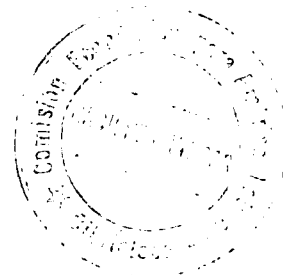


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PRELIMINARY IDEAS ABOUT A WORK PROGRAMME
TO FOSTER A PROCESS OF CONVERGENCE BETWEEN CARIFTA,
THE ANDEAN GROUP AND THE CENTRAL AMERICAN COMMON MARKET

Prepared

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The time seems to have come when a series of studies should be initiated for the identification of elements of concordance and of common bases on which the various sub-regional integration groups now in existence in Latin America, could proceed to implement a dynamic and effective process of convergence. A whole host of arguments may be advanced to support the general point of view for convergence of sub-groupings. Let it suffice to look at the indications in Europe, where negotiations for accession of the United Kingdom into the European Economic Community are rapidly tending towards negotiations for the convergence of the EEC and the EFTA.

It seems that at first, the convergence process in Latin America should be limited to the three smaller sub-regional groups; Central American Common Market, Andean Group and CARIFTA, since the conditions that deprived the first convergence attempt between the MCCA and LAFTA ^{1/} of its dynamism are still very much alive. Already some practical efforts toward convergence are being advanced, not at the institutional level, but at the level of trade accommodations between countries belonging to the three sub-regional integration groups. For instance, the Government of Peru is conducting a detailed survey of the possibilities of increasing its exports to CARIFTA countries. Colombia, on the other hand, after an intense trade campaign into Central America in 1970, will be launching a similar campaign into the Caribbean in 1971 - during which a floating industrial fair will be visiting at least three of the CARIFTA member states. ^{2/}

^{1/} Co-ordinating Commission of the Latin American Free Trade Area and the Central American Common Market.

^{2/} Trinidad & Tobago, Barbados and Jamaica, and probably Guyana.

It should be noted too that Colombia has applied for membership in the Caribbean Development Bank. Also, various projects or ideas for co-operation in fields such as maritime and air transport, integrated industrial plants, and others, have been under consideration for quite some time.

Another element worthy of consideration in this regard, would be the particular conditions which some countries not belonging to any of the three mentioned sub-regional groups are now facing. More specifically, reference may be made to cases like those of Venezuela and the Dominican Republic. The former has applied for Associate Membership with the Andean Group, and has embarked on joint ventures with some of the CARIFTA countries. ^{3/} The Dominican Republic, after several studies on its possibilities of association either with LAFTA or with the Central American Common Market ^{4/} seems finally inclined towards seeking some form of participation with CARIFTA. To that effect, its Government has requested the assistance of the ECLA Office for the Caribbean and of the CARIFTA region Secretariat, to assist with carrying out the necessary studies to determine exactly the nature and scope of its association or participation. However, a doubt seems to remain floating in the mind of many Dominicans, as to whether their associating with CARIFTA may not become a handicap or an interfering factor to their possibilities of advancing negotiations with Spanish speaking Latin American countries, with which they have long-standing bonds of friendship and affinity, such as Venezuela and Panama. Neither of these two countries belong to any of the three sub-regional integration groups under consideration. But they along with other countries that are not members of any particular sub-group would gain some advantages from the

^{3/} For the production of corrugated cardboard and for development of fisheries.

^{4/} Musich, Vega, Tamames.

movement towards a generalised situation that the convergence process would bring. Many doubts could be overcome since nothing would be lost to such countries in associating with any particular sub-group if the sub-groups are developing a process of association with each other.

An argument that already has been advanced, and will surely be repeated against suggestions for convergence at this time, is that at least two of the sub-regional groups (CARIFTA and Andean Group) are still in the initial stages of consolidation; and, that they will find it more important to advance such consolidation to a greater degree, before thinking in terms of wider integrationist ventures. This argument is more theoretical than real. Nothing is being proposed against consolidating the progress that has been made in the sub-regional groups. Neither is it proposed to take resources away from those efforts for reallocation to the convergence process. What is being discussed here is the need to formulate general policy guidelines, and a long range action programme, within which the consolidation processes could be advanced parallel to the task of establishing currents of trade between the sub-regional integration groups. The important consideration is to prevent the danger that the sub-groups might become tight compartments rigidly separated among themselves, in a fashion similar to the situation prevailing among the Latin American countries before the integration movement started in the region. Should such a situation become a reality, it would by itself be defeating the basic principles of the philosophy of the wider integration of the Latin American region.

Mentioning the dangers may seem premature and perhaps alarmist to some people at this stage, but there is no doubt that they are real; and that they have been in the minds of the Latin American leaders who have worked the hardest to overcome the limitations to the development of the region through the creation of a Latin American common market. It is evident that in the

process of consolidation of the sub-regional groups, pressures may be generated within them oriented towards the protection of narrow interests and towards obtaining particular benefits. Such pressures would be strong obstacles to new efforts to widening the scope of the integration movement in both the geographical and economic directions.

It must be borne in mind that the universe of two of the sub-regional groups (CARIFTA and the Central American Common Market), may still be considered as very limited from the point of view of the optimum economic size of market for developing many important production sectors for the best utilization of available resources (petrochemicals, heavy industries, pulp and paper, mineral smelting, for instance). Also, these sectors would require large capital investments. Under these circumstances, and to stimulate the creation of activity in those sectors, these sub-regional groups would be forced to establish protectionist barriers, which would undoubtedly have an influence in the future performance of the groups; and may give life to political, economic and social forces contrary to integration efforts at a wider level. The convergence process among the various sub-regional groups may signify the creation, from now, of economic currents and forces that could act as counterbalances, and in due time facilitate larger units of integration.

After these preliminary comments, and considering the mandates received by the Secretariat of the Commission to orient its efforts towards the establishment of a common market covering the whole of Latin America, ^{5/} it seems obvious that the Secretariat should start right away to formulate some directive guidelines and some basic policies on which to carry forward the process of

^{5/} Resolutions of the Commission relating to economic integration and the creation of a Latin American Common Market.

convergence. These ideas and general guiding principles could be presented to the next session of the Commission in Santiago in April 1971, so that the representatives of the Governments should become aware of the considerations, and could indicate their approval for this future line of action.

As a first step, a comparative analysis should be carried out of the Cartagena Agreement, the General Treaty on Central American Economic Integration and the CARIFTA Agreement, as well as of the main protocols and other basic instruments of the three sub-regional integration groups. The comparison would throw light on the points in which they may be similar, and on those in which they are divergent; and conclusions could be drawn on the possibilities already offered by those agreements, protocols and instruments to establish relationships among the sub-regional groups. This analysis should include, also, the corresponding provisions of the LAFTA Agreement, since the Andean Group is covered by the Montevideo Agreement.

A second task would be the determination of trade obligations or commitments of an extra-regional character, that is, those that may be derived from the GATT, and from the association of some of the countries belonging to the sub-regional integration groups with countries or groups of countries outside the Latin American region, such as the European Economic Community, the British Commonwealth, the United States of America and Canada. This would serve to clarify the situation as regards obstacles that may be in the way of the convergence process derived from those types of extra-regional relationships and commitments.

The third step, of a more specific character in the field of trade, would be to explore the principal commodities that could be the basis for commerce between the countries belonging to the sub-regional integration groups; and which could also contribute to increasing the import substitution from third countries. Part of this work is already being