts an end to a period of over 10 years of abnormality during which both member countries maintained virtually no relations of any kind, which had a profound effect on the whole Central American integration process and made any negotiation aimed at restructuring the system impossible. This decisive step taken by the two countries and the positive attitude shown by the new Government of Nicaragua towards regional integration has been a basic factor in smoothing the way to the negotiation of a new treaty.

(c) Areas of reactivation

Areas in which integration and co-operation among countries can be reactivated and intensified include agreement on a new common external tariff mentioned above. The former tariff structure has become somewhat outdated and has suffered some deterioration with the passage of time, and the new tariff will make it possible both to provide production branches regarded as priority with sufficient protection and to establish rates which are not excessive in the light of standards of minimum efficiency and the inflationary pressures existing in the region. The time also seems to have come to shape an industrial policy based on the experience acquired in the operation of the Central American Industries' Régime and similar promotion systems. Consideration must be given to, *inter alia*, the advisability of harmonizing and integrating the various existing policies, focusing them on the development of basic industries and on industries using more advanced technology, at the same time promoting vertical integration of the various phases of production. Agriculture is another sector requiring priority attention with the object of increasing collective self-reliance in basic foodstuffs and strengthening the extra-regional export infrastructure. Efforts to achieve free and unhampered transit of goods in the region might also be resumed.

Finally, due consideration should be given to the possibilities of linking CACM more closely with South America and the Caribbean. In addition to traditional forms of integration, there are a number of new ways and means of co-operation of great variety and potential for the parties concerned to explore. A recent example of this is the energy co-operation programme agreed to on 3 August 1980 between the Presidents of Mexico and Venezuela in the presence of the President of Costa Rica. This is a bilateral agreement which in essence benefits all Central American countries, including Panama, and some Caribbean countries as well. In this agreement, which is described more fully in chapter V of this document, Venezuela and Mexico undertake to supply the recipient countries with up to a maximum of 160 000 barrels of petroleum a day; in addition, provision is made for the establishment of a credit facility equivalent to 30% of the value of the petroleum supplied under the programme by providing the recipient countries with credit on very favourable terms. This agreement has created a valuable precedent in the field of non-traditional co-operation which in this case is based on the preferential supply of an essential input as part of a programme for horizontal co-operation among developing countries belonging to different integration systems. ALADI, for its part,<sup>8/</sup> has left it open for other integration systems in the region to participate in a possible Latin American preferential tariff scheme or in the limited agreements provided for in the Treaty.

<sup>8/</sup> See section 1 (b) of this chapter, above.



### 3. The Andean Group

In recent years, this system, which is based on the Cartagena Agreement, has evolved on various fronts. In 1979 and 1980, in particular, the sphere of action of the integration movement has grown remarkably with the inclusion of many new ways and means of co-operation and areas of joint action which are more than purely economic in scope. This new approach was adopted at the same time as the progress being made in development and in the application of more traditional integration instruments and mechanisms began to slow down and also as border tensions (Ecuador-Peru) was increasing and the countries of the subregion were refusing to recognize the new Government of Bolivia.

(a) The application of the main integration instruments and their effect on trade, production and investment

The Cartagena Agreement envisages three basic mechanisms for economic integration: a trade liberalization programme to build up a large market with adequate protection to subregional production and the adoption of a common external tariff; industrial programming and the harmonization of economic policies.

A provision was made for the adoption of the Common External Tariff in two stages: first a gradual build-up to a minimum common external tariff and then the enforcement of the common external tariff, which, according to the original plans should have been put into effect at the end of 1980.

Divergent views regarding the final levels of tariffs charged to third countries have not changed, which has complicated the already difficult negotiations leading to the adoption of a common external tariff. They have taken longer than envisaged, and the deadline of 31 December 1980 could not be met. The different positions seem to favour a tariff structure at a level slightly below the minimum common external tariff. Failure to adopt a common external tariff may have serious consequences for the development of subregional trade, which would remain exposed to external competition in conditions of instability, inequality and uncertainty. The danger of this happening becomes very important in light of the very significant progress made so far in the liberalization of trade among the countries concerned. Imports from Bolivia and Ecuador have been almost totally liberalized by the other three countries in the group,<sup>9/</sup> while the liberalization process among those three countries is in its final stages. In this context, it should be noted that the countries still apply rather extensive lists of exceptions and that there are still many cases of non-compliance with agreements and practical difficulties which stand in the way of free trade, such as tariff exemptions, special rules which apply to State purchases and administrative barriers.

<sup>9/</sup> In its report entitled "Evaluación del proceso de integración 1969-1979", the Board of the Cartagena Agreement estimates that over 80% of the total tariff has been liberalized in favour of the two countries.

/Despite the

Despite the persistence of these difficulties and defects, trade within the subregion accelerated up to 1977, rising from very insignificant levels (US\$ 111.4 million in 1970) to US\$ 825 million in 1977. In 1978, however, intra-subregional exports fell to US\$ 758 million (see table 3). During the same period, the relative weight of subregional trade in several exports of the Group rose from 2.1% in 1970 to 44% in 1978. According to the calculations of the Board of the Cartagena Agreement (JUNAC) for 1979, the value of exports within the Group is higher than US\$ 1.2 billion, and their share in the value of total exports is 5%.

Another indication of the importance assumed by the liberalization of trade is the fact that the share of negotiated trade in total trade was 76% in 1977 - considerably higher than the figure for trade among the LAFTA countries (43.3% in 1977).

Industrial products play an important role in the composition of trade within the subregion (56.5% in 1978); whereas exports outside the subregion are characterized by a marked preponderance of fuels (57%), with industrial products still making up only a very small part (7%). The agreement has led to significant diversification of trade within the subregion, with non-traditional products constantly being introduced, which has resulted in the rapid growth of exports of industrial products among countries in the group (from US\$ 25 million in 1970 to US\$ 429 million in 1978) (see tables 16 to 18).

Industrial programming is one of the basic tools of integration as conceived by the Andean countries. Its primary objective is to avoid imbalances among the member countries and to achieve harmonized growth of the most dynamic sectors with the highest technological content. So far three programmes have been approved - the metals and machinery programme, the petrochemicals programme and the programme for the automotive industry. The first of these programmes was renegotiated in 1979, and the last programme named is in its initial phases, i.e., co-production agreements are being drawn up and negotiations are being held with enterprises interested in obtaining contracts. The trade generated by the metals and machinery programme and the petrochemicals programme, while showing signs of dynamism, is still at an incipient stage in its development, and in 1977 made up only 5% of total subregional trade. With regard to contracts, it may be noted that by mid-1978 the Board had ascertained that production was in process in 45 of the 72 units engaged in the metals and machinery programme, but it was shown that the majority of these enterprises already existed prior to the initiation of the programme. There has been a great delay on the petrochemical assignments, and in a number of countries they have not advanced beyond the study stage. The countries have shown understandable reticence about the implementation of this programme in view of the huge investment needed for the alternative use of the hydrocarbons required and the uncertainty concerning the future supply of these products throughout the world.

Table 16

ANDEAN GROUP: PATTERN OF EXPORTS TO THE WORLD AND WITHIN THE GROUP, BY COUNTRY, 1970

(Millions of current dollars, FOB)

		Exports to the world				Exports within the group			
		Total goods	Total manufactures <sup>a/b/</sup>	Non-manufactured products <sup>c/</sup>	Fuels <sup>d/</sup>	Total goods	Total manufactures <sup>a/b/</sup>	Non-manufactured products <sup>c/</sup>	Fuels <sup>d/</sup>
Andean Group	Value	5 407.5	133.8	2 296.7	2 977.0	112.7	25.2	53.7	33.8
	Percentage	100.0	2.5	42.5	55.0	100.0	19.4	47.6	30.0
Bolivia	Value	229.2	8.7	210.3	10.2	5.0	-	5.0	-
	Percentage	100.0	3.8	91.8	4.4	100.0	-	100.0	-
Colombia	Value	735.7	64.7	598.0	73.0	51.9	15.0	19.0	17.9
	Percentage	100.0	8.8	81.3	9.9	100.0	28.9	36.6	34.5
Ecuador	Value	189.9	8.6	180.4	0.9	9.0	2.0	7.0	-
	Percentage	100.0	4.5	95.0	0.5	100.0	22.2	77.8	-
Peru	Value	1 047.8	19.3	1 021.0	7.5	19.7	5.0	14.7	-
	Percentage	100.0	1.8	97.5	0.7	100.0	25.3	74.6	-
Venezuela	Value	3 204.9	32.5	287.0	2 885.4	27.1	3.2	8.0	15.9
	Percentage	100.0	1.0	9.0	90.0	100.0	11.9	29.5	58.7

Source: CEPAL, on the basis of official statistics; LAFTA, Foreign Trade-Exports statistics, Series A and statistics supplied by the Andean Group.

a/ Manufactures are classified by industrial origin in accordance with ISIC/Rev.2.

b/ Manufactures do not include partially refined petroleum, petroleum derivatives or non-ferrous metals.

c/ Non-manufactured products do not include fuels.

d/ Fuels include crude oil, partially refined petroleum and petroleum derivatives.

Table 17

ANDEAN GROUP: PATTERN OF EXPORTS TO THE WORLD AND WITHIN THE GROUP, BY COUNTRY, 1975

(Millions of current dollars, FOB)

		Exports to the world				Exports within the group			
		Total goods	Total manufactures <sup>a/b/</sup>	Non-manufactured products <sup>c/</sup>	Fuels <sup>d/</sup>	Total goods	Total manufactures <sup>a/b/</sup>	Non-manufactured products <sup>c/</sup>	Fuels <sup>d/</sup>
Andean Group	Value	13 259.4	559.3	3 225.0	9 175.1 <sup>e/</sup>	472.8	158.2	114.0	200.6
	Percentage	100.0	4.2	26.6	69.2	100.0	33.5	24.1	42.4
Bolivia	Value	530.1	28.3	390.3	111.5	20.4	1.1	3.0	16.3
	Percentage	100.0	5.3	73.6	21.0	100.0	5.4	14.7	79.9
Colombia	Value	1 465.2	322.7	1 040.0	102.5	166.0	98.8	66.4	0.8
	Percentage	100.0	22.0	71.0	7.0	100.0	59.5	40.0	0.5
Ecuador	Value	973.9	60.5	325.4	588.0	131.2	28.2	7.8	95.2
	Percentage	100.0	6.2	33.4	60.4	100.0	21.4	6.0	72.6
Peru	Value	1 314.6	46.3	1 247.2	21.1	43.0	15.3	27.4	0.3
	Percentage	100.0	3.5	94.9	1.6	100.0	35.6	63.7	0.7
Venezuela	Value	8 975.6	101.5	522.1	8 352.0 <sup>e/</sup>	112.2	14.8	9.4	88.0
	Percentage	100.0	1.1	5.9	93.0	100.0	13.2	8.4	78.4

Source: CEPAL, on the basis of official statistics; LAFTA, Foreign Trade-Exports statistics, Series A and statistics supplied by the Andean Group.

<sup>a/</sup> Manufactures are classified by industrial origin in accordance with ISIC/Rev.2.

<sup>b/</sup> Manufactures do not include partially refined petroleum, petroleum derivatives or non-ferrous metals.

<sup>c/</sup> Non-manufactured products do not include fuels.

<sup>d/</sup> Fuels include crude oil, partially refined petroleum and petroleum derivatives.

<sup>e/</sup> Estimated values.

Table 18

ANDEAN GROUP: PATTERN OF EXPORTS TO THE WORLD AND WITHIN THE GROUP, BY COUNTRY, 1978

(Millions of current dollars, FOB)

		Exports to the world				Exports within the group			
		Total goods	Total manufactures <u>a/b/</u>	Non-manufactured products <u>c/</u>	Fuels <u>d/</u>	Total goods	Total manufactures <u>a/b/</u>	Non-manufactured products <u>c/</u>	Fuels <u>d/</u>
Andean Group	Value	17 204.0	1 124.0	6 255.5	9 824.5 <sup>e/</sup>	758.0	428.6	191.8	134.3
	Percentage	100.0	6.5	36.4	57.1	100.0	56.5	25.3	17.7
Bolivia	Value	720.2	40.0	637.9	42.3	15.9	3.1	12.8	-
	Percentage	100.0	5.6	88.5	5.9	100.0	19.5	80.5	-
Colombia	Value	2 857.5	485.9	2 286.0	85.6	366.6	270.9	95.6	0.1
	Percentage	100.0	17.0	80.0	3.0	100.0	73.9	26.1	0.0
Ecuador	Value	1 557.5	288.2	550.9	718.4	100.7	45.7	28.1	26.9
	Percentage	100.0	18.5	35.4	46.1	100.0	45.4	27.9	26.7
Peru	Value	2 718.3	135.0 <sup>e/</sup>	2 403.3	180.0	153.6	94.3	49.1	10.0
	Percentage	100.0	5.0	84.4	6.6	100.0	61.4	31.9	6.5
Venezuela	Value	9 350.5	174.9	377.4	8 798.2 <sup>e/</sup>	121.1	14.5	9.1	97.4
	Percentage	100.0	1.9	4.0	94.1	100.0	11.9	7.5	80.4

Source: CEPAL, on the basis of official statistics; LAFTA, Foreign Trade-Exports statistics, Series A and statistics supplied by the Andean Group.

a/ Manufactures are classified by industrial origin in accordance with ISIC/Rev. 2.

b/ Manufactures do not include partially refined petroleum, petroleum derivatives or non-ferrous metals.

c/ Non-manufactured products do not include fuels.

d/ Fuels include crude oil, partially refined petroleum and petroleum derivatives.

e/ Estimated values.

/The deadline

The deadline initially set for the completion of the programming of the sectors set aside for this purpose has been moved back repeatedly (most recently to the end of 1979) under the Arequipa Protocol, but to date six proposals, corresponding to the iron and steel, the fertilizers, the chemicals, the pharmaceuticals, the electronics and the telecommunications sectors, have still not been approved and are in various stages of analysis. Of these proposals, only the one relating to the iron and steel sector has been officially submitted to the governments.

The results obtained so far from programming industrial sectors have fallen far below the countries' initial expectations. There are long delays in approving the programmes and shortcomings in their execution. Some trade provided for with programmes has begun, but at the same time there have been many cases of failure to fulfil the commitments obtained. In such circumstances, it seems understandable that emphasis has been placed on completing the programming process and at the same time identifying those products to which the general process of trade liberalization would apply.

The foreign capital common treatment régime (Decisions 24, 103, 109 and 110) is perhaps the most innovative tool put in operation by the Andean Pact. Although changes have been made in it over the years, the common régime has retained its basic objective of total harmonization of national legislation on foreign investment and technology. Its incorporation into the internal goals of some member countries has been complicated, however, and its application has not been free of difficulties either, owing mainly to the inexperience of the Andean countries in the handling of these community regulations. Contrary to what was predicted by its oponents, the decision to regulate foreign investment, does not seem to have inhibited the entry of foreign capital into the subregion. According to the Board's estimate the growth of foreign investment, which was totally stagnant from 1967 to 1971, accelerated considerably during the period in which Decision 24 was in force and achieved an annual average growth rate of 7.6% in the period 1971-1977. The number of foreign enterprises in the subregion also increased markedly and is another indication that the application of the common régime has not diminished the interest of foreign investors in the inherent advantages of the larger market. As for its effectiveness, the régime may be improved by adopting a common regulation making it obligatory to interpret and apply it uniformly.

With regard to the harmonization of policies, practical progress has been recorded in a small number of instances. The subregional system of rules of origin, which was at first expected to enter into operation at the same time as the common external tariff, is still being negotiated. The Andean agreement on the avoidance of double taxation (Decision 40) was scheduled to come into force in January 1981. This agreement, which is based on the principle that taxes should be levied only by the country in which the income has originated, is causing the need to be felt for harmonizing national policies related to foreign trade, such as export promotion policies, exchange policies and tariff exemption practices. These last forms of harmonization are becoming harder to avoid as the liberalization of trade among the parties progresses.

/(b) Other

(b) Other areas of co-operation.

The performance of the agricultural sector, which was relatively satisfactory in the first five years of the 1970s, when production grew at an average annual rate above 3.2%, was less so in the second half of the decade when the average growth rate fell to 1.5%. As time has passed, the interest of countries in achieving more dynamic and balanced development of this sector has decidedly increased. The initial emphasis on trade liberalization and the adoption of a common agricultural policy in the context of an indicative plan for the sector has given way to a more pragmatic approach which is centered around the joint undertaking of production projects and other practical action for the promotion of agriculture. Thus, the Board was recently made responsible for carrying out feasibility studies of projects for promoting the production of wheat; the production, certification and marketing of seeds and the cultivation of the African palm and processing of its products. Joint action was also taken to combat the transmission of plant and animal diseases, and this culminated in the adoption of the Andean agricultural health system. The relatively slow progress towards integration in this sector is due to the complexity of the problems involved at the national level and the desire of the member countries to guarantee the timely supply of food and raw materials of agricultural origin. In this situation, the approach adopted by the Andean countries seems appropriate although, considering the size of the sector, the resources actually devoted to joint development are still limited.

The financial co-operation machinery created by the countries of the Andean Group is considered in greater detail in chapter II, section C of this document. It is worth noting that the Andean Group has a fairly complete institutional structure in this field, which includes the Andean Development Corporation, the Andean Reserve Fund and the Andean Financing Trade System. The countries of the Cartagena Agreement also participate in the reciprocal payments and credit system established within LAFTA and in the Santo Domingo Agreement. The operation of some of these institutions is still limited by their capacity to attract resources and to manage and promote production projects and by the faulty co-ordination between the different financial mechanisms and other integration bodies.

In the field of technological co-operation, three Decisions (87, 89 and 126) have been adopted, which have set in motion some practical joint technological development projects in the hydrometallurgy of copper, the development of tropical forest resources and the production of low-cost food with a high nutritional content. These are relatively modest efforts which have, however, already yielded some promising results. In the next phase these experiments may be expanded and diffused among interested producers in the region.

The Andean Group has also made marked progress in the co-ordination of its positions in its dealings with other countries both in the commercial and economic field and in matters of a distinctly political nature. The joint action taken in the recent GATT and UNCTAD negotiations and in the process of restructuring LAFTA is a case in point. In 1979 and 1980,

/respectively, the

respectively, the Group subscribed two important co-operation agreements. The first with the United States, and the second with the European Economic Community. These are both model agreements in that they envisage the possibility of concerted action in the future under a number of detailed commitments in trade and other tasks of mutual concern. Joint action will doubtless facilitate the future negotiation of such commitments.

The member countries of the Cartagena Agreement have also played an active role in the negotiations to restructure LAFTA by taking a united stand based on the following principles: the renegotiation of LAFTA's "historic patrimony" should make it possible to consolidate the process of Andean integration by doing away with those concessions which impede the operation of the Andean machinery; the quest for greater balance among the participants by establishing special treatment to benefit the less developed countries and, to a more moderate extent, the intermediate developing countries as well; and the strengthening of the supervisory organs of the Association with the objective of increasing its capacity to take the initiative and to control the implementation of programmes.

The new Treaty establishing ALADI recognizes the special position of the relatively less developed and intermediate developing countries. The renegotiation of the "historic patrimony" offers the Andean countries the opportunity to withdraw concessions granted prior to the creation of the Pact which are now regarded as stumbling blocks to their development.

The position adopted by the Andean group vis-a-vis the changes in government in Nicaragua and Bolivia in 1979 and in 1980, in which it supported the former and condemned the latter, is common knowledge. A joint stand of this kind is part of the countries' declared policy to strive for greater unity in their positions on some aspects of foreign relations. This objective was also reflected in the steps taken to set up the Andean Council of Ministers for Foreign Affairs. This kind of action, which is taken from time to time, has been broader in scope than the efforts to establish unity of a purely economic nature among the member countries.

Finally, progress was also made recently in connexion with other institutional arrangements. After many years of study and negotiations, the countries of the subregion approved the establishment of the Andean Court of Justice, the first body with supranational power to emerge within the Andean Group. Its tasks include the interpretation of Andean laws, the trying of any cases of non-compliance with the commitments made in the integration process and the settlement of any disputes which might arise among the parties. In October 1979, the establishment of an Andean parliament was also approved. This body is responsible for the overall supervision of the integration process and should make it possible to channel the inputs to this process made by the public sectors of the Andean countries.



#### 4. The Caribbean Community (CARICOM)

##### (a) Background

CARICOM was established in 1973, when the member countries of the Caribbean Free Trade Association (CARIFTA) decided, in the Georgetown and Chaguaramas Agreements, to extend their integrationist movement by converting that organization into an association designed to promote free trade within a community of countries whose final goal was the actual integration of their economies and the establishment of co-operation in a wide range of non-economic fields. With this objective, it was agreed to take a number of steps towards the establishment of a Caribbean Common Market, which provided for both the liberalization of trade and for the adoption of a common external tariff. Measures were also adopted to harmonize fiscal policies aimed at the promotion of industries, the formulation and implementation of common agricultural policies and the establishment of ways and means of financial co-operation. Within a relatively short period of time, a fairly elaborate institutional structure had been put together, which, in addition to the supreme organs of the Community (the Conference of Heads of Government, the Conferences of Ministers of each sector and the Common Market Council) included the secretariat of CARICOM itself and a number of associated institutions, such as the Caribbean Development Bank, the Caribbean Investment Corporation and the Caribbean Food Corporation.

As in the case of most of the integration movements within the Latin American region, this organization soon ran up against a series of adversities which reduced its dynamism and had a detrimental effect on its internal cohesiveness. These difficulties, which have still not been entirely ironed out, were caused mainly by the energy crisis which began in 1974 and the world economic recession which set in that year. All the member countries of the Community, except for Trinidad and Tobago, which is the sole net exporter of hydrocarbons, were severely affected by the impact on their external sector of the rise in the prices of hydrocarbon imports and by the deceleration of external demand. The CARICOM countries carried out an exercise to appraise past experience with the objective of devising a strategy to guide the integration process during the 1980s.<sup>10/</sup> Although present circumstances make it impossible to predict with sufficient accuracy what course the Community will take in the years to come, there are reasons for thinking that the integration movement will grow as more instruments are placed at its disposal, those already in existence are improved and new ways and means of co-operation among member countries are adopted.

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<sup>10/</sup> See CEPAL, Office for the Caribbean, Strategy for Caribbean countries in the Third Development Decade, Caribbean Development and Co-operation Committee (E/CEPAL/G.1132 - E/CEPAL/CDCC/61/Rev.1), 16 October 1980.

(b) Main CARICOM instruments and the development of trade and co-operation within the Community

The liberalization of intra-regional trade and the adoption of a common external tariff for application to third countries constitute the main machinery of this common market. While CARIFTA was still in existence, the member countries had already largely established free trade in goods originating within the area. To obtain the benefits of free trade, the countries' intra-regional exports must meet the requirement that at least 50% of the value added must originate in the region. Since many raw materials and intermediate products are not produced within the subregion, about 200 imported products were included in the Basic Materials List and treated as though they were of regional origin. Countries were allowed to go on applying tariffs to a small number of products included in lists of exception. These combined rules of origin were amended in January 1979 with the introduction of a new Process List, inclusion in which is based on the principle of substantial processing. The new criterion aims at promoting more intensive use of local raw materials, thereby avoiding some of the distortions resulting from the Basic Materials List. At the end of 1980, three of the member States had still not approved this principle.

When the Common Market was established in 1973, the four largest countries agreed on a common external tariff which was more generally applied after a period of adaptation to it ended in 1978. The other countries, except for Belice, apply, within the context of the East Caribbean Common Market, their own common external tariff which, in the case of roughly half the items covered, provides for lower tariffs than the tariff system of the larger countries.

Various attempts have been made to harmonize these two tariff structures, but they have been unsuccessful so far. This is one of the problems which the Caribbean countries must tackle in the short term; the appraisal and reorientation exercise mentioned above is expected to make it possible to lay plans in this respect.

The member countries of CARICOM also agreed to co-ordinate a number of other external trade regulations, such as those providing for the elimination of other direct and indirect taxes on imports from within the area and the prohibition of the application of quantitative restrictions on imports except in certain circumstances expressly provided for, including a general balance-of-payments disequilibrium.

As a consequence of this process of trade liberalization and harmonization of protective measures, there was a substantial increase in intra-area trade in terms of both volume and diversification of composition. Table 19 shows that between 1970 and 1973, trade among the member countries almost doubled, increasing at an annual cumulative average of 26%. During the same period, the countries' total exports grew at an average rate of 8.8% annually. This spurt in growth meant that the share of the regional market in total exports grew from 7.8% in 1970 to 12.1% in 1973. It is especially noteworthy that for

Table 19

CARICOM: INTRAZONAL AND TOTAL EXPORTS, BY COUNTRY, IN SELECTED YEARS OF THE PERIOD 1970-1978

(Millions of current dollars, FOB, and percentages)

	1970	1973	1975	1976	1977	1978
<b>Barbados</b>						
Intrazonal	6.0	15.0	20.0	22.0	23.0	32.0
Total	40.0	24.0	106.0	86.0	95.0	130.0
Percentage <u>a/</u>	20.0	27.8	18.9	25.6	24.2	24.8
<b>Guyana</b>						
Intrazonal	13.0	21.0	45.0	42.0	41.0	40.0
Total	135.0	138.0	363.0	284.0	252.0	291.0
Percentage <u>a/</u>	9.6	15.2	12.4	14.8	16.3	13.7
<b>Jamaica</b>						
Intrazonal	13.0	25.0	34.0	42.0	50.0	44.0
Total	342.0	390.0	784.0	633.0	735.0	765.0
Percentage <u>a/</u>	3.8	6.4	4.3	6.6	6.8	5.8
<b>Trinidad and Tobago</b>						
Intrazonal	45.0	76.0	160.0	162.0	155.0	142.0
Total	482.0	697.0	1 775.0	2 212.0	2 176.0	2 018.0
Percentage <u>a/</u>	9.3	10.9	9.0	7.3	7.1	7.0
<b>Other countries</b>						
Intrazonal	5.0	27.0	65.0	55.0	49.0	56.0
Total	58.0	81.0	133.0	130.0	148.0	199.0
Percentage <u>a/</u>	8.6	33.3	48.9	42.3	33.1	28.1
<b>Total CARICOM</b>						
Intrazonal	82.0	164.0	324.0	323.0	318.0	314.0
Total	1 057.0	1 360.0	3 161.0	3 345.0	3 406.0	3 403.0
Percentage <u>a/</u>	7.8	12.1	10.3	9.7	9.3	9.2

Source: CEPAL, on the basis of official statistics supplied by countries, Digest of Trade Statistics of the CARICOM secretariat, and by CEPAL, Caribbean office, "Economic Activity in the Caribbean Countries".

a/ Intrazonal exports as a percentage of total exports.

/the less

the less developed countries (referred to in the table as "other countries") this proportion reached 33.3% in 1973 and rose as high as 48.9% in 1975; in other words, these countries depended and still depend much more heavily on the possibility of placing their products on the Caribbean regional market. Between 1973 and 1975 there was a general slump, and the share in the regional market gradually fell again to 9.2% for the countries as a whole in 1978.

This drop in the share of trade absorbed by the regional market was due both to the rapid increase in extra-regional exports of hydrocarbons from Trinidad and Tobago and to the stagnation in intra-regional trade from 1975.

With regard to the composition of regional trade,<sup>11/</sup> it may be observed that manufactures have a large and increasingly important role (47.2% in 1978) as, to a lesser extent, do fuels (32.5% in the same year) (see tables 20 and 21). The share of the other items, consisting mainly of products of agricultural origin, have shrunk, amounting to no more than a fifth of total intra-area exports in recent years. Trade in manufactures is led by products of the chemical industry, food and beverages, textiles and ready-made articles and electrical machinery, which together generate over 70% of this trade (see tables 22 and 23). The main differences between intra-area and extra-regional exports lay in the growing proportion of fuels and the much smaller share of manufactures in the latter. There is no doubt that the integration process, and the formation of a common market in particular, have played a significant role in stepping up trade in manufactures among the countries. Many of these export items depend largely on the regional market and it is not surprising that their production has been seriously affected by the difficulties experienced in regional trade in recent years.

Although most of the member countries have seen their exports to the region increase since the integration agreements come into effect, the more highly developed countries profited most from the opportunities offered because their industrial infrastructure had been developed to some extent. Since 1977, virtually all the countries, except for Trinidad and Tobago, have generated negative balances in their trade with the area. In the case of the larger countries, these deficits have been due primarily to imports of fuels; the relatively less developed countries have also produced marked negative balances in their trade in manufactures and, in some cases, also in food.

The imbalance in the external sector of the majority of the countries since the outbreak of the energy crisis assumed such proportions in the case of Jamaica and Guyana that in 1976 both countries felt obliged to impose strong quantitative restrictions on their imports regardless of their origin.

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<sup>11/</sup> Relatively recent data are available only for the four most developed countries in the Community.

Table 20  
CARICOM: PATTERN OF TOTAL AND INTRAZONAL EXPORTS, BY COUNTRY, 1975

(Millions of current dollars, FOB)

	Exports to the world				Intrazonal exports			
	Total goods	Total manufactures <u>a/b/</u>	Non-manufactured products <u>c/</u>	Fuels <u>d/</u>	Total goods	Total manufactures <u>a/b/</u>	Non-manufactured products <u>c/</u>	Fuels <u>d/</u>
CARICOM								
Value	3 028.0	597.0	875.0	1 556.0	216.2	86.7	93.2	36.3
Percentage	100.0	19.7	28.9	51.4	100.0	40.1	43.1	16.8
Barbados								
Value	106.0	27.9	78.1	-	12.0	5.6	6.4	-
Percentage	100.0	26.3	73.7	-	100.0	46.7	53.3	-
Guyana								
Value	363.0	15.7	347.3	-	45.4	7.3	38.1	-
Percentage	100.0	4.3	95.7	-	100.0	16.1	83.9	-
Jamaica								
Value	784.0	452.5	329.5	2.0	27.6	26.2	0.4	1.0
Percentage	100.0	57.7	42.0	0.3	100.0	94.9	1.5	3.6
Trinidad and Tobago								
Value	1 775.0	100.9	118.1	1 556.0	131.2	47.6	48.3	35.3
Percentage	100.0	5.7	6.7	87.6	100.0	36.3	36.8	26.9

Source: CEPAL, on the basis of official statistics and foreign-trade yearbooks.

a/ Manufactures are classified by industrial origin in accordance with ISIC/Rev. 2.

b/ Manufactures do not include partially refined petroleum, petroleum derivatives or non-ferrous metals.

c/ Non-manufactured products do not include fuels.

d/ Fuels include crude oil, partially refined petroleum and petroleum derivatives.

Table 21

CARICOM: PATTERN OF TOTAL AND INTRAZONAL EXPORTS, BY COUNTRY, 1978

(Millions of current dollars, FOB)

	Exports to the world				Intrazonal exports			
	Total goods	Total manufactures <u>a/b/</u>	Non-manufactured products <u>c/</u>	Fuels <u>d/</u>	Total goods	Total manufactures <u>a/b/</u>	Non-manufactured products <u>c/</u>	Fuels <u>d/</u>
CARICOM								
Value	3 204.0	640.7	755.3	1 808.0	207.5	97.9	42.2	67.4
Percentage	100.0	20.0	23.6	56.4	100.0	47.2	20.3	32.5
Barbados								
Value	130.0	58.8	71.2	-	20.7	18.0	2.7	-
Percentage	100.0	45.2	54.8	-	100.0	87.0	13.0	-
Guyana								
Value	291.0	16.9	274.1	-	40.0	8.2	31.8	-
Percentage	100.0	5.8	94.2	-	100.0	20.5	79.5	-
Jamaica								
Value	765.0	457.8	302.2	5.0	38.3	35.4	2.1	0.8
Percentage	100.0	59.8	39.5	0.7	100.0	92.4	5.5	2.1
Trinidad and Tobago								
Value	2 018.0	107.2	107.8	1 803.0	107.5	36.3	4.6	66.6
Percentage	100.0	5.3	5.3	89.4	100.0	33.7	4.3	62.0

Source: CEPAL, on the basis of official statistics and foreign-trade yearbooks.

a/ Manufactures are classified by industrial origin in accordance with ISIC/Rev. 2.

b/ Manufactures do not include partially refined petroleum, petroleum derivatives or non-ferrous metals.

c/ Non-manufactured products do not include fuels.

d/ Fuels include crude oil, partially refined petroleum and petroleum derivatives.

Table 22  
CARICOM: PATTERN OF TOTAL EXPORTS OF MANUFACTURES, BY COUNTRY, 1978

(Millions of current dollars, FOB)

Country	ISIC/Rev. 2 Sched- ules	Total	311+312+	351+352+	321+	323+	341g/	371+	382i/	383j/	384k/	Others
		manufac- tures a/b/	313+314+ c/	356d/	322e/	324f/		381h/				l/
CARICOM		640.7	58.3	467.0	35.7	2.3	7.3	15.7	5.4	24.0	0.3	24.7
Barbados		58.8	4.2	4.6	20.3	0.1	-	5.3	4.0	14.9	-	5.4
Guyana		16.9	4.6	3.3	2.1	0.6	0.1	0.2	-	2.8	-	3.2
Jamaica		457.8	31.2	398.4m/	4.3	0.8	2.7	6.9	1.3	3.4	0.1	8.7
Trinidad and Tobago		107.2	18.3	60.7	9.0	0.8	4.5	3.3	0.1	2.9	0.2	7.4

Source: CEPAL, on the basis of official statistics and foreign-trade yearbooks.

a/ Manufactures are classified by industrial origin in accordance with ISIC/Rev. 2.

b/ Manufactures do not include partially refined petroleum, petroleum derivatives or non-ferrous metals.

c/ Food, beverages and tobacco industry.

d/ Chemical and plastic products industry.

e/ Textiles and articles of clothing (excluding footwear).

f/ Leather and footwear industry.

g/ Paper and paper products.

h/ Basic iron and steel and metal products industries.

i/ Non-electrical machinery.

j/ Electrical machinery.

k/ Transport equipment.

l/ Remaining manufactured products.

m/ Includes aluminium.

Table 23  
 CARICOM: PATTERN OF INTRAZONAL EXPORTS OF MANUFACTURES, BY COUNTRY, 1978  
 (Millions of current dollars, FOB)

Country	ISIC/Rev. 2 groups	Total manufactures a/b/	311+312+ 313+314 c/	351+352 356 d/	321+ 322 e/	323+ 324 f/	341 g/	371+ 381 h/	382 i/	383 j/	384 k/	Others l/
CARICOM		97.9	15.1	24.2	13.6	1.6	5.3	9.4	2.7	15.9	0.2	9.9
Barbados		18.0	-	1.0	5.0	-	-	1.0	2.0	8.0	-	1.0
Guyana		8.2	0.6	2.4	1.1	0.4	0.1	0.2	-	2.5	-	0.9
Jamaica		35.4	7.1	9.2	1.2	0.6	2.0	5.8	0.7	3.1	0.1	5.6
Trinidad and Tobago		36.3	7.4	11.6	6.3	0.6	3.2	2.4	-	2.3	0.1	2.4

Source: CEPAL, on the basis of official statistics and foreign-trade yearbooks.

a/ Manufactures are classified by industrial origin in accordance with ISIC/Rev. 2.

b/ Manufactures do not include partially refined petroleum, petroleum derivatives or non-ferrous metals.

c/ Food, beverages and tobacco industries.

d/ Chemical and plastic products industry.

e/ Textiles and articles of clothing (excluding footwear).

f/ Leather and footwear industries.

g/ Paper and paper products.

h/ Basic iron and steel and metal products industry.

i/ Non-electrical machinery.

j/ Electrical machinery.

k/ Transport equipment.

l/ Remaining manufactured products.

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In the case of imports from the other CARICOM countries, Guyana and Jamaica invoked article 28 of the Treaty, the provisions of which may be applied when member countries have serious balance-of-payments difficulties. The sharp drop in the imports of these relatively more highly developed countries had a marked effect on the level of intra-regional trade and caused tension in their relations with other members which felt that they suffered from these measures. This problem was partially solved during 1978 when Jamaica and Guyana removed the restrictions they had imposed. This experience has led the countries to look for mechanisms which may help to deal with deficits in their balance of payments without recourse to the kind of restrictions referred to above. In past years Trinidad and Tobago has generously supported the countries most affected through bilateral loans and a system which allowed the countries to finance some of the petroleum fertilizers and asphalt they imported from Trinidad and Tobago. Another initiative which seems to provide a viable solution is the decision recently adopted by the Ministers of Finance to establish a regional stabilization fund, the primary objective of which is precisely to lend corrective financial support to member countries affected by balance-of-payments problems.

The countries of the subregion have made big efforts to develop their tax promotion measures and to bring them into line with the needs of industry in such a way as to promote industrial investment without competing with each other through foreign investment incentives. There are still many obstacles to the balanced and co-ordinated development of the industrial sector, however. Perhaps the most serious problems standing in the way of effective combined industrial development are the inadequate foreign currency holdings of almost all the Caribbean countries and the small size of the market at the country and even at the regional level. For the time being, the liberalization of intra-regional trade has promoted more effective use of installed industrial capacity, but there is growing awareness of the need to supplement the industrial structure of the countries by taking joint action based on the co-ordinated development of the combined resources of the member countries and on the potential demand of the region as a whole. On certain occasions it will also be necessary to rely on markets of third countries to step in when the regional market turns out to be too small.

With regard to agricultural development, the CARICOM countries have agreed on a number of joint policies, some of which - the Agricultural Marketing Protocol, the Oils and Fats Agreement and the Regional Food Plan - have already been partially applied. The first two of these instruments set prices for certain products and assign markets to member countries on the basis of their declared surpluses and deficits. Their implementation has so far not reduced the need to import large volumes of these products from outside the region.

The Regional Food Plan is an ambitious scheme which dates back to 1975 and includes specific joint development projects in both stock-breeding and crop production as well as projects for joint efforts in the provision of agricultural imports. In order to implement these projects, in 1976 the Caribbean Food Corporation was established, which from its inception has

/been engaged

been engaged in the preparation of a number of special studies, two of which are already in implementation in the form of pilot projects for the production of maize and soya in Belice and Guyana. The Corporation has had difficulties in hiring qualified personnel - a problem it shares with the other integration bodies, which is due to the high incidence of brain-drain to which the region has been exposed. Attempts are being made to broaden its financial base, and it is expected that more generous contributions from the member countries will, when supplemented by extra-regional resources, increase the Corporation's operational capacity. In addition, the CARICOM secretariat is preparing a subregional nutritional strategy for the 1980s, which is aimed at the achievement of self-sufficiency in the main items and at a significant increase in the levels of nutrition of the population. The strategy assigns general responsibilities, but in a later phase the need will be felt to develop specific projects and to define specific responsibilities.

In the field of financial co-operation, the CARICOM countries have amassed experience which is examined in greater detail in section D of this chapter. In this paragraph attention will be drawn to some specific aspects of this co-operation which are related to the other fields of action covered by CARICOM. In the first 10 years of its existence, the Caribbean Development Bank has approved loans of a value of US\$ 260 million, of which approximately US\$ 130 million have been disbursed. Half of these loans have been allocated to the relatively less developed countries in conformity with the priority given to these countries in the Bank's Constitution. Recently, an energy unit was set up within the Bank to support small projects designed to develop non-conventional and renewable energy sources. It is worth noting that the Bank has some extra-regional members, including Venezuela and Colombia.

The Caribbean Investment Corporation operates independently from the Bank, and its share capital amounts to only US\$ 7 million. It was designed to provide industrial and agricultural projects in relatively less developed countries with share capital. Because of its limited financial capacity, the Corporation could not assume the role originally assigned to it. Consideration should, however, be given to the function it could carry out in the future should the countries decide to broaden the integration process to provide for programming and assignment of industries. In any case, there is need to broaden the financial base of the Corporation in ways which include recourse to extra-regional sources of financing.

As was pointed out above, the energy problem has severely affected almost all the CARICOM countries. Trinidad and Tobago has established a number of mechanisms to ensure that the other countries are kept supplied with petroleum and to relieve the financial burden that implies. Jamaica and Barbados were also included in the list of countries which may decide to benefit from the energy co-operation programme recently agreed upon by Venezuela and Mexico. Both systems of support are examples of a new attitude on the part of the oil-exporting countries with respect to the developing oil-importing countries,

/which opens

which opens up a whole new field of co-operation. The assistance provided by Trinidad and Tobago has already yielded results in that Jamaica and Guyana are once more open to imports from within the subregion.

Co-operation in transport has been effected primarily through the operation of some joint maritime companies and airlines in the subregion. There is an obvious need for an efficient system of communication in the Caribbean Community, considering the distances between the member countries. It has in fact been this geographic dispersion, the low volume of commercial transactions among the countries and sometimes also the fact that national are put ahead of joint interests which have worked against the common development of such services. The tendency for each country in the Caribbean to operate its own services has once again prevailed, but there are many areas where co-operation can advance to the benefit of all the countries in the establishment and joint operation of maintenance services for boats and aircraft, manpower training, etc.

The CARICOM countries have included provisions in the Community Treaty for facilitating co-operation in fields which are not strictly economic. This co-operation, which is known as "functional co-operation" has been applied in the fields of health, education and culture, technical co-operation, sports and youth activities, tax administration and many others. The education sector has perhaps received the most attention, and this is reflected in, among other things, the establishment of the University of the West Indies. The activities in many of these fields could be co-ordinated with those being developed by the Caribbean Co-operation and Development Committee (CCDC); it might be a good idea to seek a clearer definition of the responsibilities of CCDC, the CARICOM secretariat and perhaps also SELA.

(c) Prospects for future co-operation among CARICOM countries and between them and other Latin American countries

CARICOM is in a difficult phase of its development owing, inter alia, to the stagnation of its trade and the fact that a number of its member countries are still in a state of economic deterioration. The Community is faced with some questions which must be resolved jointly by the member countries in order to restore the group's dynamism. Early in 1980 the CARICOM Council of Ministers decided to appoint a group of high-level experts, to which it assigned the task of formulating a new strategy for the integration movement in the 1980s. The group surveyed the history and current experience of the Community. It is expected that its first report will be submitted to the Ministers in 1981. At this stage it would be rash to try to forecast the outcome of the Community's recommendations. Decisions will have to be taken on such important issues as the advisability of broadening the integration process, increasing the number of member countries, establishing ways and means of co-operation with non-member countries, reviving economic sectors, such as agriculture, which have been left behind and enhancing the common market.

The small size of the national markets and the fact that the subregional manufacturing industry is beginning to acquire some structure make it likely that the member countries may in the future consider some form of industrial programming as the Andean group has done. The CARICOM secretariat has already embarked on some studies in this direction and is also engaged in exercises which are still at the stage of selection of industrial sectors suitable for programming and of preparation of prefeasibility studies on certain industrial activities. Some industrial centres have been identified which could be programmed in a relatively short time, but, as mentioned in the preceding paragraphs, there has still been no political decision on the advisability of adopting industrial programming as an instrument for activating the integration process. In this context, it might be very wise to try to profit from the experience already accumulated in other parts of Latin America in connexion with the programming and assignment of industrial activities.

A decision to increase CARICOM's activities could at first be implemented through general agreements of convergency with other integration groups or through partial agreements among some countries without the other members of the group being involved. Within CARICOM, there is a very keen awareness of the need to have recourse to markets outside the group so as to overcome the obvious limitations imposed by the small economic size of the member countries. In the past there have been various attempts to establish closer links with other regions and groups of countries although so far the only country with which an understanding has been reached is the Bahamas, which has obtained associate membership in the Community. If CARICOM should decide to increase the number of its members, this country would possibly be the first one elected, followed by Suriname, which has expressed its interest in closer association with the Caribbean. Other areas and countries which come to mind as possibilities of future collaboration are the Central American Common Market, the Dominican Republic, Haiti, Venezuela and Colombia and also the Andean Group and ALADI, in general.

It should be pointed out here that in the Tokyo Round the member countries of GATT subscribed to the habilitation clause, which allows developing countries to grant each other concessions with no obligation to extend them to the other countries. Article 25 of the Treaty establishing ALADI opens up broad possibilities for member countries of this Association to enter into partial agreements with non-member countries or with other integration systems made up of developing countries. For the time being, while there are no provisions for those systems to enter into general integration and convergency agreements among themselves as groups, it is possible to explore concrete opportunities for co-operation in specific areas, which may be developed in partial agreements of very limited scope.

### C. THE LATIN AMERICAN ECONOMIC SYSTEM (SELA)

#### (a) Origin and objectives

SELA was established in October 1975, when Panama signed the agreement. It was created in response to Latin America's need for its own independent forum where the region's interests and resources could come together to seek solutions to common problems. In addition, there was recognition of the advisability of setting up a body to supplement existing integration systems in Latin America and the Caribbean which would embrace all the countries of the region and could undertake tasks which these systems, because of their design or stage of development, were unable to deal with in their totality.

The objectives of SELA were defined in very broad terms and no hard and fast deadlines or specific goals were set. Its basic purposes fall into two categories: interregional co-operation in all its aspects, and the promotion of a permanent consultation and co-ordination system for the adoption of common positions and strategies on economic and social issues for use in negotiating in international bodies and with third party countries. Its more specific aims are to (i) establish and promote Latin American multinational corporations; (ii) ensure the production and supply of commodities, including food; (iii) promote joint action for obtaining remunerative and stable prices for exports; (iv) encourage development and exchange of technology; (v) propose measures for ensuring that transnational corporations are bound by the region's development objectives and (vi) support measures for the provision of assistance to countries undergoing emergencies. Other important tasks are to co-operate with the integration processes of the region by furthering their co-ordinating action, in particular activities which promote their convergence and activities related to the formulation of common positions in international forums.

The organic structure of SELA is characterized by its simplicity and adaptability to changing needs and circumstances. The Latin American Council is its supreme organ and is responsible for the orientation and supervision of the system as a whole in addition to the co-ordination of its common positions towards third party countries. The Permanent Secretariat is the technical and administrative organ of SELA. The Action Committees are the promotion and operational vehicles of the system and are a fountain-head of co-operation since they are open to the participation of countries really concerned about the questions covered by each Committee.

At present the membership of SELA consists in 26 Latin American and Caribbean countries - virtually all the sovereign States of the region. In order to carry out its functions more effectively, SELA has entered into various agreements of understanding, co-operation and technical assistance with bodies within the region, such as the Andean Group, the Latin American Energy Organization (OLADE), ALIDE and CEPAL; with international organizations, such as the United Nations Industrial Development Organization (UNIDO), the United Nations Development Programme (UNDP) and the United Nations Conference

on Trade and Development (UNCTAD), and with countries outside the region, including Spain, Canada (CIDA) and the United Kingdom.

(b) Specific co-operation and consultation activities

(i) Co-operation

During the time it has been in existence, SELA has spawned over a dozen Action Committees, including the Committee in Support of the Programme for the Reconstruction of Guatemala; the Fertilizers Committee; the Grains, Seeds, Fruits and Oils Committee, the Committee on Ocean and Fresh Water Products; the Meat, Dairy Products and Animal By-Products Committee; the Handicrafts Committee; the Latin American Technological Information Network (RITLA); the Committee on the Reconstruction of Nicaragua; the Tourism Committee and the Pharmaceuticals Committee. In each case, the member countries of a committee elect a host country and usually appoint an official of the Permanent Secretariat of SELA to act as secretary. The Committees have functioned unevenly in that some of them have met with obstacles in their operation, while others, such as the Committee on the Reconstruction of Guatemala, which carried out valuable work in promoting and co-ordinating aid from the Latin American countries to Guatemala after the earthquake in that country, have accomplished what they set out to do.

The work of the action committee on fertilizers culminated in the formation of the Latin American multinational corporation for the marketing of fertilizers (MULTIFER S.A.), which went into operation in January 1980, its head office being located in Panama City. This, the first multinational corporation created by the System, has as its prime objective the timely and efficient provision of fertilizers at competitive prices to Committee member countries needing them, with preference given, in so far as possible, to regional producers, while at the same time promoting the exportation of the surplus supplies outside the region. In a first phase of its operation, the corporation will function as an intermediary between producer-sellers and sources of demand for various types of fertilizers, but it is planned that in the future it will operate with the objective of marketing 80% of the sales and purchases of countries belonging to the Committee. Although the experience acquired is still too short for assessment, the benefits may be very great if the corporation collects a modest commission and turns its negotiating capacity fully to the benefit of its shareholders.

The Handicrafts Committee has conducted some important activities in pursuance of its objectives, including the issuing of a detailed catalogue on handicrafts which the member countries wish to market and has also considered the possibility of operating as an intermediary in international sales of handicrafts; to this end it must co-operate with national bodies working in this field so as to ensure a continuous, varied and relatively copious supply of articles for sale abroad.

/Co-operation in

Co-operation in food and agriculture played an important role in the work programmes of SELA, as reflected in the establishment of the Committee on Grains, Seeds, Fruits and Oils; the Committee on Ocean and Fresh Water Products and the Meat, Dairy Products and Animal By-Products Committee. This action was taken primarily with a view to the establishment of a preferential food supply system among the member countries and the strengthening of their exports to extra-regional markets. The Committee on Ocean and Fresh Water Products is the most advanced, having formulated a diagnosis of the fishery situation in the region, which has led to a number of meetings and has made it possible to adopt common approaches to negotiations with third party countries; it has also taken other initiatives, ranging from a pilot project in agriculture to an evaluation of the availability of water species, whose preparation was made possible through the co-operation of the countries concerned. The other programmes of the agricultural products and food group have met with various obstacles in spite of which they are still attempting to co-operate in this field.

The Committee for the establishment of RITLA was set up relatively recently (in August 1979) and its main tasks are to co-ordinate regional supply and demand for technological data and to promote greater use of the technologies of the member countries and an increase in the capacity to negotiate with extra-regional suppliers of technology.

The objectives of the Action Committee for the Reconstruction of Nicaragua are similar to those of the committee which provided support to Guatemala and also include the strengthening of the negotiating capacity of Nicaragua at the international level, especially in the field of financial aid and technical assistance.

In considering the overall progress made by the Action Committees, the need is seen to reactivate or reorientate some of them since the objectives for which they were established have been fully realized, as in the case of the majority of the committees related to the food and agriculture sector.

(ii) Consultation and co-ordination of positions among the countries of the region

From the beginning, SELA has been keenly concerned to promote consultations among the countries of the region, for the purpose of co-ordinating their position in international negotiations, especially with other countries in the developing world. The Special Committee for Latin American Co-ordination (CECLA) played an important role in this connexion.

Among the various activities in which SELA has stood behind the countries of the region in the area of negotiations, attention should be drawn to the presence of the Permanent Secretariat of the System at the North-South Conference in Paris in 1976; the assistance provided to Latin American and Caribbean countries in co-ordinating their position in the fourth session of UNCTAD in Nairobi; the rejection in the Latin American Council of restrictive

/and discriminatory

and discriminatory clauses in the Foreign Commerce Law of the United States; collaboration with the Latin American Group in the negotiations for the establishment of the Code of Conduct for Transnational Corporations and the assistance rendered by the secretariat to the fifth session of UNCTAD in Manila.

In matters which come under the heading of common spheres of action, CEPAL and SELA have agreed that the former should co-operate with the Permanent Secretariat of the latter in support of its technical activities.

#### D. FINANCIAL AND MONETARY CO-OPERATION IN LATIN AMERICA AND THE CARIBBEAN

Financial and monetary affairs is one of the traditional areas of regional co-operation and one of the two fields (the other being intra-regional trade) in which the most perceptible and stable results have been achieved. The first attempts to get countries to combine their efforts in this field date back to the early 1970s, when the Inter-American Development Bank (1959), the Central American Bank of Economic Integration (1960) and the Central American Clearing House (1961) were established. In the second half of the 1960s, the LAFTA Payments Agreement (1965), the Andean Development Corporation (1968), the Caribbean Development Bank (1969), the Central American Monetary Stabilization Fund (1969) and the Santo Domingo Financial Assistance Agreement (1969) became operative; and, finally, in the 1970s a number of financial and monetary institutions, notably the Andean Reserve Fund (1976), the CARICOM Multilateral Compensation System and the Latin American Export Bank (both in 1977) went into operation. The length of this list of financial and monetary organizations and the fact that the great majority of them have developed rapidly and with no major setbacks indicate that this means of co-operation meets a concrete need of the countries and that the understandings are based on interests which are to a large extent parallel. Actually, financial and monetary co-operation brings benefits and solid advantages to all countries, especially those whose international financial position is weak. Thus, since the costs of this type of co-operation are low while its benefits are significant, it has in general been a successful form of combined action.

To facilitate understanding of the topics discussed in this section, the financial and monetary institutions referred to have been put in the following categories, which are analysed below: systems for financing foreign trade and payments compensation; funds for financing balance-of-payments disequilibria; development banks and funds and other institutions for financial and monetary co-operation.

##### (a) Systems for financing foreign trade and payments compensation

Countries participating in the four operative integration systems have at their disposal three systems which facilitate trade among them and, by

/avoiding the



avoiding the unnecessary use of foreign currency, facilitate payments among the signatory countries of the various agreements. The LAFTA Payments Agreement (which is certain to continue within the context of the newly established ALADI), the Central American Clearing House and the Caribbean Multilateral Payments System share the long-term objective of co-ordinating the financial and monetary policies of the member countries. Very little, other than the exchange of information, has been done in this connexion. Much greater importance has been attached to the realization of their immediate objectives, which are related to the facilitation and financing of interregional trade.

Each of the three systems referred to operates on the basis of credits granted reciprocally by the central banks of the participating countries. This makes it possible to liquidate the payments pending among the countries periodically and to cancel balances resulting from trade, using convertible currencies exclusively. The systems operate at virtually no cost whatsoever, and, in addition, lead to big savings in foreign currencies by avoiding the commissions and interests once collected by extra-regional banks which served as intermediaries between the respective central banks.

The LAFTA Compensation System (of which the Dominican Republic, which is also party to the Agreement, is a member) is almost fully subscribed, 62 of the possible 66 bilateral credit agreements having been signed. In 1979 total credit transfers amounted to US\$ 1.6 billion and made it possible to engage in financial transactions exceeding US\$ 6.4 billion, which represents the financing of three-fourths of the trade conducted that year. In other words, only 25% actually had to be transferred in foreign currencies from international reserve assets, which is a clear indication of the system's effectiveness.

In 1979 the Central American Clearing House discharged US\$ 1 307 million in transactions, and barely 15% of that amount was actually transferred among the member countries. On the other hand, the ratio of the value of transactions to the value of trade among the five countries has been rising gradually over the years and is now over 100% because not only trade among the countries but also other financial transfers are covered. Moreover, the Clearing House entered into a special agreement with the Bank of Mexico to promote commercial transactions between Mexico and the countries of the Central American isthmus.

In 1978, transactions totalling US\$ 263 million, 13% of which was not compensated, were channelled through the CARICOM Multilateral Payments System. This amount represents virtually all the trade among the member countries of the Community. This System has become much more effective since 1978, when its payment period was lengthened from 3 to 6 months while the former ceiling of US\$ 40 million on transactions was raised to US\$ 80 million. Regional trade in particular profited from these adjustments which, inter alia, permitted Guyana and Jamaica to lower the quantitative restrictions on imports from CARICOM countries, which had been imposed because of the serious

/balance-of

balance-of-payments problems experienced by Guyana and Jamaica. At the same time transactions by letters of credit were launched to finance intra-regional trade, and, in mid-1980, a regional travellers cheque system was initiated and has gained wide acceptance during the short time it has been in existence.

It is obvious from the short analysis above that payments compensation systems are making an effective contribution to the promotion, facilitation and financing of trade among their country members. So far they have operated without any major setbacks, and the countries concerned all agree on a positive evaluation of their results. Nevertheless, there are some possibilities for enhancing their effectiveness. It has, for example, been recommended that in the case of the LAFTA Payments Agreement, the payment period should be extended from 4 to 6 months so as to provide deficit countries with greater credit possibilities. Moreover, there would seem to be a need for careful identification of those bilateral credit agreements which are still tight, with a view to agreeing on increases in the present and future volume of trade.

The various attempts which have been made in the past to establish a link between the LAFTA and CACM systems have so far yielded no concrete results. One possibility for effecting such a link in the short term would be for the Central American countries to adhere separately to the LAFTA Payments Agreement, which provides for the largest volume of transactions.

(b) Funds to finance balance-of-payments disequilibria

These mechanisms were designed to supplement the financing facilities provided by the compensation systems. As stated above, the compensation systems operate on a short-term basis (from three to six months) within which period the trade balances financed by the payments agreements must be compensated. After they had been in operation a few years, it became apparent that some countries needed more time and credit to cope with the deficit in their trade with the region and that their balance-of-payments disequilibria were usually structural in nature.

The Central American Monetary Stabilization Fund (FOCEM) was established with the objective of granting short- and medium-term (up to five years) credits to member central banks for the purpose of tackling temporary balance-of-payments disequilibria. One condition for being able to qualify for these credits is that the country in question must agree to adopt the necessary remedial policies in the monetary, financial and fiscal areas. Although the Fund has substantial resources of extra-regional origin at its disposal (at the end of 1979 its total holdings amounted to US\$ 160 million, US\$ 96 million of which was derived from international credit lines), its resources are proving to be inadequate to meet the growing external financing needs of its member countries. To cope with these limitations, in 1979 the five countries subscribed to an agreement creating the Fund to Finance Debit Balances in the Central American Clearing House (FFISDECA). This Fund was

set up with a contribution of 25 million Central American pesos from each of the central banks and from resources obtained from external sources. The formation of FFISDECA is directly related to Nicaragua's financial difficulties, which are expected to be dealt with as a matter of priority.

The Financial Assistance Agreement (Santo Domingo Agreement) came into force for the LAFTA member countries in 1970, and in 1972 the Dominican Republic adhered to it. Its objective is more to supplement temporary financial assistance (provided for in the LAFTA Compensation System) to member countries with temporary trade disequilibria than to provide general support for their balances of payment. The total value of its resources, as of March 1980, was US\$ 253.3 million, and the maximum amount at the disposal of each country is six times its contribution. The central banks of Argentina and Venezuela have signed additional agreements for US\$ 30 million, in each case, with the other member central banks of the Agreement, bringing the total funds to US\$ 323.3 million. Credit must be returned within a period of four months.

The availability of resources and the short repayment period have limited the use of the Fund, which in practice has been confined to small and medium-sized countries. To deal with these drawbacks, it has been proposed that the repayment period and the maximum amount available for loan should be increased and that countries should, at the same time, increase their contributions. It has also been suggested that banks with generous reserve holdings should make extra contributions and that additional resources should be sought outside the system.

The CARICOM Ministers of Finance agreed in principle to the establishment of a regional stabilization fund, whose prime objective would be the provision of financial support to member countries with balance-of-payments problems. This mechanism is expected to enable countries to implement their development plans more consistently when they have financial means in addition to the resources so far obtained from extra-regional sources.

Finally, one of the mechanisms created recently, with capital of US\$ 240 million, is the Andean Reserve Fund, the objective of which is to provide support for the balances of payments of the member countries; to harmonize their monetary, exchange and financial policies and to facilitate their access to international capital markets. At the end of 1978 the first loan corresponding to these objectives was approved, making US\$ 37.5 million available to Peru.

(c) Development banks and funds

There is an increasingly large number of institutions which are seeking to provide financial support for the region's development efforts. Those with a broad scope of operations include the Inter-American Development Bank (established in 1969) and the Central American Bank of Economic Integration

/and others

and others of more recent origin but with great potential impact, such as the aforementioned new energy agreement between Venezuela and Mexico in benefit of the Central American and Caribbean countries. This category also includes the Caribbean Development Bank, the Caribbean Investment Corporation, the Andean Development Corporation, the Fund for the Development of the River Plate Basin and the Venezuelan Investment Fund. Of these mechanisms, only the latter is bilateral in nature, the rest being multilateral institutions; what they all have in common is the emphasis they place on the financing of production projects. Some of them prefer to assist integration initiatives or projects in relatively less developed countries (Andean Development Corporation, Central American Bank of Economic Integration, Caribbean Development Bank and Caribbean Investment Fund). The Fund for the Development of the River Plate Basin is oriented primarily towards studies of the River Plate infrastructure project.

The design and promotion of production projects is precisely the area with the greatest limitations on the actual use of available funds. There has been and still is a lack of well-formulated projects with proven economic feasibility for which banks and funds may disburse credits. In other cases, institutions have not been able to attract sufficient resources, especially for large-scale projects. This shortage of funds might be attenuated by obtaining resources of regional and extra-regional origin, perhaps by having recourse to new investment facilities. It is interesting that at times it is easier for the countries of the region to have direct recourse to private international banking operating through regional or subregional institutions even in cases of integration or co-operation initiatives of interest to Latin American and Caribbean countries.

(d) Other bodies operating in the financial and monetary field

Reference should be made to some other institutions which have a relationship with the financial and monetary field but whose specialization does not put them squarely in the categories described above. The Latin American Export Bank (BLADEX), the Andean Trade Financing System (SAFICO) and the Aceptaciones Bancarias Latinoamericanas (ABLA) put into operation by the LAFTA countries are engaged in export financing.

BLADEX has been in operation in Panama City since 1978, and its primary objective is to promote exports of Latin American origin, with preference given to non-traditional exports. Its authorized capital amounts to US\$ 99 million in shares, which may be acquired by both State and private bodies.

SAFICO is a mechanism administered by the Andean Development Corporation for promoting Andean subregional integration by expanding and diversifying trade among the member countries. It entered into operation in 1974. By the end of 1979, the system had granted a total of US\$ 47.8 million in credits, 87% of which had been disbursed.

/The Aceptaciones

The Aceptaciones Bancarias Latinoamericanas was launched in the New York market in 1976. This instrument was designed for the purpose of attracting extra-regional resources to finance Latin American exports in the short and medium term (180 days maximum). So far it has not lived up to expectations, owing to a number of factors which inhibit its operation, notably the low level of its liquidity, the high unit value of its documents (US\$ 25 000), the scant promotion given to them and the fact that they cost more than other means of financing available to exporters.

The Arab-Latin American Bank (ARLABANK) is a recently established (1978) private banking institution, in which capital from Arab and Latin American countries have been united and financial operations are oriented primarily towards integration projects in the Latin American region.

The Latin American Association of Development Financing Institutions (ALIDE), the Latin American Banking Federation (FELABAN) and the Centre for Latin American Monetary Studies (CEMLA) are engaged in technical co-operation among banking and financial institutions. Three of the four integration systems also have specialized bodies in matters connected with financial and monetary co-operation and co-ordination: the Advisory Committee on Monetary Affairs and the Council on Financial and Monetary Policy of LAFTA, the Advisory Board on Monetary Affairs of the Cartagena Agreement and the Central American Monetary Council.

Finally, to complete this overview of financial and economic co-operation in Latin America, brief reference should be made to four recent proposals to create two new systems in this field. In 1975, the CEPAL Secretariat proposed the establishment of the "Financial Security Network for Latin America". This system, which would consist basically in a set of credit commitments, would have the objective of providing additional external funds for financing balances of payments in the countries of the region. In particular, it would continue gradually to make the adjustments required by the deficit countries, keeping their economies dynamic during the adjustment process. Country contributions would be required only when a deficit country had exhausted the traditional sources of financing its deficit. Initially, the proposal aroused considerable interest among the countries, which is not surprising in view of the international financial situation at that time; but so far it has not been possible to take it in hand, probably because later a situation rapidly developed in which there was a high degree of international liquidity.

The idea conceived in 1979 of establishing a Latin American Monetary Fund, possibly in conjunction with a Latin American Export Stabilization Bank, is directed towards the same end. The proposal is based on the consideration that in theory the region has the capacity to finance any balance-of-payments deficits incurred by member countries out of its own resources; it might also include the establishment of a common payments

/facility, called

facility, called the "Latino", which would be used to finance intra-regional trade, thereby liberating foreign currency for purchases outside the region.

The terms on which financial support was provided by the Fund would be adjusted to accord more closely to national realities than do those of the International Monetary Fund. This proposal is still under discussion, but there is no indication at this time that it will materialize in the near future.

Finally, two proposals apt to make an effective contribution to financial co-operation among Latin American countries were recently advanced in LAFTA's Advisory Committee on Monetary Affairs. Both proposals are in the draft phase and are intended to enlarge the Santo Domingo Agreement. One of them concerns the possibility of creating a second trame under the Agreement consisting in member central banks accepting commitments which would serve as guarantees to make it easier for member countries in need of balance-of-payments support to contract debts. The conditions to be met by applicant countries before such guarantees could be authorized have already been noted, and an agreement concerning this new machinery seems possible in the near future. The other proposal concerns a third trame of the Santo Domingo Agreement designed to cope with situations in which countries party to the Agreement experienced lack of financial liquidity because of natural disasters. The Fund would be set up out of contributions from the member countries calculated in proportion to their quotas in the International Monetary Fund. This project has been very well received and preparations for putting it into operation are under way. An interesting aspect of these new proposals is that both of the mechanisms in question would be open to all Latin American and Caribbean countries, whether party to the Santo Domingo Agreement or not.

/III. OTHER

### III. OTHER WAYS AND MEANS OF CO-OPERATION IN THE REGION

#### A. BACKGROUND

Latin America and the Caribbean have a long tradition of economic and technical co-operation, which is extended either through the traditional channels provided by bilateral agreements or through the most up-to-date and complex multilateral integration or co-operation agreements. Such agreements have met with different fates: some of them were fully applied while others had peak periods and periods in which they were used little or not at all. Moreover, all of them suffered the effects of the region's tendency either to draw closer to or to move away from the international economic system which predominated in different periods. On some occasions, the Latin American and Caribbean countries gave priority to their relations with countries outside the region, and on others they tried to put more effort into intra-area trade. In any case, in spite of the changes in approach mentioned, the external economic relations of the majority of the Latin American countries centered around the industrialized countries to which they were tied.

Nevertheless, having repeatedly experienced the great difficulties involved in changing the nature and conditions of their role in the international economic system and their relations with the industrialized countries,<sup>12/</sup> the developing countries have again directed their attention to the great possibilities inherent in the appropriate use of the natural, human, technological and financial resources of the third world. This has given rise to the concept of collective self-reliance - an approach under which a number of activities relating to economic and technical co-operation have been initiated.

For that reason, it has been considered useful to include in this document some examples of those new kinds of relationship among Latin American countries and, in some cases, between Latin American countries and other developing countries, in the hope of drawing attention to the trends which are beginning to make themselves felt (although their impact is still very weak) and might become more important in the future.

It should be noted that this exercise is not complete or exhaustive. It is more in the nature of a first attempt in this field of action. Nor is it intended to replace the comprehensive review of regional integration and co-operation (one of the mainsprings of intra-Latin American economic relations), to which chapter II of this document is dedicated.

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<sup>12/</sup> See CEPAL, Las relaciones económicas externas de América Latina en los años ochenta, E/CEPAL/G.1160, 5 March 1981.

## B. GOVERNMENTAL CO-OPERATION

The Latin American governments have made a systematic attempt to create conditions which will foster the growing complementarity of their economies. With this objective, they have entered into many regional and subregional economic co-operation and integration agreements covering most of the possible approaches to co-operation and aimed at the establishment of the legal, institutional, and physical structure of a new and more ample economic space intended to promote the economic and social development of the countries concerned by ensuring the more efficient use of the natural, technological, financial and human resources available on the continent. Having grown impatient with the difficulties affecting the full-scale operation of the machinery provided for and with the slow progress made by generalized systems of regional and subregional integration, governments are continuing to explore direct and practical means of co-operation. Periodically they take action which goes beyond the conventional pattern with which they are familiar and foster operational co-operation and complementarity agreements at the governmental or entrepreneurial level. To illustrate such action, a brief description is given of the Argentina-Uruguay and Brazil-Uruguay economic co-operation agreements, the agreement on compensated trade in products of the automotive industry of Argentina and Uruguay, the Mexico-Venezuela energy co-operation programme and the jointly negotiated motor-vehicles programme and the jointly owned enterprises in the mechanical engineering programme of the Andean Group.

### 1. Economic co-operation agreements 13/

In this section, some data is given concerning the respective trade agreements which Argentina and Uruguay and Uruguay and Brazil have signed in this connexion. Information is also given concerning the compensated trade agreement in the automotive sector entered into by Argentina and Uruguay. These agreements were selected to illustrate a mechanism in which a country which, in terms of relative economic development, may be said to be in mid-stream, enters into relations with two other countries of much larger size. The indicators given below were taken from the 1978 IDB Report on Economic and Social Progress in Latin America and show the differences between the three countries.

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13/ The material in this section has been extracted from parts of the unpublished study prepared for CEPAL by Rubén A. Cuelle, an Advisor, entitled "Sistemas de cooperación en ALALC: los acuerdos bilaterales entre Argentina/Uruguay y Brasil/Uruguay", mimeographed document, 1980.



<u>Indicator</u>	<u>Uruguay</u>	<u>Argentina</u>	<u>Brazil</u>
Population 1978 (est.)	2 852 000	26 389 000	116 393 100
GDP (millions of US\$ at 1976 prices)	3 870.5	42 938.7	130 568.6
GDP (per capita) (US\$ at 1976 prices)	1 357.1	1 627.1	1 121.8
Annual growth rate (%):			
Total GDP in the period 1960-1978	1.5	3.4	7.5
Total foreign trade (in millions of US\$):			
Exports 1978	660.0	6 350.0	12 659.0
Imports 1978	730.0	3 950.0	13 683.0

(a) Economic Co-operation Convention between Argentina and Uruguay (CAUCE)

(i) Content of the Agreement

Signed in 1974, the Economic Co-operation Convention between the Oriental Republic of Uruguay and the Argentine Republic was ratified by both countries in June 1977 although it had gone into operation at the end of May 1975. It is based on the advisability of establishing a framework in which these two countries can be more closely integrated and a means for broadening their prospects for economic growth and consolidating their respective economies. Moreover, both countries are confident it will help to stimulate economic development and social progress since it provides for co-ordinated and combined action in the fields of commerce, industry and constructive investment. Moreover, in the preambular part, it is provided that Argentina will take into account Uruguay's position as a relatively less economically developed country.

The final objectives provided for in the agreement are to intensify and diversify reciprocal trade to the extent possible, in an effort to bring about an acceptable balance of trade, both quantitatively and qualitatively; to co-ordinate the industrial activities of both countries, making the national productive systems more efficient and using economies of scale as much as possible; to stimulate investment directed towards the use of the markets of both countries and their competitive capacity in the international markets and to facilitate the establishment and operation of binational enterprises.

The Convention provides for a trade liberalization programme based on the removal of barriers to the imports of both countries, whose operation is regulated by the provisions of an additional protocol in which the rules which are to govern transactions are laid down. Both in its definition of the words "barriers" and "restrictions" and in the rules of origin of products, the Convention refers back to the understandings reached in LAFTA on such matters. The parties may adopt special rules of origin for products not included in the LAFTA trade liberalization programme.

The machinery to be used in implementing the trade liberalization programme referred to in the Convention consists in tariff concessions with no barriers or restrictions of any kind; limited tariff concessions, i.e., seasonal temporary concessions with or without quotas, and tariff concessions aimed at the operation of binational enterprises which make no discrimination with respect to enterprises already established in the country in which they are located.

According to the Convention, the implementation of the programme will be based on "an acceptable reciprocity of results", taking into account the special position of Uruguay as an economically relatively less developed country.

With respect to production complementarity, the Convention lists instruments to be used in that regard: industrial complementarity agreements, sectoral complementarity agreements, multi-sectoral complementarity agreements, agreements on industrial complementarity by transformation processes and agreements on investments aimed at promoting the establishment of public or private binational enterprises.

The Convention also specifies the instruments to be used for policy co-ordination: (i) quarterly working meetings of representatives of planning bodies; (ii) establishment of a joint permanent office with headquarters in Montevideo to channel, assist in and promote the process of industrial complementarity and the formation of binational enterprises and to identify goods not produced in either of the two countries party to the Convention, with a view to their undertaking production together; (iii) gradual harmonization by the parties of import provisions and of the duties applied under the Convention; (iv) continual up-dating of the lists of restrictions of all kinds recorded in LAFTA, and (v) support for the purchase of capital goods of reasonable price and quality in each of the countries party to the Convention (whenever possible).

One article in the Convention is devoted to the infrastructure problems which have an adverse impact on integration and envisages combined action to solve them. The main fields in which such action would take place are energy, transport and communications, with particular attention given to measures for facilitating border traffic. Provision is also made for joint action in approaching international credit institutions.

To further the process of economic and social integration, a commission for monitoring the Convention is provided for, which, in addition to its monitoring functions, will take cognizance of any disputes which might arise in the application of the Convention and will provide an appropriate setting for the achievement of its objectives.

Finally, one article of the Convention reaffirms the adherence of the parties to the objectives of Latin American integration, affirming that the Convention itself constitutes an important step in the concept of integration and adding that it will be implemented in accordance with the rules laid down in the Montevideo Treaty and those implicit in the legal structure of LAFTA.

/The duration

The duration of the Treaty was set at five years extendable automatically, and it may be denounced after the termination of the first period; the concessions will remain in force for five years after the date on which the Convention is denounced.

The Additional Protocol in which the trade liberalization programme (modified in September 1976) is defined has the following main characteristics:

- (1) Agricultural products are excluded;
- (2) Provision is made for the total elimination by Argentina of the duties and restrictions applicable to imports of Uruguayan products included in the programme as from 1 January 1975;
- (3) Products which may prejudice Argentinian productive activity are excluded from the provision for full liberalization of trade;
- (4) Products on the special list conceded by Argentina to Uruguay within the framework of LAFTA may not be excluded, but the established quota limitations or extensions are retained;
- (5) It is specified that Argentina shall honour the total liberalization of a product included in the programme when its import does not exceed 5% of its registered production the previous year in that country;
- (6) Uruguay undertakes to abolish all the duties and restrictions applicable to imports of Argentinian products included in the programme, as of 1 January 1976;
- (7) Products which may be prejudicial to Uruguayan productive activity are excluded from the total liberalization requirement;
- (8) It is specified that when the imports of the two countries balance out, total liberalization on the part of Uruguay shall be applied to products included in the programme at a value equivalent to the value of Argentinian imports of those products during the preceding calendar year;
- (9) It is agreed that products included in the programme shall be entered in both lists (one for each party) and must be approved by the Monitoring Commission established under the Convention;
- (10) Each party may select the products included in the programme which will benefit from the exemptions granted by the other party.

#### (ii) Operation of the Convention

Between February 1975 and the end of 1978, the Monitoring Commission of the Economic Co-operation Convention met five times; during this period, it adopted 34 agreements, some of them basic to the operation of the Convention; those mentioned here refer to the regulations governing the operation of the Permanent Joint Office, the general and special rules of origin, the modifications made in the Additional Protocol, the approved list of products in the trade liberalization programme of the Convention and the annual setting of the value of products imported from Argentina without duties and restrictions in accordance with the procedures laid down in the Additional Protocol. In this connexion it should be pointed out that the Monitoring Committee deviated from the criterion established in this Protocol, stipulating that exemptions from duties and restrictions shall be applied annually to imports from Argentina in an amount equivalent to 60% of the increase in Uruguayan exports to Argentina under the Economic Co-operation Convention, with reference to the year before the year prior to it, instead

of to the preceding calendar year. In this same connexion, it was agreed that no product on the list of exemptions imported by Uruguay should exceed 10% of the total quota established as a counterpart.

With respect to the rules of origin, the Monitoring Committee decided that generally speaking the provisions in force in LAFTA, including those which had been established by LAFTA for products covered by the trade liberalization programme of the Convention, should be applied, as well as those laid down in complementarity agreements in which both countries participate. Moreover, special requirements - applied in order of priority - were set for a list of commodities, in accordance with the following rules: they must be processed in industrialized plans established in Uruguay or Argentina, using raw materials and/or inputs of that origin. When a raw material or input essential to the final product is not produced by either of them or is in short supply or is produced but is not adapted to the installed industrial equipment or to the technology applied, preference shall be given to the area and only in its absence there shall origin outside the area be accepted. Appliances, machinery or vehicles with internal combustion or electrical engines must, without exception, be of Uruguayan or Argentinian origin. The products covered by this stipulation include glass, plastics, metal parts, textiles and chemicals.

Towards the end of 1978, the Convention operated unilaterally in favour of Uruguay. The number of products included by Argentina in the trade liberalization programme was 804 conceded on two occasions - first 504 products were conceded in 1975, with another 300 products being added in 1976. In 1979, the Uruguayan counterpart began to operate, and resulted in 214 different categories that year; as specified in the Convention, the value of the exemptions granted by this country after January of the year of reference was set at US\$ 9.2 million. On that occasion (fifth meeting of the Monitoring Commission, at the end of 1978), Argentina included 32 new categories, raising the number of products included in the liberalization programme to 836, and extended the quotas on 19 of the products in which trade was the most dynamic.

The way in which the machinery of the Convention operates is shown in tables 24 to 30.

Table 25 gives the total number of items exported each year and their actual value FOB compared with an estimate of their value were the quotas assigned to them used fully.

As a result of the Convention's coming into force, Uruguay exported 200 products which had never been traded with Argentina, with one being added in 1975, 23 in 1976, 135 in 1977 and 41 in 1978. Table 26 shows these additions in the light of the total export of 228 products in the year 1978 and gives the respective values FOB, in dollars, for each of the two groups.

Table 27 shows the main exports under the Convention.

Table 24

URUGUAY: USE OF CONCESSIONS GRANTED BY ARGENTINA

Year	Number of concessions	Items exported	Value FOB in dollars	Items exported as a percentage of total concessions
1975	504	80	10 982	15.87
1976	804	179	13 505	22.26
1977	804	186	15 425	23.13
1978	804	228	21 733	28.36

Source: Permanent Joint Office of the Convention.

Table 25

URUGUAY: ESTIMATES OF OPTIMUM USE OF QUOTAS

Year	Product	Actual exports (dollars)	Optimum value (dollars)	Percentage
1975	80	10 982	39 178	28.03
1973	179	13 505	70 112	19.26
1977	186	15 425	124 134	12.43
1978	228	21 733	114 359	19.00

Source: Permanent Joint Office of the Convention.

Table 26

URUGUAY: EXPORTS TO ARGENTINA BEFORE AND AFTER THE ENTRY INTO FORCE OF THE CONVENTION  
(Thousands of dollars)

	Product	Dollars	Percentage
<u>Products not exported previously a/</u>			
Added in 1975	1	86.0	0.40
Added in 1976	23	1 160.1	5.38
Added in 1977	135	15 079.2	69.38
Added in 1978	41	1 423.9	6.55
<u>Total</u>	<u>200</u>	<u>17 758.2</u>	<u>81.71</u>
<u>Products exported previously b/</u>			
1968-1974	28	3 974.6	18.29
<u>Total</u>	<u>228</u>	<u>21 732.8</u>	<u>100.00</u>

Source: Permanent Joint Office of the Convention.

a/ Not exported to Argentina prior to the Convention.

b/ Exported to Argentina during the period prior to the Convention (1968-1974).

Table 27  
URUGUAY: MAIN EXPORTS UNDER THE CONVENTION

(Thousands of dollars)

Year	Number of products	Value represented	Total exports under the Convention	Percentage of total
1975	27	10 100	10 982	91.77
1976	37	12 200	13 505	90.37
1977	50	13 000	15 425	84.41
1978	54	19,900	21 733	91.57

Source: Permanent Joint Office of the Convention.

Table 28  
URUGUAY: EXPORTS TO ARGENTINA (TOTAL EXPORTS AND EXPORTS UNDER THE CONVENTION)

(Thousands of dollars)

Year	Total exports	Exports under the Convention	Percentage
1968	2 885	-	-
1969	4 870	-	-
1970	6 359	-	-
1971	5 876	-	-
1972	4 124	-	-
1973	7 992	-	-
1974	31 044	-	-
1975	28 255	10 982	38.86
1976	25 141	13 505	53.72
1977	31 880	15 425	48.38
1978	38 244	21 733	56.83

Source: Bank of the Oriental Republic of Uruguay.

/Table 29

Table 29

URUGUAY: TRADE WITH THE ARGENTINE REPUBLIC

(Thousands of dollars)

Year	Exports	Imports	Balance
1968	2 885	15 329	-12 591
1969	4 870	20 838	-15 968
1970	6 359	28 451	-22 092
1971	5 876	31 927	-26 051
1972	4 124	27 490	-23 366
1973	7 992	61 829	-53 837
1974	31 044	71 247	-41 203
1975	28 255	46 654	-18 399
1976	25 141	65 526	-40 385
1977	31 880	82 586	-50 705
1978	38 244	87 758	-47 514

Source: Bank of the Oriental Republic of Uruguay.

Table 30

URUGUAY: NUMBER OF PRODUCTS EXPORTED TO ARGENTINA, TOTAL EXPORTS AND EXPORTS UNDER THE CONVENTION

(Thousands of dollars)

Year	Number of products		Percent- age
	Total	Under the convention	
1968	69	-	-
1969	109	-	-
1970	109	-	-
1971	91	-	-
1972	64	-	-
1973	62	-	-
1974	135	-	-
1975	203	80	39.41
1976	255	179	70.20
1977	269	186	69.14
1978	343	228	66.47

Source: Bank of the Oriental Republic of Uruguay.

/Of the

Of the 54 commodity groups (covering a number of items in some cases) listed in table I-1, and represent Uruguay's leading exports under the Convention in the years indicated, 37 are totally new as exports and 14 had already been exported during the period 1968-1974.

Of the 54 products shown, 24 were exported every year and 7 of those had been exported prior to the Convention. Those seven products constituted 22.2% of the total exports under the Convention in 1975, 23.72% in 1976, 15.3% in 1977 and 13.6% in 1978. In the second year in which the Convention was in effect (1976), 12 additional products, 4 of which had been exported prior to the Convention, began to be exported uninterruptedly.

Only two of the products which began to be exported in 1975 have shown an increase in value each year. One of them (ceramic tiles) had been exported prior to the Convention, and the other (paper of various kinds) had not been exported in the period 1968-1974. Of the products which began to be exported under the Convention in 1976, five show a steady increase in value, but only one of them (PVC comp.) was exported prior to the Convention.

The effects of the Convention within the general framework of exports FOB to Argentina may be seen in table 28.

Total exports and imports between Uruguay and Argentina are shown in table 29.

The share of the number of products exported under the Convention in comparison with the total number of products exported provides an indication of the importance of this instrument to Uruguayan exports to Argentina (see table 30).

By analysing some of the tables and data given above it is possible to form some views of the functioning of the Convention during its first four years.

Thus, for example, a steady increase in the number of products exported may be observed, which means that fuller use was made of the concessions received; use of concessions rose and fell from year to year, but over the four-year period, this indicator nearly trebled. There has also been an increase in the total use of the quotas assigned: nine in 1975, 35 in 1976, 47 in 1977 and 52 in 1978. Moreover, the figures on products with no export data prior to the Convention are positive, and their percentage share in the total exports is growing. Continuity is also reflected in the increase in the total volumes exported under the Convention.

It may also be seen that a number of products which were not exported during the period 1968-1974 are now major exports in volume terms. Such products include sulfo-dodecylbenzenic acid, detergent powders, paper of various kinds, wool yarn, woven wool fabric, woven cotton fabric, made-up garments and wearing apparel, floor tiles, wire, television picture tubes and toys. On the other hand, trade in products exported prior to the

/Convention, such



Convention, such as butter, phthalic acid, polyethylene film, cameras and camera cases, woven synthetic fabrics, ceramic tiles, bottles and seamless tubes and pipes, is being consolidated.

Although it may be felt that these facts bode well for the Convention, it should be pointed out that up to 1978 only 228 concessions out of the 804 granted had actually been used, that there is a lack of continuity in exports of various products, that growth is irregular and unsteady and that in some cases there were sizable reductions in the export of certain products during the period 1975-1978.

The global trade figures, which reflect a negative balance of trade in the case of Uruguay, and the statistics relating to the value of trade carried under the Convention by comparison with total exports to Argentina do not show that the Convention has brought about an acceptable readjustment of the balance of trade at least not as of the date on which these data were examined; although it has, on the other hand, promoted the diversification of commodities exported by Uruguay.

(b) Uruguay-Brazil Protocol on Trade Expansion (PEC)

(i) Content of the Protocol

The Uruguay-Brazil Protocol on Trade Expansion (PEC) was designed to reflect the spirit of bilateral co-operation emanating from the Treaty on Friendship, Co-operation and Trade between Uruguay and Brazil and was signed on the same date and occasion as the latter (12 June 1975 at Rivera, Uruguay).

The Treaty on Friendship, Co-operation and Trade makes the following provisions with respect to the PEC: "Uruguay and Brazil shall do their utmost to achieve progress in the extension and diversification of trade by making appropriate use of any opportunities which present themselves. To this end, the High Contracting Parties shall, on this date, enter into an additional protocol to this Treaty, to be known as "the Protocol on Trade Expansion", which specifies the rules and procedures governing the respective negotiations which shall be carried out as soon as possible". "The Protocol on Trade Expansion, taking into account the situation of Uruguay as a less developed country, shall create conditions more likely to result in a reasonable balance of trade between the two countries".

The objective referred to is pursued in this Protocol through a programme for the liberalization of products originating in and coming from one of the countries party to the Protocol, which are to enter the territory of the other party on the conditions and terms provided for in the instrument itself.

The liberalization programme covers agro-industrial products, which, in the case of both parties, are referred to in a list contained in annex I to the Protocol, and merchandise classified in chapters 25 to 98 of the

Brussels Tariff Nomenclature for the Latin American Free Trade Association (NABALALC), without prejudice to the lists of exceptions for each country contained in annex II.

Within the liberalization programme, it is provided that the parties shall negotiate for the inclusion of products in the "exemption régime" and that those products shall be noted on lists constituting annexes III and IV. When these products originate in and come from one party they are to enter the territory of the other party free of duties and restrictions, with the exception of those agreed upon through negotiation. Residual duties not exceeding 5% of the value CIF or the specific equivalent thereof may, however, be retained.

Provision is made for the possibility of one party limiting its imports of any product included in the exemption régime to a quota equivalent to 5% of the volume or value of a similar national product the year immediately preceding the year of import. That quota may be set in advance, at the time when a product is included in the exemption régime.

The margin of preference granted when a product is included in the exemption régime does not remain fixed in that each party may modify its treatment of third-party countries without having to provide compensation on that account.

Article 8 of the Protocol concerns matters relating to balanced trade in the products included in the exemption régime. This objective is considered to be achieved when the exports of one party do not exceed the value of the annual exports of the other party by more than 10%. If the difference is greater, the favoured party will have to include in the exemption régime products whose trade expectations are such as to restore the balance, and if the imbalance remains a year later, the party affected may suspend preferential treatment of products whose average import value in the three preceding years totals the difference which results. Once the balance has been restored, the suspended treatment shall again take effect.

Matters relating to the implementation of the Protocol are dealt with by the General Co-ordinating Commission instituted in article III of the Treaty of Friendship, Co-operation and Trade, and that commission may delegate authority, in such matters, to a Subcommission on Trade Expansion.

It is provided that the other member countries of LAFTA may participate in the Protocol by adhering to it on conditions to be specified.

The duration of the Protocol was three years and could be extended automatically for an identical period up to the end of the period of transition provided for in the Montevideo Treaty and its modifying Protocols. The Protocol could be denounced at any time after the end of the first three years. In such a case, the concessions granted would remain in force for two years following the date of the notice of denunciation.

The PEC is structured in such a way as to incorporate two documents which were drawn up after the Protocol but constitute fundamental documents for the effective operation of the main instrument. These documents contain additional rules of procedure for negotiations and the general rules of origin.

(ii) Operation of the Protocol of Trade Expansion

As provided for in paragraph 1 of article 9 of the PEC, in accordance with which the General Co-ordinating Commission provided for in article III of the Treaty on Friendship, Co-operation and Trade "... may delegate authority to a Subcommission on Trade Expansion to resolve questions relating to the implementation of the provisions of this Protocol" in July 1976 when the PEC was opened to ratification, the Subcommission referred to was established in Brasilia and so far has met on two occasions to deal with matters of common interest relating to the Protocol. The Subcommission has its own rules of procedure.

With respect to certificates of origin, the parties agreed that the bodies competent to issue them would be the National Confederation of Industries of Brazil and the Chamber of Industries of Uruguay.

The use of the quota must be authorized, according to the results achieved by the parties, by the Chamber of Industries of Uruguay in the case of Uruguay and, in the case of Brazil, by the Foreign Commerce Department (CACEX) of the Bank of Brazil.

With a view to the achievement of balanced trade, the Subcommission incorporated a provision into the Protocol establishing that, for the purposes of evaluation, consideration would be given to the value of original materials actually incorporated into the products exported when they were manufactured when such materials were not included in the system of exemptions. This decision makes it possible for one party to compute, for purposes of achieving a balance in its trade, inputs of that kind which it imports from the other party in compliance with the specific rules of origin but which are not included in its list of concessions.

There were two formal periods of negotiations - in July 1976 and May 1978 - for the preparation of the lists of concessions of both parties.

With regard to Uruguay's concessions, 135 were granted in the first stage of the negotiation, with duties no higher than 3% plus the 7% surcharge in effect at that time, which was considered to be non-negotiable; and 128 others were agreed to on a second occasion, under which products may enter Uruguay on payment only of the minimum surcharge of 10%, also considered to be non-negotiable. Although the Uruguayan list contains some products of final consumption, it is for the most part made up of goods which Uruguay does not produce - mainly industrial inputs and capital goods. Uruguay's list contains no products with specific rules of origin so that they may enter if they comply with the general rules of origin in force under the Protocol. Their position may, however, at any time be established through

/the machineries

the machineries described above. In the case of some products on Uruguay's list of concessions, whose national production is envisaged at some time in the future, it has been established that the concession granted will expire when notice is given that similar products are being produced at national level.

Brazil's list of concessions was drawn up in two stages: in the first stage, approximately 540 products were covered, and in the second, 64 additional products were incorporated and 59 products had their quotas increased or conditions of access improved. Thus, Brazil's list of concessions covers a total of 604 products. The final structure of the list is as follows: 243 new products; 143 products already referred to in the List of Non-extensive Concessions; 201 products contained in Brazil's national list but access to which was not viable for Uruguay and 17 products included in other régimes.

The products incorporated in the PEC may enter Brazilian territory in the amounts established on payment of import duties of less than 4%, provided that they comply with the rules of origin agreed upon as well as meeting other conditions applicable to specific products, including the partial or total prohibition on the entry of some products through the customs station in the fiscal division of the southern region (Paraná, Santa Catarina and Rio Grande). It has been calculated that the first group of products has an estimated potential value to Uruguay of some US\$ 90 million; the value of the products brought under the Protocol in the second stage is approximately US\$ 14 million more. The amendments introduced in respect of 604 products in the second stage bring the total estimated potential value up to US\$ 120 million.

With regard to the figures on Uruguay's trade with Brazil under the Protocol on Trade Expansion in tables 31 and 32, it should be pointed out that the figures for 1976 apply on to the final quarter because the respective lists of concessions came into force late.

The growth rate of the use of the PEC by both parties during the years 1977 and 1978 in relation with their total trade was similar: 1.3% for Uruguay and 1.4% for Brazil.

Table 33 shows the dynamism of Uruguayan exports to Brazil under all commercial régimes during a period beginning one year before the facilities provided for under the PEC began to operate.

Table 33 shows how trade under the PEC is replacing trade carried out under the special lists granted by Brazil to Uruguay within LAFTA arrangements although it must be noted that the total trade conducted under both facilities in the period under review is over twice as great as Uruguay's export trade. In this respect it should be borne in mind that some of the concessions granted by Brazil on the special list were suspended and were imputed to the PEC while it remains in force and that the lists begun under the Protocol cover a wider variety of products.

Table 31

URUGUAY: EXPORTS TO BRAZIL, INCLUDING THOSE EFFECTED UNDER THE  
PROTOCOL ON TRADE EXPANSION (PEC)

(Thousands of dollars)

Year	Total	Under the PEC	Percent- age
1976	67 544.0	3 100.0	4.6
1977	95 222.5	21 705.8	22.8
1978	127 505.0	30 776.5	24.1

Source: Statistics from the Bank of the Republic of Uruguay.

Table 32

URUGUAY: IMPORTS FROM BRAZIL, INCLUDING THOSE EFFECTED UNDER THE  
PROTOCOL ON TRADE EXPANSION (PEC)

(Thousands of dollars)

Year	Total	Under the PEC	Percent- age
1976	90 327.5	1 800.0	2.0
1977	94 158.4	9 117.0	9.7
1978	85 130.0	9 480.0	11.1

Source: Statistics from the Bank of the Republic of Uruguay.

Table 33

URUGUAY: EXPORTS TO BRAZIL, BY THE REGIME APPLIED

(Thousands of dollars)

	National list	Special list	Complementarity agreements	PEC	Other régimes	Total
<u>1975</u>						
Total	46 354.00	14 078.50	667.10		3 974.40	65 074.00
Percentage	71.23	21.63	1.03		6.11	100.00
<u>1976</u>						
Total	50 409.10	11 708.60	519.70	3 095.50	1 723.00	67 544.90
Percentage	74.73	17.45	0.77	4.58	2.57	100.00
<u>1977</u>						
Total	63 999.00	7 975.80	-	21 705.80	1 528.50	99 209.40
Percentage	67.22	8.37	-	22.80	1.61	100.00
<u>1978</u>						
Total	85 408.40	5 123.80	11.50	30 766.60	6 184.70	127 505.00
Percentage	66.99	4.02	0.00	24.14	4.85	100.00

Source: Bank of the Republic of Uruguay.

/Moreover, if

Moreover, if the percentages corresponding to the special lists and to the PEC are combined and compared with the total exports of Uruguay to Brazil under different arrangements, the increase amounts to less than 10% in the period during which PEC has been in operation and to scarcely more than that if the 1975 percentages are compared to those of 1977, when the total of the two percentages was the highest.

The situation with regard to the use of the concessions reciprocally granted by both countries in the lists provided for under the PEC is summarized in table 34.

Although the value of Uruguayan exports under the PEC increased during the period 1976-1978, the number of concessions represented in those exports fell during the same period. The percentage of concessions used with respect to the number of concessions granted also fell, and in spite of the increase recorded in Brazil's use of the concessions granted by Uruguay, the rise in this figure recorded from year to year was not proportionate to the rise in concessions granted.

Table 35 completes the illustration of the number of products exported by Uruguay.

Tables I-2 to I-5 provide information on products of significant value exported by Uruguay under the PEC and other régimes, whether they had been exported prior to the Protocol or not.

Of the 29 commodity groups not exported prior to the Protocol for which sales to the exterior amounted to over US\$ 100 000 (see table I-2), only three (sulphobenzoic acids, glass bottles and flasks and aluminium sections) maintained that value throughout the entire period under review, making up 26.9% of total exports under the PEC in 1976. The 18 commodity groups exported in 1977 comprised 26.8% of total exports under the PEC, and the 25 exported in 1978 represented 36.4%.

Moreover, of the 28 commodity groups which were exported in 1976 under the PEC and which had been exported prior to the Protocol, six amounted to US\$ 1.6 million, or 51.4% of the total exports carried out under the PEC during that year. The 25 commodity groups exported in 1977 brought in US\$ 12.8 million (58% of the total for that year), and the US\$ 16.9 million obtained from the 26 commodity groups exported in 1978 accounted for 54.9% of the total of US\$ 30.7 million sold to the exterior under the PEC (see table I-3).

Thus, in the period 1976-1978, products exported prior to the Protocol made up over 50% of the total of the exports effected under the PEC. Also, when the commodity groups not exported before are taken into account, it may be seen that 67 commodity groups negotiated within the PEC and exported by Uruguay for over US\$ 100 000 accounted for 78.3%, 85.8% and 91.3% of the total exports under the Protocol during the years 1976, 1977 and 1978, respectively.

Table 34  
URUGUAY AND BRAZIL: USE OF CONCESSIONS GRANTED a/

	Year	Total products	Used	Percentage
Granted by Uruguay	1977	135	65	45.19
	1978	263	93	35.95
Granted by Brazil	1977 <sup>b/</sup>	540	166	30.74
	1978 <sup>c/</sup>	604	160	28.49

Source: Uruguay, Department of Foreign Trade.

a/ 1976 not shown because figures very low

b/ Of the 166 products exported by Uruguay, 23 were exported under more than one régime.

c/ Of the 160 products exported by Uruguay, 16 were exported under more than one régime.

Table 35  
URUGUAY: NUMBER OF PRODUCTS EXPORTED TO BRAZIL

Year	Total products	Under the PEC	Percentage
1975	142	-	-
1976	181	52	28.7
1977	256	166	64.8
1978	254	160	62.9

Source: Uruguay, Department of Foreign Trade.

/The list

The list of products exported by Uruguay under the PEC whose value surpassed half a million dollars for the year 1978 is very short, comprising only 8 commodity groups. Table I-4 shows these products and provides immediate data on their export under this or another commercial instrument together with some other details and information relating to terms agreed on in the negotiation of each commodity.

Table I-5 contains a list of the 27 products imported by Uruguay from Brazil under PEC arrangements at values which in each case exceed US\$ 50 000 and in 1977 corresponded to 95.5% of the total import value and in 1978, to 87.7% of that total.

Balanced trade being one of the objectives of the Protocol, it should be noted that the trade pendulum favoured Uruguay in the years 1977 (42%) and 1978 (30.8%), a difference of 10% being regarded as optimal.

In this respect, it should be pointed out, however, that the PEC is just one of a number of instruments comprising the Treaty on Friendship, Co-operation and Trade, there being others which have promoted Brazilian exports to Uruguay by making provisions such as those for credit lines for the purchase of capital goods and for the construction of the Palmar dam; the fact that some Uruguayan exports have benefited under the Protocol has been due to temporary situations of shortage in Brazil; the situation of Uruguay in terms of the main treaty is that of a country where economic development is relatively less advanced.

(c) Agreement on Compensated Trade in Products of the Argentina-Uruguay Automotive Industry

(i) Content of the Agreement

The Agreement, based on the countries' respective legislation in connexion with compensated trade in the sector, was made formal by the governments of Argentina and Uruguay in an exchange of notes in February 1971.

The definition of the automotive industry and the products comprising it (parts, assembled parts, and semi-assembled parts) is the one established for the types of vehicles referred to in the decrees of both governments in this connexion, with a few exceptions having been agreed to where parts are concerned.

The system used to increase reciprocal trade is based on mutual exemptions, which Uruguay will be called upon to grant as follows: 1971, 45%; 1972, 60%; 1973, 80%; 1974 and subsequently: the minimum surcharge authorized by the legislation in force. Argentina, for its part, will levy the minimum surcharge authorized by law on the understanding that it may establish that minimum at 10%.

/The exemptions



The exemptions granted by Uruguay may be required only if Argentina purchases automotive products of Uruguayan origin as part of the equipment with which vehicles are originally fitted out in an amount which is at least the equivalent of the percentages of the exemptions. These percentages relate to the values FOB of Uruguayan exports as a ratio of the values FOB of Argentinian exports. The Agreement provides for solutions in cases in which the compensation requirements for a year are either exceeded or not met. According to the legislation of both countries, non-compensated balances are cancelled when the periods to which they correspond expire and therefore cumulative balances may not exist. Non-compensated balances will be treated in accordance with the legislation established by each government.

To calculate the percentage of imports allowed, Argentina considers products derived from the Uruguayan automotive industry and imported under the Agreement to be national products. In the trade conducted under the Agreement it is not necessary to comply with international price levels.

For purposes of calculating the value of the trade conducted and computing the compensation, the Agreement recommends a common system of appraisals; until it is agreed to put such a system into operation, it is provided that each country shall apply its own system of appraisal.

With regard to the rules of origin, the Agreement specifies that the products traded shall be considered to originate in the exporting country, i.e., the country in which the technological processes necessary to give them their final form (except for simple processes involved in mounting components from outside the area of the Agreement) must be carried out. By consent of the governments, exceptions may extend to new products whose manufacture may be reserved to one of the two countries, a new product being defined as one which is not produced in either country and to models of new products which were being produced in either one of the two countries on the date of the Agreement.

The Agreement provides that consideration may be given later to exemptions on imports of spare parts or replacement components for models of automobiles being traded.

As for standards of quality, the Agreement specifies that those which are applicable to the automotive industry shall be complied with.

Provision is also made for preferential treatment of enterprises and entrepreneurs of each country in the other country in fiscal and credit matters (treatment no less favourable than that accorded to national enterprises and entrepreneurs) for them to benefit from measures to promote the automotive sector.

The Agreement contains a paragraph on market reserves; and the parties undertake to ensure that their respective markets for vehicles, the components of which are covered in the Agreement, are supplied in accordance with the legislation governing the sector.

/With respect

With respect to tenders invited by public or semi-public bodies, the governments undertake to respect the margins of preference resulting from the Agreement.

The parties also agreed to adopt the necessary measures to facilitate the temporary export and import of molds, dies, and production components needed to manufacture the parts traded. This undertaking extends to samples, in the form either of final or intermediate parts.

Finally, a Mixed Commission is established for the purposes of the Agreement, which has the task of ensuring the concrete and effective application of the Agreement through the adoption of measures appropriate to that end.

(ii) Operation of the Agreement

This Agreement was of value primarily to Uruguay, which wished to develop its automotive sector and strengthen the structure of its burgeoning industry. The provisions which would govern its operation and those in which provision was made for export compensation as one of the main instruments for its expansion had been established the year before the Agreement was signed. At the same time, the Agreement provided for incentives to promote industrial complementarity in the automotive sector.

Although the main trade facility is provided by the Agreement, other facilities are also used, including those within and outside the lists negotiated in LAFTA and those resulting simply from the development of legislation in the matter.

It must be noted that the Mixed Commission created by the Agreement and intended to ensure its proper and effective application was never established. In spite of this, the machinery attained the objectives envisaged by the parties in that it promoted industrial complementarity and increased trade. Subsequent Uruguayan legislation in this connexion in some ways exceeded the scope of the Agreement itself, channelling trade in those products through other machinery, although the Agreement is still in force and continues to be the most important commercial instrument with Argentina.

By way of information, it should be pointed out that since 1977 Uruguayan legislation on compensated trade has required that the value of the exports (parts and assembled and semi-assembled items) must exceed the value of imports of kits of unassembled items in a ratio of US\$ 105 to US\$ 100; for parts manufactured domestically and intended for sale abroad, each fitter must guarantee a minimum national value added of 50%.

In April 1980, the Government of Uruguay promulgated measures which introduced considerable variations in connexion with compensated trade for compensatory export programmes, establishing descending scales for the various categories of automotive vehicles involved and also granting a minimum compensation in respect of those vehicles whose import is authorized, beginning at zero in 1980 and reaching 30% in 1983.

Table 36 shows total Uruguayan exports of this industrial sector, comparing it with the corresponding total in Argentina within the context of compensatory exports.

Table 36 shows the large increase in Uruguay's total exports as incentives were introduced by the authorities. Between 1975 and 1979 exports increased more than five-fold. On the other hand, during the same period, exports to Argentina remained stable, which was reflected in their lower share in total Uruguayan exports. This is reasonable in light of the various parts and assembled and semi-assembled items required to meet the requirements of Uruguayan export compensation programmes and which find other markets whose importance is growing, such as those in Germany, Brazil, Ecuador, the United States, Chile and Paraguay, to mention those which led the field in 1979.

In table 37 it may be seen that exports by the automotive sector averaged slightly over one-third of total non-traditional Uruguayan exports to Argentina during the period 1974-1978. This is important since during this period Argentinian imports of non-traditional Uruguayan products averaged barely 12% of total Uruguayan non-traditional exports.

Uruguay's main exports to Argentina of goods valued at over a million dollars include, for example, the following: fully assembled automobiles (1 282), batteries (1 395), bodies of motor vehicles on wheels (6 125), roofs (1 180), disk clutches (2 047) and windshields (1 482). Under this Agreement some 44 commodities produced by the automotive industry were exported to Argentina during the period 1978-1979.

For its part, Uruguay imported from Argentina automotive products valued at US\$ 11 909 000 in 1977 and at US\$ 11 600 000 in 1978, constituting 14.42% and 14.52%, respectively, of total imports from that country.

(d) Conclusion on economic co-operation between Argentina and Uruguay and Brazil and Uruguay and on co-operation in the Argentina-Uruguay automotive sector

With respect to the Economic Co-operation Convention between Argentina and Uruguay (CAUCE), it may be said that although the figures show trade increases in favour of Uruguay, these increases were not great enough to decrease the deficit in the balance of payments which, in fact, is still growing. On the other hand, it has been possible to diversify exports, which is certainly an asset. Trade under CAUCE is considered to have been a good experiment for Uruguayan businessmen, but they are entering the market with products which must face competition and whose exportable volume can be limited if that competition affects local industry. It is therefore difficult for the Uruguayan export industry, acting under the stimulus of the Convention alone, to generate substantial and stable trade flows. The Convention has rather constituted an incentive for the mobilization of forces which might otherwise not have been brought into play.

Table 36

URUGUAY: EXPORTS FROM THE AUTOMOTIVE SECTOR

(Dollars)

Year	Total exports	Exports to Argentina	Percentage
1972	4 177 000	1 329 000	33.37
1973	4 690 000	4 290 000	91.47
1974	7 405 000	6 693 000	90.38
1975	12 064 000	9 342 000	77.43
1976	14 476 000	9 953 000	68.75
1977	25 427 000	9 660 000	37.99
1978	29 995 000	10 751 000	35.84
1979	63 906 000	22 356 000	34.98

Source: National Association of Motor Vehicle Fitters (ANAVA), and Bank of the Republic of Uruguay.

Table 37

URUGUAY: SHARE OF THE AUTOMOTIVE INDUSTRY IN TOTAL NON-TRADITIONAL EXPORTS FROM URUGUAY TO ARGENTINA

(Dollars)

Year	Total non-traditional exports to Argentina	Exports from the automotive industry to Argentina	Percentage
1974	17 318 000	6 693 000	38.64
1975	28 254 000	9 342 000	33.06
1976	25 141 000	9 953 000	39.58
1977	31 789 000	9 660 000	30.38
1978	38 180 000	10 751 000	28.16

Source: Data from this study.

/As for

As for the Brazil-Uruguay Protocol on Trade Expansion (PEC), some of the observations made concerning CAUCE are also true of PEC, which, however does vary in some aspects as pointed out in the section on the Protocol. In the first place, the value of Uruguay's exports to Brazil is substantial and the balance of trade in respect of them is in surplus. This is primarily due to the fact that new Uruguayan products have begun to enter the Brazilian market and the income from others whose conditions of access were improved has increased. Moreover, the products formerly on Brazil's special list for Uruguay have been added to the PEC and substitution favourable to Uruguayan interests has taken place because conditions have improved. Brazil, has, however, shown signs of protectionism by increasing the quotas for some products - high in value - while at the same time quantifying entries through different custom ports, which makes a variation in freight rates, thus decreasing the competitiveness of the product affected. Moreover, the rules of origin employed in the Protocol frequently make a choice of inputs impossible; inputs are generally limited to those which the parties can provide, which in itself is unfavourable to Uruguayan trade.

As has already been mentioned, in the past few years, the balance of trade has been decidedly favourable to Uruguay. Moreover, the volume of trade is such that Brazil could make use of the Protocol's machinery to bring about the adjustments provided for in it.

As noted above, the use of the concessions in both number and value is very far from what it might be in the case both of CAUCE and of PEC. This raises the possibility of a significant increase in Uruguayan exports as soon as the parties agree to establish the movement of the various products in the list of concessions without previous data (i.e., commodities not traded prior to the respective agreements).

The Agreement between Argentina and Uruguay on Compensated Trade in Products of the Automotive Industry enabled the Uruguayan sector not only to establish itself but also to expand unabatedly. The data which appear in the relevant section show that products of the automotive industry have a high share in trade between the two countries. Although the need to diversify production lines in order to reach the percentages of trade is a threat to the development of that industry, it has at the same time been favoured by the development of new markets, and one of them - the Brazilian market - although no agreement exists to regulate it, is of very special importance for some products. Thus, this Agreement may be considered to have operated in line with the expectations of the parties, especially in so far as Uruguay is concerned, creating a branch of industry whose scope extends beyond the limits imposed by the domestic market and whose technological and social impact is considerable.

There can be no question that from the point of view of Uruguay, with its limited negotiating capacity and small market, relations such as those described are beneficial in the short and medium term and open worthwhile prospects for the exploration of similar linkages with other countries of the region.

## 2. Energy co-operation programme

The petroleum exporting countries, especially Venezuela, always expressed interest in establishing co-operation machinery which would help to lessen the impact of energy imports on the economy of the least developed countries without effecting international petroleum prices. With this in mind, Venezuela has, since 1975, been entering into bilateral agreements with Central American and Caribbean countries. These agreements have been drawn up with the central banks of the countries concerned. In them the seller has asked for market prices but has actually received US\$ 7 per barrel of crude and deposited the difference in the Central Bank of the purchasing country. Those deposits helped to strengthen the balance of payments of the purchasing country and could be converted into development loans on promotional terms.

In 1979 consideration began to be given to the possibility of transforming those bilateral agreements into a more stable multilateral mechanism in which other petroleum-exporting countries would participate. Mexico's favourable reaction to this proposal led to the signing in San José, Costa Rica, on 3 August 1980, of the Energy Co-operation Programme for Central American and Caribbean countries, the basic purpose of which is, as noted in the preamble, to implement jointly specific regional action and measures which help to relieve the pressing needs of Central American and Caribbean net importing countries. Under that programme, Venezuela and Mexico agree to share equally in supplying the net domestic consumption of imported petroleum of the Central American and Caribbean countries, for which purpose they are allocating a total of up to 160 000 barrels daily and have expressed their willingness to assist in the official financing in that respect. The supply will be subject to the commercial policies and practices of each country and will be administered in accordance with bilateral contracts between Venezuela and Mexico and the governments of the countries benefiting from the Programme.

By virtue of the most important provision in the Programme, Venezuela and Mexico agree to grant loans to the beneficiary countries in the amount of 30% of their petroleum import costs, with five years to repay the loan at an interest rate of 4%. These loans may be used for priority economic development projects, in which case repayment periods of up to 20 years will be granted with an annual interest rate of 2%; they will be granted through bilateral agreements between the recipient country and Venezuela and Mexico, where a procedure will be established for the identification of development projects which would benefit from a loan on longer payment and lower interest terms.

Consideration has been given to a programme of one year's duration initially. During that period the net consumption of approximately 160 000 barrels a day of imported petroleum will be met, which means that the financing granted by Mexico and Venezuela may amount to some US\$ 460 million. The two countries intend to bring the other purchasing countries into the system and to include Trinidad and Tobago as a supplier, so that the whole area will be covered.

The Programme described is one example of the many possibilities for co-operation and complementarity which may be put into practice on the basis of political will. This arrangement can in the future certainly help to solve similar problems in other countries which are just as burdened by their need for imports of hydrocarbons, but its most important contribution is its value as an example to encourage the quest for new forms of co-operation in other sectors and among other countries.

### 3. Government promotion of joint enterprises

The governments of the Latin American countries have not confined their efforts to participation in bilateral or multilateral co-operation agreements. In a growing number of cases, they have programmed specific action and put it into practice, through branches of their executive authority or through their public enterprises. There are many examples of such action, and there is no need to list them systematically although it seems useful to draw attention to a few individual cases.

#### (a) Programme of the automotive sector of the Andean Group

The sectoral programme for the development of the automotive industry of the Andean Group adopted in decision 120 has given rise to some forms of co-operation which it is worth describing. This programme was, of course, approved in September 1977 for the purpose of the systematic development of the automotive industry to bring it up to acceptable standards of efficiency by making use of the new dimension represented by the extended market and enabling the member countries to become increasingly specialized in the production of components and parts, thereby effecting a significant reduction in the number of makes and models manufactured in the subregion. With that objective, provisions concerning agreements on assembling, co-production and complementarity were included in all the various mechanisms provided for in an attempt, in the case of assembling, to lessen the high impact of transport on the cost of vehicles in the subregion; in the case of co-production, to bring about greater concentration and higher volumes of production in the manufacture of some components and, in the case of complementarity, to promote greater specialization in the production of some parts.

Negotiations between the Andean countries and the transnational corporations in the sector are conducted on the basis of some initial conditions agreed to in advance by all the governments in the Commission of the Cartagena Agreement, which cannot be changed unilaterally. Actually, sectoral programmes regulate the development of a given area of production and determine the location of the main manufacturing activities under a system of allocation by country. Those regulations are supplemented by the provisions explicit in the Common System for Treatment of Foreign Capital concerning the terms under which foreign firms and investors enter into and operate in the countries of the Cartagena Agreement.

/Within that

Within that framework, Venezuela and Ecuador decided to join together in negotiating with the transnational corporations which were in the lead in the bidding which each one of them had conducted separately. The basic reason why both governments took the decision to negotiate together was the need to select a single make in respect of the assignment of 3- to 4.6-ton lorries, thereby avoiding the possibility of conflicts between the two countries. Actually the manufacturer of this type of lorry, which has been assigned to Ecuador, was to incorporate engines run on gasoline produced in Venezuela. If each country had proceeded on the basis of its national approach to tendering, neither of them would have agreed to abide by the unilateral decision of the other, and difficult problems would have resulted whose solution would have been made even more difficult by the pressure exerted by the firms selected in the bidding.

The joint negotiation of the two governments with the transnational corporations manufacturing vehicles is significant and novel and shows what practical advantages can be had from the co-ordinated use of bargaining power. Venezuela and Ecuador laid new foundations for negotiation characterized by more exacting conditions which extended the advantages which each country would have obtained in its domestic bidding to the other country. The result was satisfactory in that Ecuador was able to benefit from the clause originally negotiated by Venezuela in which it had been established that royalties should not be paid for licences and technology and a point originally negotiated by Ecuador was also applied with the result that the beneficiary enterprises undertook to export a large volume of components manufactured in both countries to third-party countries outside the Andean Group. It was also agreed that non-fulfilment by an enterprise in one country would automatically be considered to be non-fulfilment in the other country in so far as the establishment and application of the sanctions provided for in the contracts were concerned. After the proposals submitted by the enterprises had been assessed (and this was also done on a joint basis), one enterprise - General Motors - was selected to which each government awarded its contract, those contracts having a common structure and clauses dealing with the local needs of each country, respectively.

The example furnished by that negotiation caused Bolivia and Venezuela to adopt a similar procedure in selecting the enterprises assigned to manufacture lorries weighing 3 000 kilos or less and automobiles with a capacity of over 2 000 cc. The principles governing this joint negotiation, which is still under way, with those enterprises which were selected nationally, resulted in conditions which were more advantageous for the governments. In addition to the clauses concerning exports to a third-party country, the transfer of technology without payment and non-fulfilment referred to above in connexion with the case of Ecuador and Venezuela, the principles agreed upon by Bolivia and Venezuela included the requirement that the firm which was awarded the contract should undertake to promote the installation in Bolivia of an ironworks. It is interesting to note that an enterprise which had not accepted that condition when offers were tendered in Bolivia did not comment on its presence in the joint principles of negotiation and submitted a proposal accommodating the requirement, as did all the firms invited to participate.

/The willingness



The willingness of Venezuela and Bolivia, agreed to in the preliminary phase of the negotiation, to formalize agreements on the complementary production of engines for the types of vehicles referred to, with each country specializing in the manufacture of specific components, on a larger scale than that implied in the original assignment under decision 120 is just as important as or even more important than the fact that the negotiation is being conducted jointly. The significance of those initial agreements lay as much in the greatly increased efficiency of the plants concerned as in the establishment of a relationship of interdependence in which each country would be tied to the production of the other country. The possibility of similar agreements has been considered by Ecuador and Peru and other member countries and may take shape very soon.

(b) Programme of the mechanical engineering sector of the Andean Group

The first version of this programme was approved in 1972 and revised in 1979. It aimed at promoting the development of the mechanical engineering industry mainly by expanding economic space, facilitating economies of scale, encouraging technological development, enhancing the situation with regard to the employment of skilled labour and rationalizing the growth of the sector. For those purposes, it provided for a series of instruments, including instruments for the allocation of production by country; machinery to ensure that the allocations made were respected and that the undertakings obtained were fulfilled; a programme for the liberation of reciprocal trade and the application of a common external tariff and rules of origin.

During the implementation of the Programme, some technical difficulties arose in connexion with the precise delimitation of the allocations by country, and the limited economic feasibility of some projects, which was mainly due to the type of information it was possible to make use of while the programme was under negotiation, became evident. To surmount those problems, raise the degree of specialization and increase the economies of scale, the Andean countries looked for new means of co-operation and promoted the establishment of joint enterprises and of agreements of specialization and co-production, including those mentioned below.

The first version of the industrial development programme for the mechanical engineering sector assigned Ecuador the production of drills and bores (NABANDINA 82.05.04.00). When this Programme was revised to define the participation of Venezuela, it was learned that drills, cutters, drawplates and burins, which are part of the package assigned to Ecuador, were manufactured in Venezuela.

To solve that problem, the governments of both countries in an agreement signed by their plenipotenciary representatives in the Commission, agreed to set up a multinational corporation with a head office in Quito and factories in Maracay (Venezuela) and Latacunga (Ecuador), for the purpose of manufacturing those products and making the optimum use of the production capacity of the existing enterprises within the context of the subregional market. The

/Agreement does

Agreement does not refer to the legal procedure to be used in setting up the corporation, which will be made up of the existing enterprises in both countries which manufacture the products referred to with a suitable number of shares being subscribed. It is noted that, if necessary, the subscription of shares by CAF would be arranged. The Agreement also lays down rules regarding market distribution and contains commitments to supplement the production of both enterprises.

A case similar to the one described above arose in connexion with the manufacture of the products included in the allocation of hydraulic systems (done by decision 146), which were also granted to Ecuador, although a different solution was adopted.

In an agreement signed by the same plenipotenciary representatives, the Governments of Ecuador and Venezuela established forms of joint marketing, co-production and industrial complementarity among the enterprises existing in both countries. An attempt will be made under that agreement to standardize the hydraulic systems now being manufactured, the Ecuadorian plant will be enlarged using an investment by the Venezuelan entrepreneurs and the Ecuadorian products will be sold in the Venezuelan market through the Venezuelan enterprise.

In addition, with regard to the products of another Venezuelan enterprise, included in the same assignment, rules were agreed upon to retain its production for the Venezuelan market and to complement it with products manufactured by the Ecuadorian enterprise.

When decision 146 was adopted, the representatives of Bolivia and Peru noted their interest in working together to develop the production of the integral drills, machinery for crushing and sieving ore and conical grinders, covered by the mechanical engineering programme of the Cartagena Agreement. For this purpose, both countries decided to study possibilities of complementarity, co-production, specialization and marketing agreements or the possibility of setting up binational enterprises.

With the same end in mind, the delegations of Peru and Venezuela stated their intention to work together in developing the manufacture of drills under joint assignments.

There can be no doubt that the kind of co-operation referred to which is the result of shared assignments under a sectoral programme, creates important entrepreneurial links, develops the habit of doing things in common and opens the way to other ventures in the same or similar fields.

### C. CO-OPERATION AMONG ENTERPRISES

#### 1. The projection of Latin American enterprises outside of Latin America.

For different reasons and with different ways and means being employed, Latin American and Caribbean public and private enterprises appear to be caught up in an all out effort to boost their activities to the international level. Although the discussion which follows is not a systematic and complete study of that phenomenon, it makes it possible to observe the emergence of a process of entrepreneurial complementarity, expansion and increased competence which will in the medium term probably change the nature of the regional economic system, have a significant impact on intergovernmental relations and affect the development of the multilateral processes of integration and economic co-operation.

The international activities of Latin American enterprises are basically a result of the economic growth process and of the accumulation of exportable technical know-how in the largest countries in the region. It is a recent phenomenon which began in the mid-1970s when it became clear that the import substitution strategy and the inward-directed growth model were also opening up opportunities for export. Faced with problems of bottlenecks in the external sector, the largest countries applied diversification policies and promoted exports, particularly exports of manufactures. At the same time the first regional and subregional economic integration systems were being promoted. At a time when Latin American participation in international trade flows was steadily declining, interest in broadening intra-area commercial and economic relations made itself felt. Other reasons for this frame of mind included the substantial progress being made in terms of physical infrastructure and transport and communications systems; improvements in the machinery of financial integration; better contacts between enterprises and the establishment of an appropriate legal and institutional framework made up of a series of bilateral and multilateral agreements. This trend is expected to become more marked in the future under the influence of a number of factors including the growing protectionism of the industrialized countries and the difficulties in gaining stable access of their markets.

There are no reliable figures on direct Latin American investment in the region itself. The small amount of information available, such as that contained in a study on joint Latin American enterprises (see table II-1) does not cover all the countries and consists in estimates for different years.<sup>14/</sup> Those data show that between 1976 and 1979, total Latin American investments in 10 countries amounted to US\$ 330.8 million, representing

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<sup>14/</sup> Jaime Campos, "Intercambio empresarial de recursos productivos entre países latinoamericanos", IDB/INTAL, Buenos Aires, August 1980.

between 0.2% and 6.8% of the total direct foreign investment in those countries. Casuist estimates show, however, that those figures do not reflect facts. Latin American investment was probably considerably higher and appears to grow at a faster rate than direct foreign investment from outside the region. In spite of its dynamism, it clearly represents only a fraction of the investment made by transnational corporations.

Government policies should of course be taken into consideration in any analysis of the international activities of Latin American enterprises. In some cases there will be export promotion policies relating to goods, technology and capital, such as those applied in varying degrees, mainly by Brazil, Mexico and Argentina. In other cases flows of capital and equipment to other countries are the unsolicited result of exchange control measures, pressure on local industry or a decline in tariff barriers on manufactures. The main cause of such international flows, however, lies in the limits which the national market imposes on the expansion of certain enterprises, which must seek a basis for continued growth and for the employment of available and exportable technological know-how in other markets. The advantages of applying such know-how in the exterior may be more attractive than the advantages of diversifying at home. For other firms, international activities represent an attempt to cut risks by diversifying beyond national borders. Nevertheless, it should be borne in mind that only a few enterprises can respond to the stimuli present in external markets and survive in them. Those are the enterprises which have certain comparative advantages over transnational or local enterprises and are capable of utilizing them effectively.

There is no direct relationship between regional or subregional integration arrangements and the expansion of the international activities of Latin American enterprises, even in cases where international activity was one of the declared objectives of a multilateral decision, as was the case of the Andean Group's multinational corporation régime. Co-operation and integration systems have, however, created a set of instruments and institutions which have promoted or paralleled the Latin-Americanization of the regional economy. At various times and in different ways, integration projects have made entrepreneurs more aware of the Latin American situation and of their access to area markets, thereby protecting the initiative of the region abroad or increasing its comparative advantages.

It is also obvious that projection abroad is part of a growth process in which the larger countries of the region reach out to the relatively less economically developed countries whose markets are inadequate. This accords with the rule that production factors move from countries where they are in relatively abundant supply towards those where they are scarcer. Brazilian, Mexican and Argentine enterprises have shown much greater dynamism than those other countries in projecting their activities abroad, although it is interesting to note that some firms in moderately developed countries, such as Colombia, Chile, Venezuela and Peru, have embarked on their own internationalization process, especially where neighbouring

/countries are

countries are concerned. In general, the entrepreneurs of less developed countries have been squeezed into the role of local partner of investors from other Latin American countries and only on rare occasions do they emerge from the traditional context of national activity.

In its study on joint Latin American enterprises,<sup>15/</sup> INTAL surveyed 200 enterprises, only 37 of which had their head office in Argentina, Brazil or Mexico. In the other 163 cases, the recipient countries were countries in the moderately developed to relatively less developed group (see table II-2).

Most of the international activity of Latin American enterprises is concentrated in the region itself, although countries like Brazil have promoted fuller coverage of other regions, especially Africa and the Middle East. In the case of Argentina, for example, of a total of US\$ 56 million invested in the exterior between 1978 and 1980, Latin American investments amounted to about US\$ 49 million, representing 87.5% of the total.

In the study mentioned above, INTAL indicated that intra-Latin American investment is directed primarily towards the manufacturing sector. In a subsample of 177 enterprises, 74% were located in the industrial sector; 7% in the primary sector; 15% in the services sector; 3% in the financial sector and 1% in construction. Of the enterprises in the industrial sector in the same sample, 16% were engaged in food production; 10.8% were in the chemical subsector and 10.8%, in electric engineering.

As pointed out above, the main reasons for international activities by Latin American enterprises must be sought in the logic of their development and its particular legal and political context, which influences their behaviour enormously.

Similarly to what happened in the case of transnational corporations, Latin American enterprises usually extend their activities beyond their national borders to conserve export markets for those of their products which have been affected by import substitution policies and policies for the protection of local production or because they are driven to take such a step by their need to grow by producing items in the purchasing country or by complementing that country's production.

Sometimes investing in other countries is the best way of conquering new markets and establishing export flows, particularly when a new enterprise needs to be supplied with parts and technical assistance from the home office.

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<sup>15/</sup> Eduardo White, Jaime Campos and Guillermo Ondarts, "Las empresas conjuntas latinoamericanas", IDB/INTAL, Buenos Aires, 1977.

It can also be the best way of guaranteeing access to sources of raw material not available in the country in which the investment originates, and in that case the aspirations of the recipient country for exploiting its natural resources and handling the first phase in their processing locally may also be met.

Unlike transnational corporations, Latin American enterprises usually do not internationalize their operations in an attempt to find cheap labour.

The decision to operate abroad may result from an interest in exploiting the advantages of an extended market in the context of regional or subregional integration processes or it may merely represent an attempt to unite the markets of the investing and the recipient countries under bilateral, governmental or entrepreneurial agreements.

Another reason why Latin American enterprises are engaging in more international activity is that in the course of re-equipping their home plant, they move their used equipment to less developed countries. As technological demands and the size of their own markets increase, the purchase of new equipment becomes necessary; old equipment is moved to countries at a lower stage of development, where markets and consumption patterns are less demanding.

Latin American enterprises with international extensions usually employ "mature" technology, whose use has become widespread in the industrialized countries. This is the kind of technology which was originally designed for use in large-scale production for big markets, and its costs are high when it is applied to processes designed to supply small markets. Firms employing such technology in developing countries are left with excess capacity at various stages in the line of production, which increases their costs. In such conditions, Latin American enterprises usually enjoy comparative advantages if their technology is adopted to small-scale manufacturing. This technological advantage is exportable and competitive. Actually, adaptations which permit smaller-scale operations, utilize local raw materials, compensate for the fact that financial resources are in shorter supply and comply with the preferences or needs of local consumers, have commercial value and may be transferred to other developing countries in a similar position. In addition, small-scale technology is usually labour intensive, unlike the technology derived from industrialized countries, which is capital intensive. Actually, such small scale technology is competitive precisely because it may be accommodated where wages are relatively low. Moreover, the machinery involved tends to be simpler, requires less specialized maintenance - and uses standard spare parts. The combination of those factors may give a Latin American enterprise comparative advantages over transnational corporations and local enterprises.

Latin American enterprises usually exhibit other advantages over the enterprises found in industrialized countries. Technical and executive personnel is normally cheaper although its technical level is comparable. On the other hand they may find small markets to be sufficiently attractive whereas transnational corporations look down on them.

The large majority of Latin American enterprises try to attract local investors when they decide to internationalize their activities. As a general rule, they do not export much capital, and their basic contribution is in the form of equipment and technology. Thus, the financial resources needed come from the local market. It should be borne in mind that in the majority of Latin American countries the export of capital is undesirable and normally discouraged, which limits their capacity to invest capital. Moreover, even without this limitation, Latin American enterprises will always seek to share their liabilities with associates in the recipient country.

These circumstances result in something else which is characteristic of the international operations of Latin American enterprises. Following a short period of assistance in the initial phase of the operation, the new affiliates operate on their own, and in a while it is difficult to distinguish them from local enterprises; that is to say they have great freedom of action. Such patterns of behaviour differentiate the relationship between head office and affiliates within a Latin American enterprise and within a transnational corporation. In the latter case, the head office has direct control over the affiliate, which is assigned a role in the global strategies of the corporation and is subordinate to it.

Finally, it should be noted that Latin American entrepreneurs have a much greater capacity than transnational corporations to adapt their methods of management to complicated and unstable economic and political conditions. Since they are accustomed to inflation, to less administrative efficiency and to tight financial markets they may conduct their activities in conditions which seem normal to them but which prevent insurmountable difficulties for the managerial personnel of other regions.

## 2. Joint enterprises in which various Latin American countries participate

MULTIFERT S.A. is a multinational corporation for the marketing of fertilizers established on the initiative of the relevant SELA Action Committee; the countries participating in it are Bolivia, Costa Rica, Cuba, Guatemala, Mexico, Nicaragua, Panama, Peru and Venezuela. Its working capital amounts to US\$ 3.8 million, US\$ 750 000 of which will be made up of subscribed capital.

/The working

The working capital will be represented by 3 750 shares with a value of a US\$ 1 000 each, and new series of shares (1 series per country) will be issued, all the shares in each series to be paid for by enterprises from a single country. Private individuals as well as the State may hold shares, on the understanding that the State's participation may not drop below 51%. The head office of MULTIFERT is in Panama City.

NAMUCAR is a multinational merchant fleet corporation whose present participants include Costa Rica, Cuba, Jamaica, Mexico, Nicaragua, Trinidad and Tobago and Venezuela.<sup>16/</sup> It has been in operation for five years with growing losses in recent years. Because of those losses, it was decided at a recent meeting to give a new boost to the corporation by reducing its capital from 14 to 11.2 million dollars and distributing the loss (8 million dollars) proportionally among the participating countries. They undertook to co-operate so that NAMUCAR can manage the maritime transport of its affiliates. The fleet is being made ready to transport the Venezuelan and Mexican crude oil which, under the terms of a recent agreement, will be sold to the Central American and Caribbean countries. This should give new life to the corporation, which is based in San Juan, Costa Rica.

The Central American Fertilizer Company (FERTICA) is a Latin American multinational corporation, whose majority shareholder is Fertilizantes de México (FERTIMEX) and whose other shareholders include the Refinadora Costarricense de Petróleo (RECOPE), FERTIMEX's affiliate in Costa Rica, and the National Investment Corporation of Honduras; other Central American companies have minority holdings. The corporation's working capital amounts to US\$ 72.9 million, and it owns industrial complexes in Guatemala, El Salvador and Costa Rica and installations manufacturing pesticides in Nicaragua and Panama, while projects are under way in Honduras for the establishment of a plant manufacturing fertilizer mixes and another manufacturing pesticides.

In January 1979, on the occasion of the visit of the President of El Salvador to Mexico, the foundations were laid for the participation of Salvadorian interests in the subscribed capital and operations of FERTICA (El Salvador) S.A.

In December 1979, the Government of Mexico ceded to the government of Nicaragua the fixed assets which FERTIMEX held in Agrotélica, a subsidiary of FERTICA, valued at US\$ 4 million.

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<sup>16/</sup> Panama withdrew but is negotiating its re-entry.



The process of transferring FERTICA, which receives raw material from PEMEX and Azufrera Panamericana (public enterprises in Mexico) to Costa Rica was recently completed; the National Foreign Commerce Bank of Mexico opened a credit line to finance imports valued at US\$ 21 million.

FERTICA produces mainly ammonium nitrate, nitrogenous fertilizers, phosphates and compounds. Its fertilizer sales amounted to 550 000 tons in 1978, representing 59% of the total consumption of Central America that year.

Finally, a short while ago, the multinational corporation Productores de Café Asociados S.A. (PANCAFE) was created with the participation of Mexico along with other coffee producer countries in the region. The aim of this corporation is to obtain stable coffee prices, which are both remunerative for the producer and reasonable for the consumer.

### 3. Argentine enterprises

The International Research Centre in Buenos Aires recently published a study on the extension of Argentine enterprises abroad, from which some very interesting conclusions may be drawn. In general, the behaviour, ways and means and motivations of private Argentine investment in the exterior are similar to the general action pattern of Latin American enterprises described in the preceding section of this document.

International action is, in fact, recent, limited and geographically concentrated. It acquired significance in the 1970s from the point of view both of the number of plants and of the funds involved. It is, however, relatively unimportant when compared with the total volume of Argentine exports of manufactures and with the number of large and medium-sized enterprises with a potential for extension abroad. According to data from the Ministry of Economics, external investment expressly authorized between 1978 and June 1980 amounted to US\$ 56 million as compared to US\$ 2.5 billion exported by the country annually in manufactures (see table II-3).

As already noted, 87.5% of Argentina's investment as recorded in the Ministry of Economics was effected in Latin America, with a bare 12.5% in the United States, Spain, Germany and other European countries. The country which received the highest proportion (37.5%) of that investment was Peru with US\$ 20 million (see table II-4). Argentine enterprises put 42.6% of their investment in the manufacturing sector and another 41% in the hydrocarbons sector. The remaining 16.4% was channelled towards the agricultural sector, construction, commerce and the services (see table II-5).

/It has

It has not been possible to obtain a list of Argentine enterprises abroad, but table II-6 contains a breakdown of Argentine investment by branch of manufacturing in such a way as to provide some general orientation.

The figures contained in that table must be considered with caution because it is very probable that unregistered Argentine investment channelled to the exterior through various procedures or resulting from reinvestment transactions would make the figures automatically higher. It is estimated, for example, that Argentine capital in Brazil amounts to close to US\$ 200 million.

The study by the International Research Centre on the extension of Argentine enterprises abroad specifies that in addition to the direct investments referred to above, a total of US\$ 400 million was realized between 1973 and 1979 from sales of turn-key plants, industrial equipment and engineering works and US\$ 10 million from consulting and engineering services. Annex III contains useful information on fully equipped turn-key plants and engineering works exported by Argentina during the period 1973-1979. Those lists include advanced technology projects, such as the Nuclear Research Centre installed in Peru by the National Atomic Energy Commission of the Argentine Republic, valued at close to US\$ 30 million, and other high-cost projects such as the pipeline and pumping stations which the firm Techint S.A. built in Peru for US\$ 120 million and the airport constructed in Paraguay by the enterprise B. Roggio e Hijos S.A. at a cost of US\$ 52 million. The fact that these are turn-key projects is the indication of the degree of technological development of Argentine enterprises, in very complex branches of engineering.

The extension of Argentine enterprises abroad by means both of direct investment and sales of technology reflects a significant degree of maturity in industrial development which allows for a high level of international competitiveness. There can be no doubt that in addition a favourable environment for the expansion of this kind of activity has been created by the intensification of economic relations in the area, by government incentive policies and by greater international experience on the part of entrepreneurs.

Still, a distinction should be drawn: the sale of technological know-how for the transfer of fully equipped, turn-key plants or the construction of engineering works seems to reflect a very definite entrepreneurial policy aimed at expansion. On the other hand, the extension of enterprises abroad through direct investment in the exterior seems, with a few exceptions, to be a response to short-term situations rather than a reflection of a long-term entrepreneurial strategy. This is probably because economic conditions of a transitory nature and policies for dealing with them are in operation which encourage short-term action; the multilateral and regional legal and institutional structure is inadequate and there are problems related to the lack of institutional continuity.

/Deliberate and

Deliberate and systematic action of the State by means of such mechanisms as a protection and insurance scheme for investments in the exterior would be of enormous help in projecting regional enterprise abroad.

To acquire accurate knowledge concerning the ways and means of operating Argentine enterprises in the exterior would require a much more systematic research effort than is now being made since, as has already been said, the number of firms and the volume of investment seems to be considerably higher than the figures reflected in official data. Guia Interinvest 17/ contains a list of some 80 Argentine enterprises operating in Brazil. Some of them, such as the well known corporation Bunge y Born have interests in the exterior, and their volume of activity there is greater than in their home office. Their analysis, therefore, presents greater complications and is beyond the scope of this document.

Nevertheless, by way of example, a brief account follows of two cases in which Argentine enterprises have been extended abroad and some of the characteristic features of external operations are combined. The enterprises are Bagó in the pharmaceutical sector and Cabscha in the food sector.

Bagó concentrates on the development and preparation of pharmaceuticals and medicinal chemicals; the provision of technology, plants and equipment and of medical instruments; data processing and the development of distribution systems, insurance schemes and foreign trade activities.

Among its international activities, mention should be made of the export of an antibiotics plant to Brazil, a pharmaceutical plant to Bolivia and a fitted plant in Honduras for the extraction of active natural substances, an operation which was carried out in association with the national investment corporation (CONADI) of that country, the subscribed capital consisting in one million dollars worth of equipment and operational technology.

In an early stage of its operations, Bagó was engaged in the export of special medicinal products to various countries in America; in the second phase, it began to export basic medicinal drugs to Europe and America, for use in treating humans and animals, and in the third phase, it began to export technology in the form of turn-key plants.

It is highly competitive in the international market and its success is attributed above all to its ability to adapt technology to the level of development of the countries and enterprises in the region; its grasp of the needs of its clientele, which enables it to design plants and equipment utilizing simple or sophisticated technology and, finally, its professional and technical compatibility with the interests of recipient countries.

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17/ Jan Bernet, Guia Interinvest, fourth edition, Rio de Janeiro, 1978.

The enterprise Cabscha S.A., the head office of which is in Costa Rica, was formed with US\$ 1million in working capital for the production of chocolate confectionery and semi-processed goods derived from cocoa. Its shareholders include Costa Rican investors (35%), Cabscha de Argentina (25%), the Inter-American Development Bank (IDB) (30%) and the Costa Rican Development Corporation (10%).

The Argentine firm provided the technological know-how which it had accumulated in 20 years of experience in Argentina's market and the name under which it had competed successfully with transnational firms. The investment obtained from Argentina did not involve any foreign currency transfer because its contribution was expressed in terms of the capital equivalent of its technological contribution to the new Costa Rican enterprise.

Cabscha of Costa Rica operates a cocoa bean processing plant which produces cocoa butter and powder and chocolate cake and liqueur and another plant which manufactures confectionery and chocolates for the markets of Costa Rica, other Central American countries, the United States and Canada, its estimated annual exports amounting to some US\$ 12 million.

The participation as shareholders of a government agency and an international financial institution is worthy of note. The Costa Rican Development Corporation contributed 10% of the capital and IDB, 30%.

#### 4. Mexican enterprises

Economic development process in Mexico and the progress that country has made in the adaptation of foreign technology to the characteristics of the Mexican market have created conditions conducive to flows of technology exports as in Brazil and Argentina. Accordingly, many projects are being consolidated for the transfer of technology to Latin America, Tanzania, Saudi Arabia, Indonesia, Iran, Iraq and Zambia.

The export of technology involves different types of international operation, such as the granting of licences, licence law, patent law, sale of turn-key plants whose individual components (basic engineering, detailed plans, staff training, administrative know-how, economic feasibility) may also be imported separately.

Tecniméxico plays an important role in this connexion. It is an association of Mexican enterprises engaged in study, design, research, consultation, supervision and technical assistance in the form of works and services. It was founded in 1974.

/The enterprises

The enterprises associated with Tecniméxico carried out 56 projects between 1974 and 1978, 54 of them in Latin America (Peru and Ecuador, 11 projects each; Central America, 10; Dominican Republic, 7; Panama, 6; Brazil, 3; Venezuela, 2; Colombia, 2; Argentina, 1 and Cuba 1). The average values of 22 projects in 1976 was US\$ 186 thousand while that of five projects in 1978 was US\$ 2.5 million.

The most significant projects include the installation and extension of a lampblack factory in Peru for US\$ 8.3 million (1975); goods and services for a turr-key plant producing 7 thousand tons of furfural in Peru for US\$ 5.5 million (1968); a paper factory in Venezuela for US\$ 5 million, covering transfer of technology, technical know-how, basic and detailed engineering and technical assistance in purchasing, administration and construction supervision. Table II-7 lists some Mexican technology exports and shows the firms responsible for the projects and their location.

As was done in the case of Argentina, some examples are provided of regional multinational enterprises in which Mexico participates with other Latin American countries; public or private bi-national enterprises and other Mexican entrepreneurial activities in the region.

(a) Bilateral enterprises with public or private Mexican participation

This category includes companies such as MINERAL AUTLAN S.A. DE C.V., a Mexican mining company producing manganese and iron ores and one of the largest firms on the continent in this branch of industry.

To increase its production capacity and to be sure of having external markets, in 1979 it purchased a plant producing manganese ferro-alloys in Mobile, Alabama, (United States), thereby increasing the capacity of its ovens by 40 500 KVA. At present it owns the majority of the shares in the Venezuelan enterprise Hornos Eléctricos de Venezuela, S.A.

Another case is that of Petróleos Mexicanos (PEMEX), which acquired 33% of the shares in the Spanish enterprise Petróleos del Norte Español (PETRONOR). To conduct this transaction, the Compañía Arrendataria del Monopolio de Petróleos S.A. (CAMPSA) was authorized to purchase shares from the Gulf Oil Company and the Transocean Gulf Company which were transferred to PEMEX when 33% of the ownership had been acquired.

The long-term objective of this operation is to reach the European market with petroleum derivatives manufactured in Bilbao, the site of the PETRONOR refinery whose products are based on Mexican crude.

CORDOMEX S.A. is a Mexican public enterprise which is a large-scale producer of hard fibres; in 1975 it signed an agreement with the Tanzania Sisal Corporation (TSC) for the establishment of the enterprise Tanzamex Cordage Company Ltd., for the manufacture of materials woven from sisal.

Sixty per cent of the shares belong to TSC and 40% to CORDOMEX. Of the five directors of the enterprise, three are appointed by TSC and the remaining two by CORDOMEX. It was agreed that the majority of the machinery would be purchased from an English enterprise (James & Sons Ltd. from Belfast) with additional machinery supplied by CORDOMEX on the understanding that it would be appropriate for the kind of sisal supplied by TSC.

CORDOMEX also sponsored a joint enterprise in Peru for the manufacture of sacks from hard fibres, but the project was later suspended.

A fourth case of a bi-national agreement is that of Hojalata y Lámina S.A. (HYLSA), a private Mexican enterprise belonging to the Alfa de Monterrey group, which in August 1979, joined with Duro-Felquerra of Spain in investing some US\$ 30 000 in an iron and steel company in Mexico, whose subscribed capital amounts to US\$ 10 million (40% Spanish and 60% Mexican).

HYLSA has also installed a number of plants for the production of ferro-sponge to countries such as India, Argentina, Iran, Iraq, Afghanistan and Venezuela, to which it has transferred its patented H y L technological process for the direct reduction of iron pellets.

AZUFREIRA PANAMERICANA S.A., is a semi-public Mexican enterprise which extends technical co-operation to Brazil through Petrobras Mineração S.A., for purposes of sulphur exploration in that country; in addition an agreement has been signed with Brazil regarding supplies of Mexican sulphur.

In August 1978, at a meeting between representatives of both governments, it was agreed to establish an enterprise which would be jointly owned by Petrobras Minera S.A. (PETROMIN) and Azufrera Panamericana S.A., for the exploration and production of sulphur in Brazil, with the majority of the shares being held by the former. The necessary measures for setting up this enterprise have already been adopted, and the final proceedings are in progress in the Congress of Brazil.

Altos Hornos de México S.A. (AHMSA), the largest Mexican semi-public enterprise in the iron and steel sector, is participating in a feasibility study concerning a co-investment with the Brazilian company Vale do Rio Doce (the largest mining corporation in Brazil) in the installation of an iron ore pelletization plant in Mexico with a productive capacity of 3 million tons. The project also envisages the joint exploitation of iron ore in Brazil in order to supply the enterprise.

(b) Other examples of activities of Mexican enterprises and projects involving co-operation with countries of the region

Mexico has signed economic co-operation agreements with a number of countries in the region, and many of those agreements provide for the establishment of joint enterprises; this is true of the agreements signed with Brazil, Colombia, El Salvador, Guatemala and Cuba. In the agreement

/with Cuba

with Cuba reference is made to a number of industries in which it would be in the interest of both countries to co-operate more intensively; the sugar industry is one of these. In connexion a project is under consideration in which Cuban machinery and equipment would be supplied for use in the maintenance of sugar mills and production of harvesters in Mexico. At present, tests are being carried out to study the feasibility of this project.

In January 1981 a joint communiqué was issued by Mexico and Nicaragua in which 14 agreements on specific co-investments were spelled out. Three of these agreements - in the production sectors of paper, textiles and oil and oil-seeds - are in an advanced stage of implementation.

Because the Mexico-Jamaica bi-national enterprise JALUMEX, a company producing aluminium, was not technically viable, Mexico agreed to make 10% of the shares in a new project for the production in Mexico of 220 000 tons of aluminium a year available to Jamaica. Mexico in turn will have a similar holding in the expansion programmes of the Jamaican aluminium producing enterprise.

Mexican capital has also been combined with capitals from other countries of the region in connexion with other types of projects. Thus, in the construction branch, Mexican enterprises have been responsible for important works in a number of Latin American countries. These works include a thermoelectric plant in Guatemala, a section of the Pan-American Highway in Panama, a hydroelectric complex in Colombia and sections of the metro in Chile. Such activities were provided with new incentive as from 1973, the year of the establishment of Construméxico S.A. de C.V., a corporation comprising 42 construction companies to which advice is given in connexion with their participation in bidding for international contracts. The works executed up to 1978 have a value of US\$ 405 million distributed in the following countries: Colombia (31.8%), Costa Rica (2.5%), Ecuador (10.7%), Guatemala (5.4%), Honduras (1.3%), Panama (5.5%), Peru (23.2%) and the Dominican Republic (19.7%).

A number of Mexican enterprises have also taken part in international bidding in connexion with a project to provide Costa Rica with capital goods in the fishery and urban transport sectors.

#### 5. Brazilian enterprises

Brazilian consulting firms in engineering and services follow a dynamic policy of expansion towards Latin America, Africa and Arab markets. Their activities include sales of turn-key plants and the provision of various specialized services in connexion with agro-industrial projects, sugar mills, alcohol distilleries, industrial sub-contracting, civil engineering, ports, airports, railways and the construction of high-voltage power lines.

The Bank of Brazil provides financial support for those activities by issuing letters of guarantee through its exchange portfolio; financing the sale of engineering studies and projects through its foreign trade portfolio (CACEX) and guaranteeing and financing local importers through its agencies in the exterior.

It is interesting to observe the role played in this kind of transaction by the State petroleum corporation operating through its subsidiary PETROBRAS Comercio Internacional (INTERBRAS), established in 1976 for the purpose of promoting the sale of goods and services abroad, especially in non-traditional markets - a task it performs in co-operation with Brazilian consulting and engineering firms. Up to 1979, in association with other companies it was responsible for the installation of two ceramic plants in Nigeria in co-operation with the firms Mecánica Bonfanti and Planase-CLEPLAN; the construction of a motorway in Saudi Arabia with the building firm Beter; the restoration of a telephone network in Lagos, Nigeria, in conjunction with the consortium Protec-Sobratel; the installation of plants for enriching manioc in Nigeria with machinery supplied by D'Andrea and CLEPLAN; a project for a plant supplying petroleum based products in Ecuador with the firms Projeta and Techint and the construction of a railway in Iraq in conjunction with the construction company Mendes Junior S.A., and other projects. Between 1976 and 1979 INTERBRAS entered into service contracts worth US\$ 1.5 billion.

BRASPETRO another affiliate of PETROBRAS, for its part, entered into exploration agreements, in the capacity of operator, in Algeria, Egypt, Iraq and Libya and - under other modalities - in Iran and Colombia.

Tables II-8 and II-9 provide a list of some of the engineering projects carried out by Brazilian enterprises in Latin America, Africa and Asia. Some examples of Brazilian enterprises which operate in Latin America will give a general idea of their ways and means of operation.

Empresa Metal León Ltda. (CALOI bicycles in Bolivia) is a bi-national company whose majority subscriber is Bicicletas CALOI S.A., of Brazil and to which a group of Bolivian investors contribute, in compliance with the provisions of decision 24 of the Andean Group.

The initial purpose of the Brazilian investment seems to have been the preservation of the Bolivian market, which is the largest in CALOI's export programme. The Andean market list of products for which credit was immediately available, included bicycles; Bolivia, as a relatively less developed country, was in a favourable position in that connexion and a number of enterprises including one in Peru, expressed an interest in going into business in Bolivia to profit from the advantages offered by the subregional market. This resulted in the legal establishment of an enterprise which numbered the Bolivian Development Corporation among its subscribers.

/The bi-national



The bi-national enterprise was created with Bolivian participation within the context of the Foreign Investment Régime of the Andean Group. Local participation originally comprised Bolivian importers from CALOI and Metal León, a small industrial firm established for the manufacture of bicycles. Later the firm which had constituted the Bolivian Development Corporation was associated with the project; this firm, however, withdrew its support later on due to the terms of the new Commercial Code. The initial capital amounted to US\$ 392 500, and it has been decided to increase it.

In 1978 the enterprise began to export to the Andean market with shipments to Venezuela whose value was approximately US\$ 100 000. Its plans included the possibility of increasing its exports to Venezuela and the other Andean countries, and the possible establishment of a multinational corporation with offices and plants for assembling and manufacturing parts in all the Andean countries.

The firm Aceros del Paraguay (ACEPAR) is a bi-national enterprise established with Paraguayan and Brazilian capital for the purpose of producing semi-finished and laminated steel products for the Brazilian, Paraguayan and Argentinian markets with capital amounting to US\$ 500 million in guarantees and an estimated total investment of US\$ 100 million. The working capital is subscribed by SIDEPAR of Paraguay (60%) Ferraz de Andrade (39%) and Tenenge (1%) of Brazil. The financing of the work, which will go into operation at the end of 1981, was taken care of by an agreement entered into between Siderúrgica Paraguaya and CACEX of the Bank of Brazil during the final months of 1978.

The firm Ferraz de Andrade will contribute its technological know-how, which is adapted to smaller scales of production and has been tested in over 50 Brazilian enterprises including steelworks, laminating, plants foundries, metallurgical plants and plants for the production of equipment for the iron and steel industry. The Tenenge firm, one of the largest enterprises of its kind in Brazil, participates in the project, being the firm to which the contract for the engineering services and assembly of the plant was awarded.

The iron and steel plant will comprise two ovens burning plant carbon in the phase during which the ore is reduced to cast-iron and LD oxygen converters to convert the cast-iron into steel; it will produce semi-finished goods by a process of continual tapping and by lamination. Two stages of production have been provided for: in the first stage 14 000 tons of cast-iron and 100 000 tons of finished laminated goods for construction will be manufactured; in the second phase, the production of laminated goods will be repeated.

/The iron

The iron ore will come from the Corumbá deposits in Brazil, the dolomite and limestone from deposits very close to the plant in Asunción and the plant carbon from the extensive reserves found in both countries. Plant carbon will be used as a substitute for coke because it is a renewable resource which is found in Paraguay and Brazil and also because Brazilian firms are experienced in its use.

#### 6. Colombian enterprises

The maturation of Colombian industrial structures and the economic climate which has favoured their development have caused Colombian enterprises to branch out internationally.

The recorded net cumulative value of Colombian investment abroad amounted to US\$ 43 million in December 1976. These resources were channelled mainly towards countries in the Andean area and other Latin American countries. The Andean Group received 36.6%, most of which went to Venezuela (18.3%) and Ecuador (15.3%). Panama received 31.9%, almost all of which was intended for the financial sector. Other Latin American countries received 7.7%. The major share of the investment was directed to community, social and personal services (36.8%); financial institutions and insurance companies (32.2%) and the manufacturing industry (17.9%). Investment in industry is concentrated in the most developed activities in Colombia and those in which entrepreneurs have the greatest experience, such as food and beverages (especially coffee and beer), textiles, paper products, printing and publishing and chemical products such as paints and dyes. One reason for the concern to develop international activities is the desire to make use of the adapted technological capacity found in Colombia.

The Bank of the Andes was set up in 1973 with funds derived from Ecuadorian investors (60%) and from the Bank of Bogotá (40%), to make up the subscribed capital of 80.7 million sucres. The head office is in Quito.

The Bank of Bogotá, a Colombian institution funded out of private capital, promoted this financial venture which gave rise to one of the few Latin American private banks which operates on a bi-national level and whose aims are to turn the economic prospects of Ecuador to good advantage, to stimulate the growing trade flows between Colombia and Ecuador and to profit from the advantages offered by the Andean Group. In January 1979, the shareholders agreed to raise the capital to 150 million sucres to allow for the reinvestment of the satisfactory returns made in recent years.

The Bank of the Andes plays an important role in the development of Ecuadorian foreign trade at both the export and the import level. It has also provided a financial intermediary to tap external resources for the implementation of industrial, agricultural and construction projects.

/The Bank

The Bank of Bogotá, the Colombian partner, has experience in international plans of action in that, in addition to maintaining branches and offices in Europe, the United States and also in Latin America, it holds shares in an insurance company, a development corporation and a financial institution in Panama. Through these holdings, it has programmed and executed a number of transactions in other Caribbean and Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Dominican Republic), where financial companies and warehouses are at its disposal (see graph 2).

Another Colombian firm distinguished for its international activity is the Carvajal enterprise, the largest manufacturer of office equipment and articles in Colombia and one of the most important producers of paper products. In 1970, it established the firm PUBLICAR of Central America as an affiliate located in Costa Rica for the publication of telephone directories. In 1972 it established the firm Litocomercial, in Panama with Panamanian participation, for the manufacture of continuous paper forms. In 1974, with help from local investors, it set up the firm EDIPSA in Nicaragua to edit telephone directories, trade and industrial yearbooks, tourist guides and similar publications. The same year it established the MOLANCA enterprise in Venezuela for the production of moulded pulp separators with the participation of Venezuelan associates, a Chilean firm with experience in the field and an extra-regional associate which licenses the technological process. In 1975 it joined with an Ecuadorian firm in establishing a factory producing continuous paper forms under the trade name of OFSETEC S.A. (see graph 3).

#### 7. Peruvian enterprises

Since 1977, the Government of Peru has authorized seven Peruvian enterprises to invest approximately US\$ 6.5 million in other countries in the Andean Group. Five of the seven enterprises are in the manufacturing sector and their investment in the exterior amounts to close to US\$ 3.5 million. The largest industrial investment was made by the firm Industria Peruana del Alambre, S.A., in Venezuela, in connexion with the manufacture of engineering products.

The Compañía de Minas Buenaventura S.A., invested US\$ 300 000 in a mining enterprise in Ecuador, and, finally, the Banco Popular del Perú recorded the amount of US\$ 4 300 000 allocated to its branch in Bolivia, although in this case no transfer of resources took place, the amount recorded representing the return on capital invested in the branch, which went into operation in Bolivia early in the 1940s.

Three of the enterprises were authorized to invest in Ecuador, two in Venezuela, one in Bolivia and one in Colombia (see table II-10).

Figure 2

TWO ILLUSTRATIVE EXAMPLES OF LATIN AMERICAN JOINT ENTERPRISES

BANCO DE BOGOTA

STRUCTURE OF THE BANK'S INTERNATIONAL INTERESTS

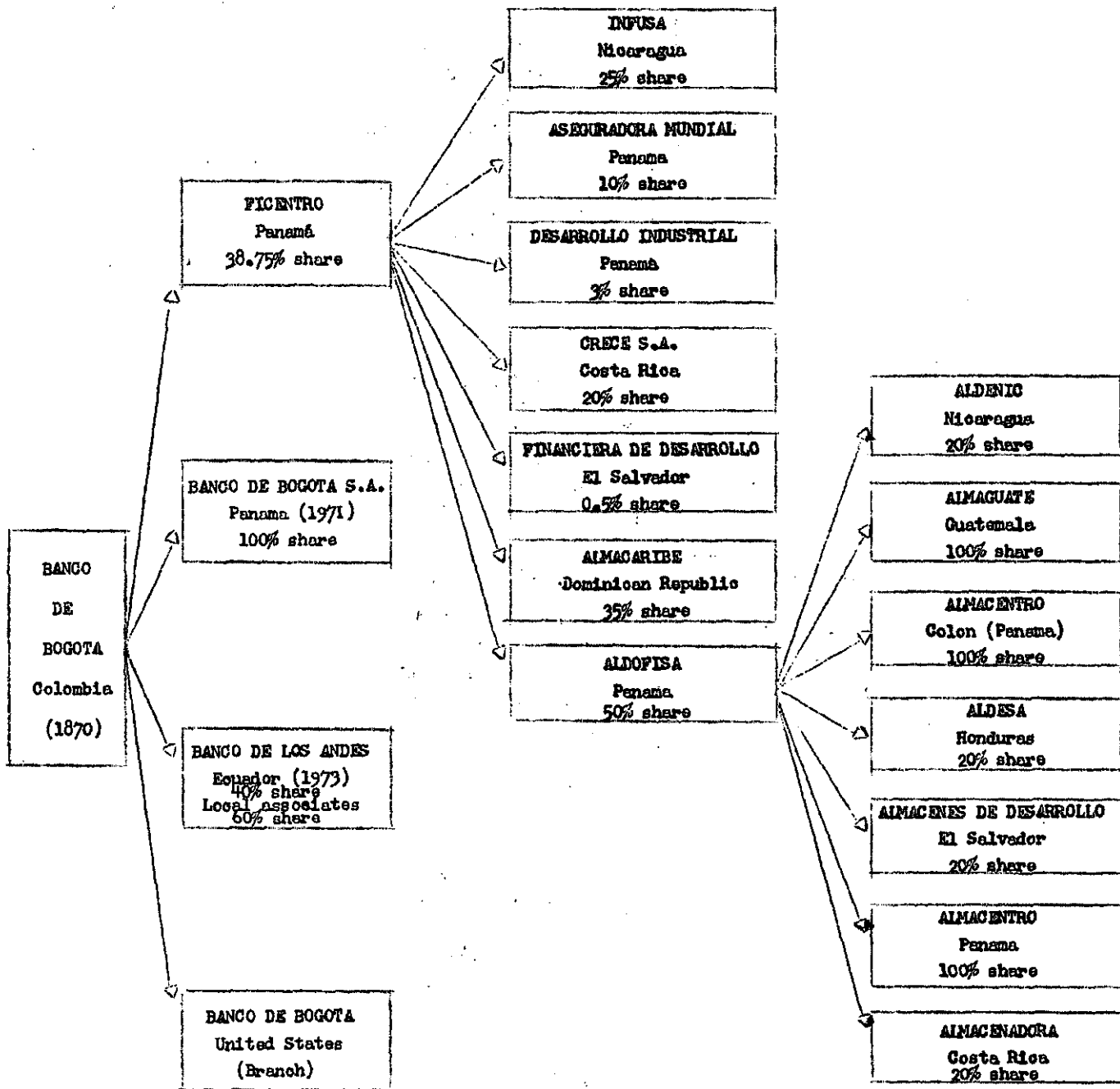
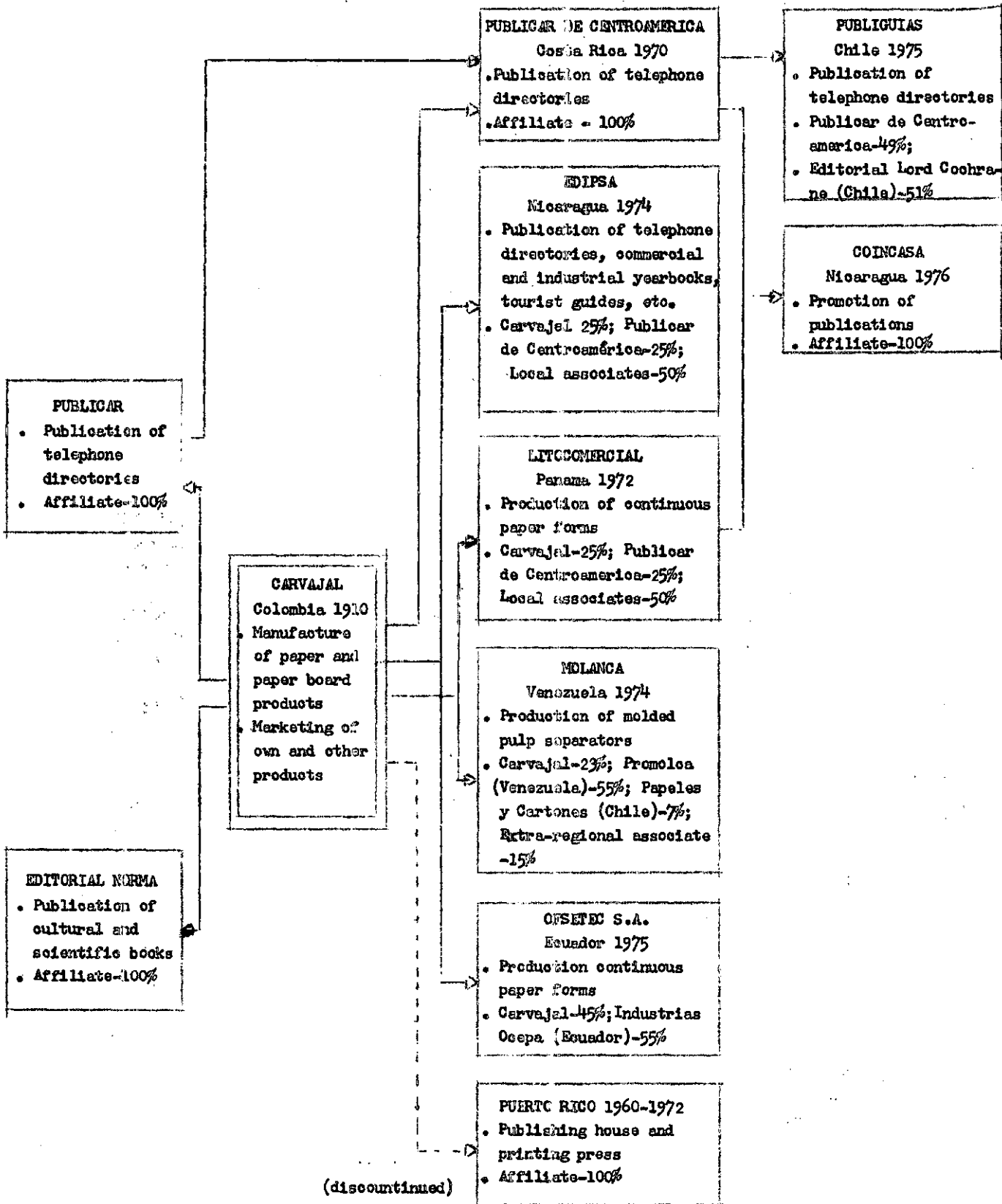


Figure 3

CARVAJAL S.A.

STRUCTURE OF INTERNATIONAL HOLDINGS



Peruvian investments in the exterior are believed to be considerably higher than the official data indicate. The period referred to covers only a few years, during which the national body responsible for the application of decision 24 in Peru was centralized; moreover, the geographical area to which the data refer is confined to the Andean Group. In any case, more thorough research is necessary to establish an accurate picture of the external projection of Peruvian enterprises.

Certainly the data provided on the joint enterprise of Argentina, Brazil, Mexico, Colombia and Peru are not exhaustive with regard either to Latin American countries which are sources of investment (Chile, Uruguay and Venezuela are also interesting cases for analysis) or to other approaches to joint association or to the transfer of technology within the region.

#### 8. Sectoral producers' organizations

Regional organizations made up of public and/or private entrepreneurs engaged in the production of the same kind of goods or services have for some time constituted one of the most frequently used means of co-operation in the region. Some of these associations date back to the very inception of the formal integration processes; this is the case of the Association of Latin American Industrialists (AILA), the Latin American Association of Plastic Industries (ALIPLAST), the Latin American Iron and Steel Institute (ILAFA) and others.

The majority of these producers' organizations were formed in response to the need for information and exchange of experience in connexion with the actual or envisaged integration of the markets corresponding to their fields of action, or to deal with problems which cannot be solved at national level (such as those related to the energy imbalance, international communications and the interconnexion of the physical infrastructure) or to reap the rewards of joining together in dealing with matters of common interest to entrepreneurs in the same sector in given international conditions (in tourism, air and maritime transport and finances, for example).

In general, the producers' associations of the region are specialized bodies in which an attempt is made to supplement efforts to identify mutually beneficial activities with low operational costs. The collection and dissemination of relevant information and statistics and the direct and personal exchange of experience in meetings, forums and congresses all constitute meaningful activities in the field of co-operation although frequently they do not go by that name. Something achieved by these organizations which is just as important as the transfer of know-how in techniques already tested in enterprises in the region and their necessary adaptation to a given setting is the strengthening of the capacity to negotiate with foreign suppliers and customers which can result either from joint activities or - more frequently - from business executives teaching each other what they have learned in previous negotiations which are often similar.

/Although there

Although there are many organizations of the kind described above, not all of them have attained the same power or degree of development. It is therefore felt that the systematic dissemination of information relating to their activities, organization and potential may help to strengthen the technical or professional associations of producers in the region or be of use in the establishment of liaison between the offices of those organizations. The operation of such associations is in practice beginning to constitute an important component of the processes of integration and co-operation in Latin America in that many of the activities conducted in them have commercial and technological elements conducive to de facto integration and co-operation.

To illustrate the general observations made above, there follows a description of some of the main characteristics of the Latin American Iron and Steel Institute (ILAFA), which was chosen for this exercise because it has been in existence for many years and comprises almost all the enterprises in its sector. It was founded in 1959 and is an international organization under private law made up of over 90% of the State, mixed and private enterprises producing steel, iron ore and auxiliary raw materials or equipment used in the iron and steel industry of all the countries in the region in which these activities are practiced. The active membership includes 123 enterprises. In addition there are 155 associate members including research institutes, universities and enterprises in Latin America or outside it which, by virtue of the nature of their work, are in a position to co-operate with the Institute in the attainment of its objectives.

The secretariat of ILAFA describes the objectives of the institution as follows: "The Institute is concerned with the study of the scientific, technical, industrial and economic problems relating to the production, distribution and use of iron and steel products and by-products, facilities for their manufacture and raw materials from which they are produced as well as other materials employed by this sector. In the realm of technology, the objectives sought are to promote the creation of technological know-how, standardization and quality control in the field of technology, manpower training and the orientation of investment towards technology. In the economic field, the aims are to further knowledge of the market for steel, iron ores and other raw materials in order to increase national and international trade in these materials, to further the co-ordination and economic orientation of investment and to increase productivity. With regard to documentation and information, the objectives are to facilitate the transfer of technology towards and within Latin America, to increase the knowledge of this sector and of those who work in it and to support all work related to the Institute's activities. With regard to the promotion of technology, the aims are to publicize the uses of steel, to make people aware of the importance of the steel and iron-ore producing industry and to introduce the industrialists in the sector to each other".18/

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18/ ILAFA, ¿Qué es ILAFA?, undated pamphlet published in Santiago, Chile.

It is worth citing the public declaration made by the Office of the Director of ILAFA at the twentieth Latin American Iron and Steel Congress held in Santiago, Chile, in October 1979, as a meaningful example of questions with which this body is concerned:

"(a) Bearing in mind the essential role played by steel as a basic product in the industrialization of a country, until such time as the technology, raw material and equipment to produce it are freely available in economic conditions which are roughly the same for all countries, Latin America has the right to develop its own iron and steel industry and the Latin American countries, to keep themselves supplied for reasons of national security and sovereignty.

"The comparative advantages and the international division of labour referred to have, moreover, been grossly distorted, the former by measures imposed by the governments of highly developed countries with large exportable balances and the latter by contingencies which show how inoperable it is.

"In any case, Latin America with its large deposits of iron ore, coal, petroleum and natural gas has real and permanent comparative advantages over regions in which there is an absolute dearth of the essential raw materials, and

"(b) Latin America must adopt protective measures similar to those in force in some of the highly developed countries against dumping, which affects free trade.

"On the basis of the foregoing considerations, the management of ILAFA hereby appeals to Latin American governments to make their co-operation available to iron and steel development projects in their respective countries and to ensure that their domestic price and import policies take into account the adverse effects of dumping as practiced by countries with large exportable surpluses".19/

As to the type of work performed by ILAFA, it should be noted that its field of activities is very broad and covers some of the following subjects: "Where raw materials are concerned, it maintains up-to-date information on the different inputs of the iron and steel industry, and in particular on iron ore, coal and coke, scrap iron and ferro-alloys; it organizes technical congresses on raw materials. In the field of technology, it prepares documents or courses on various technologies, maintains basic information on the major equipment employed by the plants of the region, formulates technical standards for iron and steel products and inputs, prepares a

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19/ ILAFA, Memoria, 1979-1980, Santiago, Chile, undated, p. 4.



technical glossary in Spanish, Portuguese and English; organizes technical congresses on subjects of concern to the region and, in particular, sponsors an annual Latin American iron and steel congress. In the field of economics, it systematically studies the region's steel market, installed capacity, production, imports and exports, consumption prospects, programmes for growth, etc.; it conducts market surveys on specific products; compiles statistics on production of iron ores, cast iron, steel and sheet steel, iron and steel prices, foreign trade, etc. With regard to technical documentation, it revises the international bibliography, abstracting articles of interest for the region and prepares bibliographical entries on items of special relevance.<sup>20/</sup>

Since 1960, ILAFA has edited and issued the monthly publication Siderurgia Latinoamericana, a statistical yearbook published annually, and a directory of iron and steel enterprises in the region, which is published on a periodic basis. It also prepares and disseminates technical volumes containing all the documents presented at the three technical meetings and at the Latin American Iron and Steel Congress, which are held each year. In 1980 these congresses attracted approximately 1 500 participants from Latin America and the rest of the world. The headquarters of ILAFA is in Santiago, Chile, and it has regional secretariats in Argentina, Brazil, Mexico, Peru and Venezuela.

In slightly over 20 years, this producers' organization has contributed actively to the dissemination of technological, commercial, statistical, entrepreneurial and human knowledge of the resources employed in the iron and steel industry and has helped to forge many strong bonds between the enterprises of the region without giving undue importance to the size of the enterprises or of the participating countries. The effort it has dedicated to the study of mini-plants, for example, is typical of the care it takes to find adequate responses to the needs of countries with small markets or of given areas of consumption.

ILAFA represents a type of entrepreneurial co-operation which is undoubtedly effective in furthering the aims of greater unity and integration among the Latin American and Caribbean economies.

#### D. CONCLUSIONS ON OTHER FORMS OF REGIONAL CO-OPERATION

As stated at the beginning of the chapter, no effort has been made to be exhaustive in the presentation of cases and ways and means of co-operation among governments and enterprises of the region, the aim being rather to use concrete examples in demonstrating the operation of various forms of linkage between the economies of the Latin American and Caribbean countries, either within formal integration systems or side by side with them. Such co-operation is building links between countries which are not only contributing to integration but are in addition helping to making it possible.

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<sup>20/</sup> ILAFA, ¿Qué es ILAFA?, op. cit.

/Because they

Because they are so well known, some very important cases of co-operation in given fields such as the harnessing of the hydroelectric resources of shared river basins in which Paraguay has joined with Argentina and Brazil (Yaciretá, Corpus and Itaipú), Uruguay with Argentina and Brazil (Salto Grande and Laguna Merín) and Ecuador, with Peru (Puyango Tumbes) and border integration programmes 21/ have not been included in this study. Technical co-operation can also take many different shapes as a result of agreements between two or more governments; between intergovernmental bodies and national governments and between integration systems or public or private institutions of two or more countries of the region. Information is usually available on such instruments, although it is more apt to pertain to the action projected than to its results. In Latin America and the Caribbean, the Organization of American States (OAS) as well as IDB, SELA and CEPAL are working on various projects involving horizontal technical co-operation.

With regard to the activities related to co-operation examined in this chapter, the following conclusion may be drawn:

(i) At present recourse is being had to a large variety of bilateral and multilateral co-operation machinery either with direct government participation or in which foundations have been laid for action to be taken by public or private entrepreneurs in the region. The nature of the co-operation machinery varies, depending on circumstances and on the specific problems to be solved, and often is the result of long and complicated negotiations within governments or enterprises. It is assumed that the process of negotiating agreements or conventions will become simpler as a tradition of co-operation is built up and as confidence in the favourable results of such instruments increases.

(ii) Co-operation agreements between governments include pre-eminently, the economic agreements entered into by Uruguay with Argentina and Brazil (CAUCE and PEC, respectively), instruments which in both cases have activated the exports of a country with a small market to two countries which, together with Mexico, are among the largest in the region in terms of size. Specifically, CAUCE has helped to increase both the volume and the value of products exported by Uruguay to Argentina although in terms of total trade between the two countries, Uruguay is still in deficit; meanwhile PEC, which has had a similar effect in diversifying exports and increasing their value, has brought about a surplus in Uruguay's favour. Secondly, the Agreement on Compensated Trade in Products of the Automotive Industry between Argentina and Uruguay was partly responsible for the growth in exports of Uruguayan parts for motor vehicles from US\$ 1.3 million to US\$ 22.4 million in a period of six years under the Agreement and was most certainly responsible for raising total exports of the automotive industry to US\$ 64 million in 1979.

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21/ See CEPAL, Latin American on the threshold of the 1980s, (E/CEPAL/G.1106), November 1979.

In the agreements mentioned above, the main growth factor has been the establishment of a significant margin of tariff preferences between the participating countries for a small range of products and with quantitative limitations in some cases. Of course, the geographical proximity and the traditional economic and other ties which have bound Uruguay to Argentina and Brazil throughout its history have had a positive effect on the agreements.

The kind of economic co-operation agreement described makes it possible for a country whose negotiating capacity is limited by the size of its market to increase its negotiating capacity and opens up interesting prospects for new ties of a similar kind with other countries in the region.

(iii) The energy co-operation programme for Central American and Caribbean countries signed by two of the region's petroleum-exporting countries (Mexico and Venezuela) is undoubtedly a reflection of political will which not only helps to solve the real problem of the energy imbalance of relatively less developed countries but also points to the possibility of meeting other acute needs for co-operation within the region with the use of its own resources.

The combination of political will and the existence of abundant resources in some countries and scarce resources in others may be an equation which will ensure greater well-being and security in Latin American and Caribbean countries in the future in a world threatened by shortages of energy products, food and other basic inputs.

(iv) Despite the difficulties and barriers encountered, joint efforts to programme certain sectors of industry in medium-sized and small countries seem to provide a more rational way of seizing the opportunities offered by the extended market resulting from the integration process, avoiding costly duplications of investment and the use of scarce resources in general and providing the economically less developed countries with preferential options not offered to them by ordinary market machinery. This chapter contains an analysis of the programmes of the automotive and mechanical engineering sectors of the Andean Group as examples of government machinery for promoting joint enterprises. The programme of the automotive sector illustrates the advantages of solidarity in negotiations between countries with complementary assignments in the automotive sector (Ecuador and Venezuela and Bolivia and Venezuela) and transnational corporations manufacturing vehicles which are known to be among the largest such corporations in the world.

The fact that the Governments of Ecuador and Venezuela dealt concurrently with transnational corporations manufacturing vehicles made it possible for those countries to be more demanding in those negotiations and meant that the advantages obtained in the bidding in each country were extended to the other country as well, such advantages including an

*exemption from*

exemption from payment of royalties on permits and technologies (demanded by Venezuela) and the commitment on the part of the enterprises to export to third party countries outside the Andean Group a large volume of components manufactured locally in each country (a condition imposed by Ecuador). The example of this negotiation was the decisive factor in persuading Bolivia and Venezuela to agree on the use of a similar procedure in selecting firms for the manufacture of the kind of lorry and motor vehicle assigned to Bolivia and Venezuela, respectively. In addition to the conditions imposed in the case of Ecuador and Venezuela (exports to third party countries and non-payment of royalties), the agreements required the enterprise awarded the contract to undertake to promote the establishment of a foundry and forge in Bolivia.

Both the strengthening of the capacity to negotiate with big transnational corporations and the establishment of an interdependent relationship in a sector in which production is affected on a large scale are important results of this approach to co-operation, especially considering that a small country and a country of relatively moderate economic development were involved.

The second case considered is that of joint enterprises and specialization and co-production agreements arriving out of the industrial development programme of the mechanical engineering sector of the Andean Group. In this connexion, the Governments of Ecuador and Venezuela, to solve a problem of duplication in the production of metal drills and drills for hydraulic systems, both of which were originally assigned to Ecuador, decided, on the one hand to establish a multinational corporation with the head office in Quito and plants in Maracay (Venezuela) and Latacunga (Ecuador) to manufacture drills and to harness the production capacities of the existing enterprises in the best way possible; secondly, they entered into an agreement providing for joint marketing, co-production, industrial complementarity and standardization of the hydraulic systems produced by the enterprises existing in the two countries. Moreover, the Ecuadorian plant will be enlarged with an investment from the Venezuelan entrepreneurs.

Similarly, the Governments of Bolivia and Peru showed an interest in working together on the assignments relating to all-purpose drills, mechanical sifters, ore-crushers and conical sections under the mechanical engineering programme. In the same way, the Governments of Peru and Venezuela indicated their intention of working together to fill the order for mechanical cutters which had been shared out between them.

(v) It may be seen that the private and public enterprises of Latin America and the Caribbean are making an effort to extend their operations internationally and that since different countries and sectors have different motives for doing this and employ different means, the first step in this direction is normally taken in the individual countries of the region. The

/international operation

international operation of enterprises is basically a result of the process of development and diversification of the national economy and of the accumulation of potentially exportable technological know-how, in particular in the larger countries of the region. The experience acquired in providing substitutes for increasingly complex imports, in broadening and deepening inter-industrial relations, in absorbing and adapting the technologies needed and in maintaining a domestic support market has meant that a growing number of enterprises have felt led to undertake activities beyond the borders of their country of origin. This process has been encouraged by the existence of systems for the economic integration of areas and subregions, which have fostered the establishment of links between enterprises and of legal and institutional codes conducive to the creation of joint enterprises.

By considering certain data relating to enterprises with joint Argentine, Brazilian, Mexican, Colombian and Peruvian ownership it may be seen that those in the three largest countries are more dynamic in their foreign activity, although firms in moderately developed countries have also initiated a process of internationalization. It may also be seen that in general entrepreneurs in the least developed countries have acted as local partners of other Latin American investors.

The data available on intra-Latin American investment shows that it amounts to over US\$ 330 million,<sup>22/</sup> although all the countries of origin and destination are not recorded and certainly investments which are not officially recorded are omitted. For this reason, the actual Latin American investment must be higher than that on record and seems to grow at a faster rate than direct foreign investment from outside the region. In spite of this dynamism, Latin American investment still amounts to only a small fraction of the investment made by transnational corporations in the region.

As has been true of transnational corporations, Latin American firms extend their activities beyond their national borders to open up export markets, especially when national production is protected, or because they wish to retain their predominance by producing goods in the purchasing country or by complementing its production. Nevertheless, Latin American enterprises with international scope may provide a satisfactory alternative to transnational corporations in the recipient countries in that Latin American firms have technology for use in manufacturing on scales and in series more appropriate to conditions in the country, provide for the use of local raw materials, meet the needs of the consumers better and use techniques in which less capital per worker is employed. Moreover,

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<sup>22/</sup> Jaime Campos, "Intercambio empresarial de recursos...", op. cit.

Latin American enterprises usually have other advantages over those from industrialized countries in that their technical and executive personnel usually costs the same or less at a comparable technical level and has greater ability to adapt management and operations to inflationary situations, small financial markets, less administrative and infrastructural efficiency and, in general, to complex and unstable economic and political conditions; and, finally, branches of Latin American enterprises enjoy greater freedom of association with investors from the recipient country, which means that in time they tend to identify with local enterprises. This kind of conduct differs from the relationship between the home office and the affiliates of transnational corporations which have a global strategy in which the affiliates are assigned a role and must abide by it.

(vi) Sectoral producers' organizations have become one of the most widespread forms of co-operation in the region, with visible results both in the field of specialized technological co-operation and in the collection and dissemination of foreign trade data and statistics, the direct exchange of experience and other important approaches to co-operation often not identified as such. Thus there are a great number of public and private producers' organizations operating in Latin America and the Caribbean in such diverse sectors as energy, tourism, finance and transport and various branches of industry.

(vii) In short, joint enterprises and sectoral producers' organizations are an important component of regional co-operation arrangements since they provide flexible approaches and responses to the need for more effective linkages among countries. Many of these enterprises and bodies have been nurtured by the environment and facilities created by the integration systems or have emerged in response to specific needs or situations; their dynamism is increasing, and they appear to have the potential to become a powerful means of linking the Latin American and Caribbean economies.

/IV. PRIORITY

#### IV. PRIORITY ACTION AND AREAS FOR REGIONAL INTEGRATION AND CO-OPERATION

Integration and the various forms of co-operation among the countries of the region will continue to be one of the most powerful means of increasing international trade, making better use of natural resources, strengthening joint bargaining power with the industrialized countries and the transnational corporations and, in general, undertaking action designed to expand the possibilities of achieving greater economic and social development of the countries of Latin America and the Caribbean and securing a better form of insertion for them in the world economy. To this end, it is essential to promote, through political determination and concrete measures, the integration and co-operation machinery already in existence in the region, and also to continue pressing on in the search for and implementation of instruments and forms of co-operation which complement and further improve them.

If the integration treaties and agreements in force in the region are to continue to be the main pillars supporting the future development of intra-regional trade, the economic and political links, and the bilateral or multilateral co-operation activities, it will be necessary to provide adequate support for the following tasks:

(i) Setting up mechanisms which grant real preference to products originating in the region - especially those which need large markets, such as capital goods and articles needing to be produced on a large scale - and activities which are essential for the countries of the region;

(ii) Giving special consideration to the relatively less economically developed countries with a view to obtaining their full participation in the processes of integration and avoiding the polarization of trade and disequilibrium in the realization of benefits, which usually occurs when only the more traditional instruments of integration are employed. This means mobilizing effective co-operation in favour of such countries, through preferential tariff treatment, the special allocation of financial resources, the development of joint projects, technical co-operation and other action which helps to create a larger market for their products and, at the same time, provides the means for increasing the exportable supply;

(iii) Ensuring that, within a framework of flexibility and partial action (dominant elements in the new ALADI), the final objectives of integration and the indispensable convergence of this kind of action are borne in mind; this approach will keep watertight compartments from forming and hampering the multilateral interrelationship which is so important for strengthening and unifying the region; and

(iv) Linking up the integration plans, even though they retain their institutional individuality.

/Furthermore, in

Furthermore, in order to overcome the difficulties which affect the integration schemes of the region to varying degrees, it is necessary to make big efforts to combine in a balanced manner legitimate national short- and medium-term interests and the longer-term benefits which will be obtained from closer economic and political unity among the countries of Latin America and the Caribbean.

In addition, the strengthening of the systems and structures of economic and political linkages among the countries will at the same time mean the strengthening of their bargaining power and presence with respect to the dominant economic blocs and the transnational corporations. Even though in the past there has been joint negotiating capacity in many cases, this needs to be strengthened in the face of the specific challenges affecting most of the nations of the region.

Since SELA includes almost all the countries of the region and has great operational flexibility, it can play an important role in seeking global formulas of understanding, either for linking up the various integration schemes with each other or for carrying out co-operation activities which include most or all the countries of the region.

With a view to avoiding duplication or overlapping of efforts of the various secretariats of the integration and co-operation bodies of Latin America and the Caribbean, there is need to establish permanent links among them to serve in the exchange of experience and in suggesting advisable interrelationship measures to the Governments of the member countries.

Apart from the essential support of the countries of the subregion for the formal integration plans now in effect in Latin America and the Caribbean, there are other fields of action in which co-operation can make an important contribution to the solution of problems affecting all or some of the countries. In suggesting those fields of co-operation, it is not excluded that they be implemented by means of the mechanisms which the integration agreements possess, and, indeed, it is highly desirable that this be done.

The characteristic common to all the areas of co-operation selected is that they correspond to problems whose nature and magnitude are such that they largely go beyond national possibilities for solving them and are therefore suitable subjects for joint efforts by the whole region or groups of countries within it, since co-operation considerably increases the possibilities of action and markedly improves the positive results which can be expected from the application of a given amount of resources. On the other hand, many of the most serious difficulties affecting the economic and social systems are basically problems which must be solved at the domestic level, so that international co-operation can only serve to collaborate with the respective national policies. Among matters in this category are critical poverty, illiteracy, unemployment, excessive urban growth, environmental contamination, faulty use of natural resources, public health, and housing shortages. As already noted, this does not mean that these cannot be the subject of international co-operation, but

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it does mean that the ultimate solution of these problems generally depends more on changes in the style of development, or the application of specific economic policies, than on the contributions which could be made by co-operation with other countries.

The list of areas of co-operation which follows is not by order of priority nor is it exhaustive; however, an attempt has been made to include all those areas which it is supposed will be relevant in the 1980s. Each area is described only to show the kind of topic involved and, where possible, suggest co-operation options.

1. Joint rational development of natural resources and compensation for regional disequilibria

This involved the initiation or continuation of action to bring about: (i) self-reliance in regional supplies of items of importance, such as food and raw materials in general; (ii) conservation of the environment, defined as the rational use of resources, especially non-renewable resources; (iii) joint use of shared resources, such as water; and (iv) increased earnings from exports of basic commodities, by increasing their value added and greater participation in the distribution and marketing stages and in international negotiations to raise the value of these products.

In the case of water resources, co-operation has already been carried out in a number of activities but there is a need to strengthen it in a number of areas such as in particular the ordering, handling and protection of these resources. Since these activities are not specifically associated with a particular user sector they have not been treated in the necessary depth.

The mining sector lags notably behind other industrial processes in the region with regard to the integration of the mining, metallurgy and engineering stages and the production of capital goods and intermediate inputs. There is an urgent need for co-operation in this field in view both of the relatively small size of the national markets in comparison with the scale and diversity required by mining production and the uneven increase in the demand for the different types of products. Priority could be given to Latin American multinational agreements or projects of an integral nature, that is to say, those which concern joint activities in prospecting, infrastructure, mining and industrial production and trade agreements. The first steps might consist of the formulation of co-operation projects whose objective is to increase the knowledge and development of the mining potential of the region.

Latin America and the Caribbean have sufficient natural resources to sustain an overall high rate of growth; however, these are not equally distributed among the countries in the region. Thus, an important task of co-operation is that of ensuring the supply of basic commodities in each of the Latin American and Caribbean nations, thus helping to correct the external trade imbalances caused to their economies by the importation of these goods. Likewise, there is need to seek formulas of co-operation which help to improve the value of exports of basic commodities made by the countries of the region to international markets.

## 2. Energy

As noted in a recent Secretariat study,<sup>23/</sup> this is a field where there already are numerous and very important activities, co-operation such as the large-scale interconnexion of the electric power systems of neighbouring countries where bi-national hydro-stations are under construction or in operation; the energy co-operation programme of Mexico and Venezuela with the Central American and Caribbean countries; and the activities of ARPEL, OLADE and CIER, as specialized regional organs. Nevertheless, there are still large areas where adequate co-operation is not being affected, such as the development of non-conventional energy resources; full, rapid and accurate information, especially with regard to petroleum and its derivatives; manpower training; the management of enterprises and, in general, everything related to energy economics and technology. Among the Latin American countries there are very large differences in knowledge and experience, so that very fruitful horizontal co-operation is possible.

## 3. Physical integration of transport and communications facilities

In order to overcome the obstacles posed by long distances and to progress towards a better use of the existing infrastructure, it is important to facilitate the movement of persons and goods and link up the various modes of transport. It will also be necessary to promote greater co-operation in areas which are non-competitive internationally, such as public services (urban underground railways, drinking water, irrigation, urban sanitation and the like).

With regard to transport, there are shortcomings in the physical infrastructure because the present system is oriented basically towards communications between ports and the hinterland. Thus, there is a lack of highways in the Darien area, in Bolivia there is an inadequate road infrastructure which makes trade in the Southern Cone difficult, and the internal regions of the countries are almost always remote from the international routes; moreover, transport facilities, including most of the railways and some of the ocean and air fleets, are usually old or in poor condition and, finally, there is ample room for facilitating the movement of persons and goods by removing administrative and organizational obstacles. Co-operation in the field of physical infrastructure and transport is already traditional among the countries in the region; nevertheless, it must be increased in order to permit joint sustained progress in the improvement of this fundamental aid to trade and communications both inside Latin America and with countries outside the region, especially in view of the large investments needed for improving or linking them and the many measures required for their facilitation.

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<sup>23/</sup> See Latin American development in the 1980s (E/CEPAL/G.1150), chapter IV, section entitled "Energy policy".

Public services and the enterprises which provide them have reached a significant level of development in some countries of the region and have built up experience which can be valuable for countries of a similar kind, i.e., those where a large proportion of the population live in rural areas and the rest of the inhabitants are concentrated in a few densely populated capital cities of large size, characterized by high rates of population growth, unequal income levels, extreme poverty and other features which have become special challenges to the capacity of these public utility enterprises to adapt themselves to such a complex situation. The experience acquired through the adaptation or creation of technology should be useful for countries now beginning to tackle similar problems and should therefore be included in the horizontal co-operation efforts within the region.

#### 4. Co-operation in industry

Due to the heterogeneity of the countries in the region, especially as regards their degree of industrial development, each of them has different objectives in its climb up the industrial ladder. It is clear, however, that all countries can benefit from integration, inasmuch as this process includes effective mechanisms for the equitable distribution of opportunities and helps to complete the structure of industry - especially in the area of capital and intermediate goods - and the corresponding technological structures, as well as making possible specialization in production in order to achieve greater efficiency.

Industrial co-operation can take place in broad sectors, in narrower branches, or through agreements between public or private enterprises of different countries. The main areas might be complementarity or joint programming of industrial activities of high capital density and volume with inadequate or unstable national markets, such as petrochemicals, the aluminium industry, shipbuilding or the iron and steel industry. The production of capital goods is a special case, since the capacity of a country to manufacture its own productive equipment confers on that country an ability to opt between alternative economic structures and promotes continuous progress in technology and engineering. It is considered that the region as a whole could support a modern scientific organization and that groups of countries could co-operate in certain specialized branches of technology based on an integrated production system. Big projects in the basic sectors, which account for a large share of the demand for capital goods, open up opportunities for fruitful complementarity among the enterprises in the region, especially in view of the lack of continuity of these investments at the national level and, hence, the fact that they would fluctuate less in the case of Latin America and the Caribbean as a whole.

## 5. Food and agriculture

A variety of efforts have been made in this area, both within and outside the integration arrangements, with a view to attaining objectives of very different kinds. Nevertheless, there is still much room for action in the sphere of technology, foreign trade and the region's ability to supply its own needs. Complementarity in production, in line with climatic characteristics and the type of land available (intensive or extensive farming), may give rise to long-term agreements between groups of countries. Moreover, in view of the unstable international situation, it is important not to depend too much on food supplies from regions which are far away or may be involved in conflicts. With regard to the export of basic agricultural commodities, there are some interesting co-operation experiments (CEPLACEA and COMUNBANA) which might be extended to other products. Fishing is another activity where co-operation could be essential for protecting natural resources and helping to exploit them rationally, as well as making joint use of the natural wealth shared by two or more countries.

Within SELA, a number of activities of interest to the community have been defined which will certainly continue to be of interest. These include the creation of regional machinery for information on surpluses, shortages and prices; the arrangement of medium- and long-term marketing contracts among countries or groups of countries; the establishment of multinational marketing firms; the establishment of regional or subregional common or co-ordinated storage systems; agreements between agricultural research agencies and institutions for the implementation of joint projects; the promotion and development of enterprises providing technological services, especially for purposes of co-operation with the less developed countries, and the establishment of a regional agricultural insurance scheme.

## 6. Science and technology

Science and technology are related not only with the creation, application, dissemination, control and ownership of knowledge, but also with all productive activities, so that co-operation in this sphere may be viewed from various perspectives, including the strengthening of scientific and technological capacity, the promotion of the adaptation or creation of technologies linked to specific priority sectors in the countries of the region (technology linked to energy, food, capital goods, etc.), the interlinking of scientific and technological networks, the organization of multinational technological enterprises, financing for the development of technology at the national level, and the adoption of common regional positions on topics of mutual interest (such as industrial property and a code of conduct in technology for negotiation with transnational corporations).

There are examples of successful co-operation in technology at the subregional level (such as the Central American Industrial Research and Technology Institute (ICAITI) and the Andean Technological Development

/Programmes (PADT)

Programmes (PADT) and also of co-operation of a bilateral nature such as technical co-operation among State petroleum enterprises, exchanges aimed at training industrial technicians, co-operation in the nuclear field and many other cases of a similar nature.

There are, however, many areas of regional co-operation where significant results can be achieved which would be difficult to obtain by relying only on local efforts. Such areas include:

(i) the incorporation of technological progress into science and technology policies and plans (for example, micro-electronics, genetic engineering, enzyme technology and, very especially, technology related to energy), while at the same time bearing in mind sectors where technological development is slower and less of a gamble for undertaking initiatives in the region;

(ii) the strengthening of technological capacities: the existing scientific and technological infrastructure in the region could be extended beyond national boundaries to include co-operative efforts in certain areas and problems such as natural resources and food;

(iii) the selection, acquisition and transfer of technology: in the future, the region will continue to incorporate technologies at a growing rate, especially those from the industrialized countries, and this will make it necessary to protect the interests of the recipient countries. In this task, and may be provided by the support services of the Latin American Technological Data Network (RITIA), the recently established Andean Technological Data Network, and the Technological Information Exchange Service (TIES), sponsored by the United Nations Industrial Development Organization (UNIDO). Similarly, it would be appropriate to examine the possibility of gaining access to the technology of the medium-sized and small enterprises of the developed countries, which might be more suitable for the region than the technology available from the big transnational corporations;

(iv) with respect to the training of human resources, for some time the countries in the region have been concerned about the strong "reverse transfer" of technology and have been seeking ways of curtailing it or, at least, of ensuring that a large share of the scientists and technologists who emigrate remain within the region itself. For this purpose more information is required on job opportunities and the exchange of specialists should be increased. Moreover, the educational policies of the region could be co-ordinated with a view to achieving a certain degree of specialization in investments for education and in the training of qualified personnel;

(v) co-operative programmes could be developed involving technological research into fields of interest, such as pharmaceuticals, where there is a heavy concentration of production and where research and development are controlled by a few transnational corporations;

/(vi) financing

(vi) financing could be obtained from international and regional finance agencies for co-operation projects in scientific and technological development which meet the particular needs of the countries in the region;

(vii) in view of the present process of internationalization of technical standards, an example of which is the recent adoption by GATT of a code of technical requirements in international trade, it is necessary for the region to be prepared to meet international technological standard requirements, which affect national industrial development and export policies.

## 7. Financing

There now exist financial mechanisms, both on a regional scale and within the integration schemes, intended to facilitate commercial transactions between such schemes, to support countries with a balance-of-payments deficit, and to finance projects relating to integration industries. Even so, co-operation aimed at the acquisition of financing from new zonal and extra-zonal sources and at the creation of an export insurance system continues to be of great importance, especially in order to cope with the needs for long-term credit brought on by the energy disequilibria of many countries in the region, by the urgent need to create and consolidate new export flows, and by the demands for financing which will result from greater trade in capital goods.

## 8. Co-operation in the field of services, in particular in consulting and engineering

These activities have made such progress in some countries that in the future they might become a significant item in their foreign trade. All the countries, to a greater or lesser extent, possess experience and knowledge concerning the technology used in the productive sectors most characteristic of their economies or in infrastructure works. What is needed, then, is to identify the mechanisms which make it possible to combine those capacities in such a way as to bring about a fuller utilization of national consulting and engineering services within and outside the region. If this were done, important opportunities might arise for increasing the use of capital goods produced in the Latin American countries and the Caribbean, since the origin of engineering design and projects also has a significant impact on the origin of the capital goods purchased. The possibility of co-operating in large-scale works in energy, transport and communications, in mining projects, or in the establishment of industrial plants may give continuity to the use of specialized knowledge and eliminate the sharp fluctuations in the demand for consulting and engineering services within each country. The specific forms of co-operation could consist of the association of engineering enterprises of various countries to perform works in common, or of technological complementation, especially in the case of fields where more experience and knowledge has been built up (mining, afforestation, farming, fisheries, petroleum exploration and exploitation, etc.).

## /9. Export

### 9. Export promotion

In general, the non-traditional exports of the countries in the region are of little magnitude compared with sales to the domestic market; this is reflected in a weak foreign trade structure, which is deficient in management and in international marketing techniques and ignorant of the potential of external markets. All this implies limited power to negotiate with possible purchasers because of the relatively small exportable supply and the lack of experience in international trade. These problems are more severe in the case of the relatively less developed countries in the region, which have hardly any export promotion mechanisms. Regional co-operation between Governments and enterprises and manufacturers' associations may help to improve the facilities for promotion (export insurance, for example), to increase exportable supplies, to sustain publicity campaigns, to create associations of producers of exportable articles, to set up multinational enterprises for marketing abroad and, in general, to take such collective action as will facilitate competition in an international market which is protectionist and increasingly competitive, and to which new exporting countries are coming all the time. The Group of Latin American and Caribbean Sugar Exporting Countries (GEPLAGEA) and the Union of Banana Exporting Countries (UFEB), in the field of sectoral exporters' associations, and the Comercializadora Multinacional de Banano (COMUNBANA) and the Empresa Multinacional Comercializadora de Fertilizantes (MULTIFERT), in the area of joint enterprises for marketing final products and inputs, respectively, are examples of concrete co-operation efforts which may serve as guides for future action in this field.

### 10. Co-operation with the relatively less developed countries of the region

The integration schemes and multilateral mechanisms for regional co-operation explicitly cover this fundamental aspect of co-operation. In practice, however, serious problems have arisen in trying to put such co-operation into practice, since there seem to have been shortcomings in terms both of the means used to establish such co-operation and of the capacity of the less developed countries themselves to profit from it; nevertheless, it is recognized on all sides that it is very important for removing some of the chief causes of the disparity between the more and the less developed countries in the region. There are political, economic and ethical reasons for seeking new ways and formulas which will give more successful solutions and contribute to regional harmony and equilibrium. One of the priority objectives should be the integration of the English-speaking countries of the Caribbean with the rest of the region, a project requiring specific types of co-operation, which should be identified and undertaken by mutual agreement between the parties.

The meeting of experts of the member countries of the Caribbean Development and Co-operation Committee (CDCC) held in Barbados in May 1980 to discuss the Strategy for the Third United Nations Development Decade approved a draft strategy, one of the central points of which was the

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recommendation for: (i) the improvement of Caribbean bargaining power by strengthening the international institutions which channel Caribbean aspirations, the regional and subregional institutions for co-operation, and national institutions dealing with external relations; (ii) economic planning or management of available resources through a flexible system adapted to the size and structure of Caribbean economies, the proper use of the resources available in the international context, and the search for an appropriate balance between inward and outward-oriented activities; and (iii) social planning and social social orientation, through which knowledge of the Caribbean circumstances is developed, the distributive mechanisms are deployed to achieve more equity in the mobilization of the available human resources, and more adequate forms of social articulation are developed.<sup>24/</sup> These elements could be the basis for a better relationship between the economies of the Caribbean and those of the rest of the region.

As regards the other relatively less developed Latin American countries, an attempt should also be made to find fields in which co-operation with the more developed countries in the region could help to overcome problems typical of under-development or of special circumstances (energy deficits, problems of being landlocked, small domestic markets, lack of natural resources or shortages of qualified personnel).

#### 11. Regional co-operation in the negotiations with transnational corporations

Some countries of the region have made progress in establishing regulations for ensuring that access to foreign investment and technology produces appropriate benefits in the recipient countries; however, the joint negotiating capacity has not been fully utilized vis-à-vis the transnational corporations, except in the case of Decision 24 of the Andean Group, which establishes a system of uniform treatment of foreign investment and technology in the member countries. There are various ways by which the countries in the region can improve their position vis-à-vis the transnational corporations, the most important of them being: (i) information concerning the structure and behaviour of the leading corporations (in view of their heterogeneity) and their operations in the region and the rest of the world; (ii) co-ordinated action by countries to adopt common positions and unite their individual negotiating capacities (as in the case of Ecuador and Venezuela in the negotiations on the motor industry, referred to in chapter III of this document); and (iii) strengthening of national and regional capacity to select and negotiate the areas and matters where transnational corporations can provide countries with a real contribution without distorting the apparatus governing their production, foreign trade and consumption patterns. In addition to seeking systems of negotiations with the transnational

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<sup>24/</sup> CEPAL, Office for the Caribbean, Strategy for the Caribbean Countries during the Third Development Decade, (E/CEPAL/CDCC/61/Rev.1), September 1980.



corporations which lead to more balanced and equitable results, it also seems desirable to promote mechanisms leading to alternative sources of technology and new markets, perhaps in the medium-sized and small enterprises of the industrialized countries, enterprises in recently developed countries, or those of countries with centrally planned economies.

## 12. Horizontal co-operation with other developing regions

Although this topic goes beyond the field of intra-regional co-operation, it has been considered desirable to include it because there is some similarity with the problems described in the other areas dealt with and, furthermore, it involves a great challenge to the solidarity and capacity of mutual collaboration of the countries of the Third World.

The initiatives in this direction are of recent date and reveal a fertile field for co-operation inasmuch as it proves possible to overcome obstacles resulting from the past colonial relations of the developing countries with the centres. Since the trade flows and the links of all types have been almost exclusively with the industrialized countries, it is now necessary to establish lines of transport, financial mechanisms, business connexions, marketing systems and other elements which will make feasible closer links between the countries of the region and those of other developing areas. There are many fields for co-operation, and progress could be made in them at the same time as efforts are made to increase the weak reciprocal trade flows: something which will depend on customs preference agreements and trade facilitation mechanisms. One example of interregional co-operation is the infrastructural works being carried out by Brazilian firms in African countries and the Middle East, which, together with more continuing activities in the fields of consultancy, engineering and construction, could give rise to reciprocal co-operation activities through the establishment of joint enterprises, the co-production of construction materials or capital goods, the training of specialized personnel, etc. The exploitation of natural resources - in mining, agriculture, fishing and other sectors -, certain branches of industry in which the region reached a satisfactory level of advancement, and the infrastructure and communications sectors can also offer interesting opportunities for the parties involved.

Annex I

LISTS OF PRODUCTS EXPORTED BY URUGUAY UNDER THE ARGENTINA-URUGUAY ECONOMIC CO-OPERATION CONVENTION (CAUCE) AND THE URUGUAY-BRAZIL PROTOCOL ON TRADE EXPANSION (PEC)

- Table I-1 Uruguay: Main exports under the Argentina-Uruguay Economic Co-operation Convention (CAUCE)
- Table I-2 Uruguay: Main exports a/ under the Uruguay-Brazil Protocol on Trade Expansion (PEC) (no data given on exports during the period prior to the protocol (1972-1975) but other export régimes shown)
- Table I-3 Uruguay: Main commodities exported a/ under the Uruguay-Brazil Protocol on Trade Expansion (PEC), with data on exports during the period prior to the Protocol (1972-1976)
- Table I-4 Uruguay: Uruguay-Brazil Protocol on Trade Expansion: Exports with a value of over 500 000 dollars in 1978
- Table I-5 Uruguay: Uruguay-Brazil Protocol on Trade Expansion (PEC): Imports with a value of over 50 000 dollars

Table I-1

URUGUAY: MAIN EXPORTS UNDER THE ARGENTINA-URUGUAY  
ECONOMIC CO-OPERATION CONVENTION (CAUCE)

(Thousands of dollars)

Commodity	1975	1976	1977	1978
<i>Sugar a/</i>	-	-	-	326
Biscuits containing no chocolate	120	64	38	12
Sulfuric acid a/	-	114	27	182
Sulfic-dodecylbenzenic acid	854	1 029	680	948
Caustic soda	-	108	33	-
Zinc oxide	162	126	92	192
Aluminium sulphate	65	150	23	269
Detergent powder	101	317	272	1 149
Laundry soap	-	-	107	78
Phthalic and iso-phthalic acid a/	49	382	123	402
Polyvinyl acetate	-	196	247	197
Plastic manufactures	-	256	312	381
Polyvinyl chloride (PVC comp.) a/	-	104	161	272
Polyethylene film for milk containers	-	333	333	304
Other polyethylene film	-	-	300	352
Phenolic resins	-	-	208	445
Vinyl fabrics	-	49	148	180
Conveyor belts	-	-	57	113
Generators and camera cases a/	939	1 382	728	722
Leather handbags and satchels	182	23	156	123
Bases (packing)	-	-	-	391
Paper of various kinds	759	978	3 067	4 105
Polyamides 66	361	82	121	-
Cellulose acetate	817	252	160	115
Wool yarn	878	353	358	350
Wool fabric, woven	193	-	289	324
Cotton (combed and carded)	603	833	967	400
Cotton fabric, woven	772	402	430	386
Thread, mixed synthetic and artificial fibres	709	361	290	210
Velcro tape a/	679	68	133	130
Synthetic fabrics, woven a/	679	332	585	591
Fabrics, knitted a/	16	375	176	295
Made-up garments and wearing apparel	111	490	171	1 059
Blankets	331	146	49	87
Ceramic tiles a/	489	526	554	587
Floor tiles	20	32	425	576
Toilets, bidets and wash basins	171	44	52	161
Cookery and domestic articles	-	-	112	70
Wire	-	71	304	1 024
Nails	-	-	-	118
Aluminium tubes (for toothpaste, etc.)	-	-	-	131
Electric cables (made out of an alloy of aluminium)	-	-	-	197
Electric storage batteries	-	52	266	30
Automatic electric irons	-	62	115	33
Motocycles and bicycles	87	-	114	65
Costly jewelry	132	-	14	-
Bottles a/	-	1 359	-	833
Seamless pipes a/	-	314	158	7
Television picture tubes	91	179	203	188
Moulds for the plastics industry a/	150	162	148	192
Portable radios	187	30	149	281
Phonograph records	229	18	-	2
Incandescent lamps	-	190	-	-
Toys	-	144	253	281

Source: Oficina Conjunta Permanente del Convenio.

a/ Exported during the period prior to the Convention (1968-1974).

Table I-2

URUGUAY: MAIN COMMODITIES<sup>a/</sup> EXPORTED UNDER THE URUGUAY-BRAZIL PROTOCOL ON TRADE EXPANSION (PEC), (NO DATA GIVEN ON EXPORTS DURING THE PERIOD PRIOR TO THE PROTOCOL (1972-1975) BUT OTHER EXPORT REGIMES SHOWN)

(Thousands of dollars)

Commodity	1976	1977	1978
Butter oil	-	PEC 599.6	
Dried fruit	-	PEC 121.9	
Unprocessed sunflower-seed oil (PEC quota: US\$ 100 000)	-	-	PEC 95.8
Idem	-	-	SL <sup>b/</sup> 160.1
Refined sunflower-seed oil (PEC quota: US\$ 100 000)	-	-	PEC 96.7
Idem	-	-	144.5
Food preserves for manufacture of ice cream, etc.	-	-	PEC 149.5
Refined linseed oil (PEC quota: US\$ 300 000)	-	PEC 98.5	PEC 133.8
Idem	-	SL 403.8	SL 125.4
Wine flavoured with aromatic extracts	-	PEC 153.6	-
Dolomite	-	PEC 131.3	PEC 285.7
Idem	-	-	SL 5.7
Sodium hydrosulfide	-	PEC 136.0	-
Sulphobenzoic acids	PEC 100.0	PEC 92.6	PEC 626.9
Methanol	-	-	PEC 122.5
Phthalic anhydride	-	-	PEC 535.3
Zinc oxide	-	-	PEC 222.7
Superphosphates, single	-	PEC 147.4	PEC 79.1
Idem	-	-	OR <sup>c/</sup> 1 484.4
Varnishes	-	PEC 270.5	PEC 423.0
Paints (water, enamel, synthetic-base, stains, etc.)	-	PEC 946.0	PEC 3 057.3
Powered polyvinyl chloride	-	PEC 617.2	PEC 1 702.4
Urea-formaldehyde	-	PEC 528.8	PEC 586.6
Plastic manufactures (table and kitchenware, water-closet seats and lids)	-	-	PEC 236.4
Paperboard boxes for packing	-	-	PEC 257.7
Asbestos-cement articles	-	-	PEC 157.3
Sinks, washstands and other sanitary articles	-	PEC 257.3	PEC 272.9
Idem	-	30.2	OR 84.1
Tableware and articles for domestic use, of other kinds of pottery	-	-	PEC 145.3
Kitchenware of iron or steel	-	PEC 149.5	PEC 103.0
Sections, aluminium	PEC 254.1	PEC 232.9	PEC 149.6
Glass bottles and flasks	PEC 480.0	PEC 1 012.0	PEC 1 117.0
Idem	-	-	OR 1 078.7
Electric storage batteries of lead, for automobiles	-	PEC 195.1	PEC 398.6
Dolls	-	-	PEC 115.1
Keys, without electric or cord parts	-	PEC 144.0	PEC 140.8
Idem	-	-	OR 16.0

<sup>a/</sup> Exports amount to over US\$ 100 000 a year.

<sup>b/</sup> Special list.

<sup>c/</sup> Other régimes.

Table I-3

URUGUAY: MAIN COMMODITIES EXPORTED<sup>a/</sup> UNDER THE URUGUAY-CHILE PROTOCOL ON TRADE EXPANSION (PEC),  
WITH DATA ON EXPORTS DURING THE PERIOD PRIOR TO THE PROTOCOL, 1972-1976

(In thousands of dollars)

Commodity	Year of greatest export value prior to PEC	Total exports under PEC (1976-1978)	Total exports under other régimes (1976-1978)
Butter	448.0 (1975)	698.0	1 140.0
Cheeses	574.0 (1975)	913.7	3 672.8
Fruit pulp, cooked or parboiled	451.9 (1975)	272.0	425.8
Oleostearin	55.0 (1975)	763.1	24.0
Oleomargarine	117.0 (1973)	1 548.2	-
Linseed oil, unrefined	1 909.2 (1973)	452.9	3 788.5
Glycerine, refined	194.6 (1975)	436.6	-
Beer in bottles	196.9 (1975)	1 572.7	454.6
Phthalic acid and iso-phthalic acid	102.0 (1975)	893.6	75.0
Casein	23.0 (1975)	305.1	700.1
Sodium caseinate	1.0 (1975)	324.2	-
Paper and pasteboard for monochrome pictures	15.7 (1973)	270.3	0.6
Tyres for agricultural machinery	399.6 (1975)	944.0	42.1
Tyres for automobiles	1 609.6 (1975)	9 032.9	627.6
Inner tubes for automobiles	112.2 (1975)	636.8	-
Leather of bovine cattle, tanned and finished	2 071.0 (1975)	357.4	4 124.7
Roofing felt	4.3 (1975)	280.3	-
Yarn of polyamide fibres	827.2 (1975)	1 709.8	259.8
Yarn of cellulose acetate fibres	629.6 (1975)	2 859.7	287.2
Cotton fabric or fabric of synthetic fibres, woven, covered with vinyl resins	208.7 (1975)	2 046.0	-
Blankets, wool	79.3 (1975)	638.3	215.1
Footwear with outer soles of twine or rope and uppers of natural textile fabric	59.0 (1975)	276.0	189.0
Tiles, ceramic	45.3 (1975)	856.0	128.1
Crystal articles for tableware, etc., crystal ashtrays	8.4 (1975)	231.7	-
Spun glass	53.3 (1975)	120.3	-
Wire, iron or steel, zinc covered, under 3 mm	211.3 (1975)	2 038.2	156.6
Wire, iron or steel, zinc covered, from 3-10 mm	19.9 (1975)	811.0	-
Hypodermic syringes for veterinary use	6.8 (1975)	126.4	-

Source: Bank of the Oriental Republic of Uruguay.

<sup>a/</sup> Export value over US\$ 100 000 a year.

Table I-4

URUGUAY: URUGUAY-BRAZIL PROTOCOL ON TRADE EXPANSION (PEC) EXPORTS WITH  
A VALUE OF OVER US\$ 500 000 IN 1978

(Thousands of dollars)

	1978	1977	1976	1975
<u>NABALALC 15.03.0.04-Oleosteerin</u>	PEC 597.9	PEC 665.2 SL 24.0	- SL 430.3	- 55.0
	NL: Taxes: 36 + 1% on the value CIF SL: Customs surcharge 9%. Consular fee may be required PEC: Free import. Quota 3 600 tons. 2% tax on the value CIF. Port handling tax may be levied			
	1978	1977	1976	1975
<u>NABALALC 15.03.0.05-Oleomargarine</u>	PEC 983.6	PEC 564.6	- SL 150.0	- SL 117.0
	SL: Customs surcharge 10%. Consular fee may be required PEC: Free imports. 2% customs surcharge on the value CIF. Port handling tax may be levied. Quota 3 600 tons			
	1978	1977	1976	1975
<u>NABALALC 29.03.1.01-Sulphobenzoic acids</u>	PEC 1 057.3	PEC 946.0	PEC 49.7	
	1978	1977	1976	
<u>NABALALC 32.09.2.01-Paints (water, latex, synthetic-base, toners)</u>	PEC 3 057.3	PEC 94.0	PEC 49.7	
	PEC: In gallons with a different value for each type. Passage through customs supervised by southern fiscal offices (Paraná, Santa Catalina and Rio Grande).			
	1978	1977		
<u>NABALALC 39.01.1.02-Urea-formaldehyde (aminoplasts)</u>	PEC 586.6	PEC 523.8		
	NL: Paste, 25% on the value CIF. Other forms, 27% on the value CIF. Advance deposit 100% PEC: Free import. 4% on the value CIF. Port handling tax may be levied. Annual quota of US\$ 750 000. 20% of the quota may be dispatched through the southern fiscal region			

Table I-4 (concluded)

	1978	1977	1976
<u>NABALALC 39.02.0.04-Polyvinyl chloride, powdered, granulated, etc.</u>	PEC 1 702.4	PEC 617.2	PEC 32.3
	SL: 1% on the value CIF. Quotas: 150 tons a year, not cumulative. Enters country at Santos		
	PEC: 3% on the value CIF. Quotas: 2 000 tons a year. Value: US\$ 2 400 000. Dispatch through a given region may be suspended at any time, in compliance with the authorized quotas		
	1978	1977	1976
<u>NABALALC 59.03.0.99-Cotton fabric, woven, covered with vinyl resins</u>	PEC 915.0	PEC 958.3	OR 208.7
	1978	1977	1976
<u>NABALALC 69.03.0.01-Ceramic tiles</u>	PEC 571.9	PEC 284.1 SL 128.1	- - SL 45.4
	SL: Quotas: 100 000 m <sup>2</sup> , not cumulative, divided in half for entry into country through customs offices at Chuy and Santos		
	PEC: Replaces the SL concession. Quota rises to 200 000 m <sup>2</sup> . 50% of quota still enters through southern fiscal region		
	1978	1977	1976
<u>NABALALC 70.10.0.01-Glass jugs, bottles and flasks</u>			
	NL: Only jugs with a capacity of 15 to 20 litres		
	PEC: Allows also for miscellaneous bottles, including large bottles, and canning jars. Fixed quota of 16 000 000 units for beer bottles, 1 000 000 units for champagne bottles and 5 000 000 units for 1-litre thermos bottles in effect until 30 June 1979		

Other exports which have exceeded US\$ 500 000 at some time since the PEC came into force (although in some cases this was because there is more than one marketing channel) are (in thousands of dollars):

Butter:	PEC 568.0 (1976)
	PEC 130.0 + SL 1 140.0 (1977)
Butter oil:	PEC 599.6 (1977)
Single superphosphates:	PEC 79.1 + OR 1 484.4 (1978)
Crystal articles for tableware, dishware, etc.:	PEC 164.4 + OR 1 078.7 (1978)
Wool blankets:	PEC 350.0 + SL 215.1 (1977)
Purified linseed oil:	PEC 98.5 + SL 403.8 (1977)

Source: Bank of the Oriental Republic of Uruguay and Latin America Free Trade Association (LAFTA).

Note: NL: National list (LAFTA).

SL: Special list (LAFTA).

OR: Other régimes.

Table I-5  
 URUGUAY: URUGUAY-BRAZIL PROTOCOL ON TRADE EXPANSION (PEC):  
 IMPORTS WITH A VALUE OF OVER US\$ 50 000

(In thousands of dollars)

Commodity	1977	1978
Peppercorns	219.0	227.0
Cocoa paste	676.0	389.0
Cocoa butter	110.0	153.0
Palm hearts, prepared and preserved in different sorts of containers	47.0	59.0
Liquid ammonia	146.0	88.0
Acetone	111.0	123.0
Adipic acid	34.0	71.0
Polyester and polyvinyl resins in styrene	-	145.0
Polystyrene	-	235.0
Wood	3 316.0	3 721.0
Cotton linters	-	70.0
Raw sisal	106.0	89.0
Iron or steel castings in the rough state	29.9	50.0
Tin-plate	838.0	380.0
Electrolytic copper plate, sheet and strips thinner than 0.15 mm	53.0	45.0
Copper alloy (sheet, plate and strips)	157.0	150.0
Tin ingots	591.0	464.0
Table or kitchen cutlery (stainless steel)	13.0	62.0
Scissors and scissor blades	63.0	19.0
Levelers (without covers, cases or protectors)	456.0	238.0
Grain or seed sorters	-	141.0
Parts for laminators	81.0	38.0
Lathes (universal parallel)	491.0	289.0
Pneumatic tools and machine tools, hand operated	56.0	2.0
Electric typewriters	628.0	758.0
Stackers, without covers, cases or protectors	471.0	228.0
Lighters	17.0	73.0

Source: Statistics from the Bank of the Oriental Republic of Uruguay.



Annex II

LISTS OF COMMODITIES EXPORTED BY URUGUAY UNDER THE ARGENTINA-URUGUAY  
ECONOMIC CO-OPERATION CONVENTION (CAUCE) AND THE URUGUAY-BRAZIL  
PROTOCOL ON TRADE EXPANSION (PEC)

Table II-1	Latin America: Inter-Latin American investments on the basis of data from recipient countries
Table II-2	Latin America: Location of head office of jointly owned corporations
Table II-3	Argentina: Investments in the exterior authorized by the office of the Under-Secretary of External Investment <sup>a/</sup> , 1978 to 30 June 1980
Table II-4	Argentina: Investments in the exterior <sup>a/</sup> , by country of destination, 1978 to 30 June 1980
Table II-5	Argentina: Investments in the exterior <sup>a/</sup> , by economic sector, 1978 to 30 June 1980
Table II-6	Argentina: Investments in the exterior <sup>a/</sup> , by manufacturing industry <sup>b/</sup> , 1978 to 30 June 1980
Table II-7	Mexico: Some technology export projects
Table II-8	Brazil: Exports of engineering and construction services to Latin American countries
Table II-9	Brazil: Exports of engineering services
Table II-10	Peru: Authorizations to investment in the subregion.

Table II-1

## LATIN AMERICA: INTRA-LATIN AMERICAN INVESTMENTS ON THE BASIS OF DATA FROM RECIPIENT COUNTRIES

(Thousands of dollars)

Recipient country Country of origin	Recorded investment, cumulative									Investment approved and authorized		Grand total
	Argentina 1976	Brazil 1979	Colombia 1978	Ecuador 1977	Guatemala 1976	Mexico 1978	Peru 1978	Venezuela 1979	Subtotal	Bolivia 1972- 1976	Chile 1974- 1978	
Argentina		24 425	1 062	10 846		992	2 531	2 590	42 446	441	662	43 549
Bolivia	2 605		5				886	191	3 687		135	3 020
Brazil	16 889		2 404	4 752		734	3 006	351	28 136	1 301	13 969	43 406
Colombia	22 043	244		10 347		5	913	1 558	35 110		50	35 160
Chile	355	290	195	11 097		218	1 776	84	14 015	271		14 286
Ecuador		152	17 620				1 786	21	19 579		100	19 679
Mexico	762	8 236	4 142	4 771	7 037		2 073	1 919	28 940		2 552	31 492
Peru	8		1 719	1 186		133		200	3 246	594	47	3 887
Uruguay	7 930	39 365	1 111				3 742	3 960	56 108		300	56 408
Venezuela	10 090	13 751	26 123	5 525	1 926	1 205	3 833		62 453		5 697	68 150
Other Latin American countries		278	278			9 310		108	961		82	1 709
<u>Total</u>	<u>60 682</u>	<u>86 741</u>	<u>54 659</u>	<u>48 524</u>	<u>18 273</u>	<u>3 287</u>	<u>20 654</u>	<u>11 835</u>	<u>304 655</u>	<u>2 607</u>	<u>23 392</u>	<u>330 854</u>
Percentage of investment originating in Latin America in total direct foreign investments	1.73	0.60	6.48	6.40	6.80	0.22	2.00	0.78	...		0.95	

Source: Jaime Campos, Intercambio empresarial de recursos productivos entre países latinoamericanos, IDB/INTAL, August 1980, p. 9.1  
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Table II-2

LATIN AMERICA: LOCATION OF HEAD OFFICES OF JOINTLY OWNED ENTERPRISES a/

Country	Number of enterprises	Percent age
Argentina	3	1.5
Bolivia	15	7.5
Brazil	29	14.5
Colombia	15	7.5
Costa Rica	7	3.5
Cuba	1	0.5
Chile	5	2.5
Ecuador	64	32.0
El Salvador	2	1.0
Guatemala	3	1.5
Honduras	4	2.0
Jamaica	5	2.5
Mexico	4	2.0
Nicaragua	3	1.5
Panama	5	2.5
Paraguay	4	2.0
Peru	10	5.0
Dominican Republic	2	1.0
Trinidad and Tobago	1	0.5
Uruguay	10	5.0
Venezuela	8	4.0
<u>Total</u>	<u>200</u>	<u>100.0</u>

Source: Eduardo White, Jaime Campos and Guillermo Onderts, Las empresas conjuntas latinoamericanas, IDB/INTAL, Buenos Aires, 1977.

a/ The four bi-national bodies for hydroelectric works located on the Argentinian-Paraguayan, Argentinian-Uruguayan, Brazilian-Paraguayan and Brazilian-Uruguayan borders are not included since no distinction could be made between local and external offices.

Table II-3

ARGENTINA: INVESTMENTS IN THE EXTERIOR AUTHORIZED  
BY THE OFFICE OF THE UNDER-SECRETARY OF EXTERNAL  
INVESTMENT<sup>a/</sup>, 1978 TO 30 JUNE 1980

Year	Dollars
1978	8 075 227
1979	28 477 607
1980 (January to June)	19 500 807
<u>Total</u>	<u>56 053 641</u>

Source: Ministry of Economics of the Argentinian Republic,  
Department of External Investment.

a/ Includes investments authorized after the establishment  
of the Department of Investments in the Exterior.

Table II-4

ARGENTINA: INVESTMENTS IN THE EXTERIOR<sup>a/</sup> BY COUNTRY OF  
DESTINATION, 1978 TO 30 JUNE 1980

Country	Dollars	Number of projects
Peru	20 127 816	4
Brazil	8 857 521	13
Chile	5 327 017	8
United States	5 167 000	3
Uruguay	3 318 876	12
Venezuela	2 680 372	5
Bolivia	2 015 000	5
Paraguay	1 893 579	5
Ecuador	1 565 000	3
Colombia	1 098 800	2
España	920 000	3
Mexico	850 000	1
Panama	810 000	1
Federal Republic of Germany	480 000	2
Italy	350 000	2
Honduras	216 000	1
Costa Rica	134 660	1
Puerto Rico	125 000	1
Belgium	97 000	1
France	20 000	1
<u>Total</u>	<u>56 053 641</u>	<u>74</u>

Source: Ministry of Economics of the Argentine Republic, Office of the Under-Secretary of External Investment.

a/ Authorized by the Office of the Under-Secretary of External Investment.

Table II-5  
**ARGENTINA: INVESTMENTS IN THE EXTERIOR<sup>a/</sup> BY ECONOMIC  
 SECTOR, 1978 TO 30 JUNE 1980**

Economic sector	ISIC <sup>b/</sup>	Value in dollars	Number of projects
Agriculture	(111)	600 000	1
Petroleum	(22)	23 000 000	2
Manufacturing industries	(3)	23 910 738	33
Construction	(5)	4 886 988	12
Trade	(6)	2 592 041	19
Transport	(7)	860 541	4
Financial institutions and services to enterprises	(810) and (832)	203 333	3
<u>Total</u>		<u>56 053 641</u>	<u>74</u>

Source: Ministry of Economics of the Argentine Republic, Office of the Under-Secretary of External Investment.

<sup>a/</sup> Authorized by the Under-Secretary of External Investment.

<sup>b/</sup> Major division (1 digit), major group (2 digits), or group in the International Standard Industrial Classification of All Economic Activities (ISIC, Rev. 2).

Table II-6

ARGENTINA: INVESTMENTS IN THE EXTERIOR<sup>b/</sup>, BY MANUFACTURING  
INDUSTRY<sup>d/</sup>, 1978 TO 30 JUNE 1980

(Dollars)

ISIC group

<u>311</u>	<u>Manufacture of foods, except beverages</u>		
<u>Total</u>	<u>250 000</u>		Italy
<u>3115</u>	<u>Manufacture of vegetable and animal oils and fats</u>		
<u>Total</u>	<u>4 970 000</u>		United States
<u>3119</u>	<u>Manufacture of cocoa, chocolate and sugar confectionery</u>		
	85 000		Uruguay
	317 000		Paraguay
	1 825 000		Brazil
<u>Total</u>	<u>2 227 460</u>		
<u>3132</u>	<u>Wine industries</u>		
<u>Total</u>	<u>1 040 000</u>		Colombia
<u>3412</u>	<u>Manufacture of containers and boxes of paper and paperboard</u>		
<u>Total</u>	<u>1 059 610</u>		Paraguay
<u>3420</u>	<u>Printing, publishing and allied industries</u>		
	1 500 000		Brazil
	530 000		Spain
<u>Total</u>	<u>2 030 000</u>		
<u>3511</u>	<u>Manufacture of basic industrial chemicals, except fertilizers</u>		
<u>Total</u>	<u>100 000</u>		Venezuela
<u>3522</u>	<u>Manufacture of pharmaceuticals and medicines</u>		
	450 000		Bolivia
	210 000		Uruguay
	850 000		Mexico
	216 000		Honduras
	300 000		Chile
<u>Total</u>	<u>2 026 000</u>		
<u>3523</u>	<u>Manufacture of soap and cleaning preparations, perfumes, cosmetics and other toilet preparations</u>		
<u>Total</u>	<u>250 000</u>		Brazil
<u>3560</u>	<u>Manufacture of plastic products, n.e.c.</u>		
	396 826		Paraguay
	900 000		Bolivia
<u>Total</u>	<u>1 296 826</u>		
<u>3710</u>	<u>Iron and steel basic industries</u>		
<u>Total</u>	<u>3 621 604</u>		Chile

Table II-6 (concluded)

<u>ISIC group</u>		
3819	<u>Manufacture of fabricated metal products, except machinery and equipment, n.e.c.</u>	
	500 000	Ecuador
	557 000	Bolivia
	43 000	Bolivia
<u>Total</u>	<u>1 099 000</u>	
3822	<u>Manufacture of agricultural machinery and equipment</u>	
	2 000 000	Uruguay
	200 000	Brazil
<u>Total</u>	<u>2 200 000</u>	
3824	<u>Manufacture of special industrial machinery and equipment, except metal and wood working machinery</u>	
	100 000	Brazil
	134 660	Costa Rica
<u>Total</u>	<u>234 660</u>	
3829	<u>Machinery and equipment, except electrical n.e.c.</u>	
	90 000	Brazil
	100 000	Chile
	400 000	Brazil
<u>Total</u>	<u>590 000</u>	
3831	<u>Manufacture of electrical industrial machinery and apparatus</u>	
<u>Total</u>	<u>254 163</u>	Brazil
3839	<u>Manufacture of electrical apparatus accessories and supplies n.e.c.</u>	
<u>Total</u>	<u>150 000</u>	Uruguay
3843	<u>Manufacture of motor vehicles</u>	
	53 335	Uruguay
	462 000	Chile
<u>Total</u>	<u>515 335</u>	

Source: Ministry of Economics of the Argentine Republic, Office of the Under-Secretary of External Investment.



Table II-7

MEXICO: SOME TECHNOLOGY EXPORT PROJECTS

Enterprises	Location of project	Project
AVANTE	Costa Rica	Manufacturing of special equipment for a nitric acid plant
BUFETE INDUSTRIAL	Peru	Provision of technology by Bufete to Cusi for the manufacture of Newsprint
CONSTRUMEXICO <u>a/</u>	Colombia	Alto Anchicaya hydroelectric project Cartagena soda plant Caldas pipeline
	Costa Rica	Wharf at Puerto Limón
	Guatemala	Steel siphones and conduits for Xayb Pixcayá aqueduct El Inciense bridge Thermoelectric plant at Guacalata
	Nicaragua	Camacho highway plan Electrochemical plant-Pennsalt Hercules of Central America insecticide plant Nicaragua salt works
	Honduras	San Pedro Sula-Progresso Tela Highway Silos at San Pedro Sula de Tegucigalpa
	Dominican Republic	Canal - Yaque del Sur Azua Wharf at Puerto Plata
	Ecuador	Pisayambo Hydroelectric Project
	Colombia	Dam at Golillas
	Argentina	Patents on erosion control systems
	Brazil	
	Colombia	
Ecuador		
Peru		
Venezuela		
Central America		
CORDEMEX	El Salvador	Technology for the formation of an enterprise producing nonwoven fabrics and bags
FABRICAS DE PAPEL Y PEÑA POBRE	Argentina	Patents for environmental pollution control and recovery of alkali from waste water
	Brazil	
	Colombia	
	Cuba	
	Chile	
	Peru	
	Uruguay	
	Venezuela	
IPESA CONSULTORES	Ecuador	Structural analysis and design
	Guatemala	Irrigation project on the Nicasu River
HYLSA	Brazil	Technology for the direct reduction of iron ore
	Venezuela	
INSTITUTO MEXICANO DEL PETROLEO	Ecuador	Integral plan for distribution of hydrocarbons
	Costa Rica	Feasibility study on urea ammonia complex
	Cuba	Feasibility study on petrochemical plants
PROTECHA	Peru	Technology for the production of cellulose and paper from bagasse
VITRO FIBRAS	Central America	Technology for manufacture of moulded plastic parts
	Venezuela	Plant for production of modular houses

Source: Mexican Foreign Commerce Institute Guidebook to the first exhibition on export technology, reproduced in the June 1979 issue of Boletín de inversiones y empresas latinoamericanas, published by INTAL.

a/ CONSTRUMEXICO comprises 35 firms representing all branches of civil and electrical engineering.

Table II-8

BRAZIL: EXPORTS OF ENGINEERING AND CONSTRUCTION SERVICES TO LATIN AMERICAN COUNTRIES

Location	Enterprise	Project	Value in thousands of dollars	Execution		
				Start	End	
Bolivia	Mendes Junior Affonseca S.A.	Santa Isabel hydroelectric plant			Opened	
		Tarija airport	3 000	6/1978	5/1979	
		Urban development of the city of Puerto Suárez: Corumbá-Puerto Suárez Motorway	23 00	1/1978	10/1981	
Colombia	Mendes Junior	Tunnel for San Carlos hydroelectric project	7 000		Opened	
Costa Rica	Codistil <u>a/</u> Etenco <u>a/</u>	Anhydrous alcohol distillery <u>b/</u>	12.8	In execution		
		Sewer system in San José	7	In execution		
Paraguay	Ecisa S.A.	Extension of works in Puerto Asunción	3 000	2/1967	11/1971	
		Severage and drainage system in Asunción	3 000	7/1973	2/1975	
	CBPO	Proposal for construction of motorway				
		Iguazú dam		2/1973	3/1979	
	Ster S.A.	Access route to Iguazú Bridge			Completed	
		Acaray hydroelectric plant		2/1973	1/1977	
Uruguay	Mendes Junior <u>c/</u> Corcio Portuaria <u>a/d/</u>	Repaving of motorway N° 9	19 600	10/1975	12/1978	
		Reparation of bridges and culverts on motorway N° 7	10 800	8/1977	7/1979	
		Paso Palmar electric plant <u>b/</u>	7 800	5/1978	11/1979	
Venezuela	Canargo Correa <u>e/</u>	Extension Gurí hydroelectric plant	1 000			
		Two motorways and part of the Caracas underground		1977	1980	
	Cetenco S.A. <u>f/</u> Cetenco S.A. <u>g/</u> Cetenco S.A.	Extension of Gurí dam		1978	1983/1984	
		Proposal for construction of a railway				

Source: INEAL, Boletín de inversiones y empresas latinoamericanas, N° 11, September 1979, p. 2 (extract of Brazilian Index on the basis of data from Interbras y Sinicon)

- a/ With participation of Interbras.
- b/ Turn-key plant.
- c/ Leader of a group of firms.
- d/ In association with Ecex.
- e/ In association with Cetenco.
- f/ In association with a Canadian firm.
- g/ In association with Canargo Correa.

Table II-9

BRAZIL: EXPORTS OF ENGINEERING SERVICES

Enterprise	Activity	Country	Amount
Mendes Junior	600 km motorway	Mauritania	110 million dollars
Mendes Junior	468 km motorway	Mauritania	106 million dollars
Sade	Electrical engineering in connection with a hydroelectric station in Akosombo	Ghana	...
Mendes Junior	550 km railway line	Iraq	1.2 billion dollars
Promon Engenharia	Electric power transmission system and telephonic network	Nigeria	...
Promon Engenharia	Microwave network	Nigeria	...
Hidroservice	Railway bridge	Nigeria	...
Hidroservice	Administration of telecommunications system	Nigeria	...
Internacional de Engenharia	Processing of tropical fruits	Mozambique	...
Hidroservice	Rain-water system in Asunción	Paraguay	...
Tenenge	Acepar iron and steel plant	Paraguay	81.5 million dollars
Nativa Construcciones	High-tension electric power line	Paraguay	...
Morrison Knudson	Enlargement of Presidente Stroessner Airport in Asunción	Paraguay	220 million dollars
Hidroservice	Development of Alto Uruguay River	Argentina	...
Hidroservice	Sarabí dike over the Uruguay River, study conducted jointly with Argentinian firms	Argentina	...
Hidroservice	Electric power transmission systems	Uruguay	...
Hidroservice	Paso Centurión hydroelectric station	Uruguay	...
Mendes Junior	Palmar hydroelectric station	Uruguay	248 million dollars
Nativa Construcciones	Construction and assembling of high voltage power lines between Santiago and the North of Chile	Chile	...
Tenenge	Installation of a carbonated beverages factory	Chile	...
Tenenge	Construction of a 322 000 barrel floating oil tank	Chile	...
Mendes Junior	Santa Isabel hydroelectric station	Bolivia	...
Hidroservice	Motorway from Oruro to Quilacollo	Bolivia	...
Techint	Urbanization of Santa Cruz de la Sierra	Bolivia	10 million dollars
Techint	Railway bridge over the Río Grande	Bolivia	400 000 dollars
Hidroservice	Studies for the construction of 540 km of road	Ecuador	...
Techint	Terminal pumping stations	Ecuador	...
Mendes Junior	Cable tunnel for the San Carlos hydroelectric station	Colombia	...
Ishikawajima	Floating dock	United States	1 000 000 dollars

Source: Forçado, 15 May, p. 66.

Table II-10

PERU: AUTHORIZATIONS TO INVEST IN THE SUBREGION

<b>1. Productos Pa-el S.A.</b>	
Type of enterprise:	Branch or agency
Economic activity:	Manufacture and marketing of toilet articles and cosmetics
Amount invested:	200 000 dollars
Requirements met:	Those laid down in Supreme Decree No. 182-76-EF concerning contributions to the capital of multinational corporations - the subject of Decision 46 of the Commission of the Cartagena Agreement
Authorizations:	CONITE Resolution No 308-VAR-80-EF/35 of 7 July 1980
Country:	Ecuador
<b>2. Fernando y Alfredo Sakata</b>	
Type of enterprise:	Limited liability company
Economic activity:	Marketing of electric and electronic articles and materials
Amount invested:	500 000 Colombian pesos
Requirements met:	Those laid down in Supreme Decree No 182-76-EF
Authorizations:	CONITE Resolution No 005-FIC-80-EF/35 of 9 January 1980
Country:	Colombia
<b>3. Industrias Kamidas S.A.</b>	
Type of enterprise:	Limited company
Economic activity:	Marketing of chromium-plated plumbing pipes and components
Amount invested:	134 000 bolivares
Requirements met:	Those laid down in Supreme Decree No 182-76-EF
Authorizations:	CONITE Resolution No 263-VAR-79-EF/35 of 20 July 1980
<b>4. Compañía de Minas Buenaventura</b>	
Type of enterprise:	Limited company
Economic activity:	Exploitation of mines
Amount invested:	300 000 dollars
Requirements met:	Those laid down in Supreme Decree No 182-76-EF
Authorizations:	CONITE Resolution No 211-VAR-70-EF/35 of 26 June 1979
Country:	Ecuador
<b>5. Banco Popular del Peru</b>	
Type of enterprise:	Branch
Economic activity:	Banking
Amount invested:	108 163 874 Bolivian pesos (capital and reserves in 1977)
Requirements met:	Certificate of authorization: resolution No 393 of 24 October 1941, Superintendencia de Bancos
Authorizations:	Certificate of recognition of the investment made issued on 2 September 1977
Country:	Bolivia
<b>6. Industria Peruana del Alambre S.A. a/</b>	
Type of enterprise:	Limited company
Economic activity:	Manufacture of metallic articles
Amount invested:	3 167 791 dollars
Requirements met:	Those laid down in Supreme Decree No 182-76-EF
Authorizations:	Decree Law 21851 of 26 April 1977
Country:	Venezuela
<b>7. Bagf Peruana S.A.</b>	
Type of enterprise:	Limited company
Economic activity:	Manufacture of aniline
Amount invested:	1 000 000 sucros
Requirements met:	Those requested for regularization
Authorizations:	Certificate of recognition of the investment issued on 23 August 1977
Country:	Ecuador

a/ The majority of shares in this enterprise were later transferred to national investors.

Annex III

EXPORTS OF FITTED PLANTS AND OF ENGINEERING AND TECHNOLOGY

Table III-1	Argentina: Exports of fitted, turn-key plants and engineering works, 1973-1977
Table III-2	Argentina: Recant projects for the export of turn-key plants
Table III-3	Argentina: Export of plants for the manufacture and transformation of industrial commodities
Table III-4	Argentina: Export of plants for the manufacture and processing of industrial commodities

Table III-1

ARGENTINA: EXPORTS OF FITTED, TURN-KEY PLANTS AND ENGINEERING WORKS, 1973-1977

Enterprise	Type of plant	Destination	Year	Dollar value
1. De Smet Arg. S.A.	Manufacture of vegetable oils	Bolivia	1973	5 524 873
2. Eximparg S.A.	Plant for the extraction of vegetable oils from cotton seed	Bolivia	1975	4 000 000
3. Laboratorio Bagó S.A.	Plant for the production of antibiotics	Bolivia	1975	220 000
4. Meitar Aparatos S.A.	Processing of citrus fruits, pineapple and manioc	Bolivia	1976	8 810 000
5. Cemati S.A.	Manufacture of electric tools	Bolivia	1976	146 700
6. Giuliani Hnos. S.A.	Manufacture of balanced food powder	Bolivia	1976	299 173
7. Tecnimontsafa (Italian-Argentinian Consortium)	Plant for the manufacture of pesticides	Bolivia	1977	45 000 000
8. Nisalco S.A.	Plant for the production of cooled meat and meat extract	Brazil	1973	200 000
9. Latinoconsult S.A.	Turn-key hospital	Ivory Coast	1977	46 000 000
10. SEI Ingeniería S.A.	Meat combine; integral plant for the slaughter of cattle and refrigeration of products obtained	Cuba	1974	12 500 000
11. Phoenixia S.A.	Integral bread-making plant	Cuba	1974	2 900 000
12. Emepa S.A.	15 storage facilities with metal frames and roofs for port warehousing	Cuba	1974	6 775 007
13. Emepa S.A.	Structures with metal frames and roofs and silos for poultry farms	Cuba	1974	15 940 532
14. Talleres Adubor S.A.	Metal silos with built-in conveyor belts	Cuba	1974	2 829 073
15. Meitar Aparatos S.A.	Processing of citrus fruits	Cuba	1975	6 200 000
16. Dasicenter S.A.	Two plants for processing of honey	Cuba	1975	1 490 000
17. Est. Gale Electro-mecánica S.R.L.	Plant for preparation and packaging of spices	Cuba	1976	1 441 000
18. Sicom S.A.	Integral public service communications system	Chile	1973	2 829 398
19. Phoenixia S.A.	Integral bread-making plant	Chile	1976	114 971
20. Gases Industriales S.A.	Fatty matter refinery	Chile	1976	285 256
21. Standar Electric S.A.	Automatic telephone exchange and external communications plant	Ecuador	1973	678 857
22. S.A. Lito Gonella e H.	Liquid gas supply, distribution and pumping terminals	Ecuador	1975	1 998 300
23. Laboratorio Bagó S.A.	Plant for the extraction of active substances from plants	Honduras	1976	450 000
24. Nisalco S.A.	Plant for production of glycerine	Mexico	1974	90 000
25. Lix Klett S.A.	Installation of air-conditioning, ventilation and heating in bank	Paraguay	1974	90 000
26. B. Roggio e Hijos S.A.	Turn-key airport	Paraguay	1975	52 000 000
27. Ind. Met. Caissutti S.A.	Chicken slaughtering and processing plant	Paraguay	1976	188 671
28. Techint S.A.	Pipeline and pumping stations	Peru	1975	120 000 000
29. Nisalco S.A.	Plant for treatment of water for industrial use	Uruguay	1975	47 300
30. De Smet Arg. S.A.	Fitted plant for the extraction of oils by solvent action and palleting plant for the preparation of sunflower-seed and soya cakes	Uruguay	1976	746 376
31. Secadoras Tradi S.A.	Grain processing and storage plant	Uruguay	1976	483 572
32. SIE Ingeniería S.A.	Plant for the manufacture of casein-sodium and calc and powdered whey	Uruguay	1977	269 854
33. Harial S.A.	Plant for the production of lead oxide	Venezuela	1976	146 800
34. Harial S.A.	Plant for the smelting and recovery of lead	Venezuela	1976	105 700
<u>Total</u>				<u>340 742 179</u>

Source: Study by Jorge Katz and Eduardo Ablin; prepared on the basis of original data.

Table III-2

ARGENTINA: RECENT PROJECTS FOR THE EXPORT OF TURN-KEY PLANTS

Enterprise	Type of plant	Destination	Year	Value (thousands of dollars)
Kracia S.A.	Factory for the manufacture of glass containers	Bolivia	1979	3 000
Kracia S.A.	Two silo plants	Paraguay	1978-1979	700
Kracia S.A.	Soya-oil factory	Paraguay <u>a/</u>		8 000
Poligás Luján	Plant for cracking and bottling gas	Uruguay	1979	1 000
Kracia S.A.	Plant for the manufacture of concrete	Uruguay <u>a/</u>		2 000
<u>Total</u>				<u>15 100</u>

Source: INTAL, Boletín de inversiones y empresas latinoamericanas, October 1979.

a/ Contracts to be signed shortly.

Table III-3

ARGENTINA: EXPORT OF PLANTS FOR THE MANUFACTURE AND PROCESSING OF INDUSTRIAL COMMODITIES

(Decreets 2785/75 and 2786/75)

Enterprise	Type of plant	Destination	Dollar value
Cemati S.A.I.C.	Plant for the manufacture of electric articles	Bolivia	149 466
De Smet S.A.I.C.	Plant fitted for the manufacture of oils	Bolivia	5 524 873
Giuliani Hnos. S.A.	Plant for manufacture of balanced food powder	Bolivia	239 173
Kraoia S.A.	Plant for the manufacture of glass containers	Bolivia	2 139 428
Laboratorio Bagó	Plant for the production of special medicines	Bolivia	234 533
Meitar Aparatos S.A.	Industrial plant fitted for the processing of citrus fruit, pineapples and manioc	Bolivia	8 810 000
Meitar Aparatos S.A.	Plant fitted for the dehydration of coffee pulp	Costa Rica	913 889
Meitar Aparatos	Plant for the manufacture of liquor from pressed coffee	Costa Rica	585 529
Phoenicia S.A.I.C.	Plant fitted for bread making	Cuba	2 900
S.E.I. Ingeniería S.A.	Plant fitted out for the meat industry	Cuba	12 500
Dosicenter SAKCIF	Two plants fitted for the preparation of honey	Cuba	1 490 000
Gele SRL	Plant for the preparation and packaging of spices	Cuba	1 440 000
Meitar Aparatos S.A.	Plants fitted for the preparation of citrus fruits	Cuba	6 200 000
Anilinas Argentinas	Plant for the manufacture of aniline	Chile	330 000
De Smet S.A.I.C.	Fitted plant (unit for extraction by oil solvents)	Chile	720 000
Guillermo J. Santos	Plant fitted for the slaughter of beef cattle and swine and the partial processing of the meat thereof	Chile	163 300
LB y Asociados SRL	Plant for processing mutton and lamb and their by-products	Chile	1 190 000
Phoenicia S.A.I.C.	Bread-making plant	Chile	114 971
LB y Asociados SRL	Preparation of lamb and mutton and their by-products	Chile	1 190 000
Superarg SACIFI	Plant fitted for the preparation of jams and jellies	Ecuador	121 950
Phoenicia S.A.I.C.	Plant for the production of plastic hypodermic syringes	El Salvador	295 698
Laboratorio Bagó	Plant fitted for the extraction and crystallization of an active substance of a fern found in Honduras	Honduras	461 145
Laboratorio Bagó	Plant fitted for the preparation of pharmaceutical spices	Honduras	940 000
Arcor S.A.I.C.	Plant for the manufacture of sweets	Paraguay	370 592
Caisutti S.A.	Plant for the slaughter and processing of chicken	Paraguay	188 671
Cerno S.A.	Plant fitted for the manufacture of granite floor tiles	Paraguay	665 000
Fabi S.A.	Plant fitted for the manufacture of paper bags (multifold) for industrial use	Paraguay	434 317
G.P.C. S.A.	Plant fitted for the storage and processing of cotton seed and cotton-seed oils	Paraguay	1 286 740
Promex S.A.	Plant fitted for the manufacture of instant coffee	Paraguay	1 569 960
Tool Research Argentina S.A.	Sulphuric acid and aluminium sulphate plant	Paraguay	1 046 000
S.E.I. Ingeniería S.A.	Plant fitted for drying urea resins	Peru	540 000
Superarg SACIFI	Plant for the preparation of pineapple slices and simple juices	Peru	261 625
Via S.A.	Plant fitted for the manufacture of urea and melamine-formaldehyde moulding powders	Peru	250 000
National Atomic Energy Commission	Nuclear Research Centre	Peru	29 918 476
De Smet S.A.I.C.	Equipment for the preparation of sunflower-seed and soya cake; plant fitted for extraction by solvent action; pelleting plant	Uruguay	746 376



Table III-3 (concluded)

Enterprise	Type of plant	Destination	Dollar value
SEI Ingeniería S.A.	Fitted drying plant (spray type)	Uruguay	269 854
S.I.P.C.E. S.A.	Plant fitted for the manufacture of special coupling cods	Uruguay	81 823
S.E.I. Ingeniería S.A.	Plant fitted for hydrolizing concentrating and drying fish protein	Uruguay	360 484
S.E.I. Ingeniería S.A.	Industrialized milk plant	Uruguay	428 000
Cleanoul Arg. SAICIFI	Plant fitted for the manufacture of glass spheres	Venezuela	298 220
Harial S.A.	Plant for the production of lead oxides	Venezuela	146 800
Harial S.A.	Plant for the smelting and recovery of lead	Venezuela	105 700
<u>Total</u>			<u>86 326 596</u>

Source: Export Department of the Ministry of Commerce and International Negotiations.

Table III-4

ARGENTINA: EXPORT OF PLANTS FOR THE MANUFACTURE AND  
PROCESSING OF INDUSTRIAL COMMODITIES

(Decreets 2785/75 and 2786/75)

Country	Total (in dollars)
Bolivia	17 097 474
Costa Rica	1 499 418
Cuba	23 234 000
Chile	3 708 272
Ecuador	121 950
El Salvador	295 698
Honduras	1 401 145
Paraguay	5 361 281
Peru	30 970 101
Uruguay	1 886 537
Venezuela	550 720
<u>Total</u>	<u>86 326 596</u>

Source: Export Department of the Ministry of Commerce and  
International Negotiations.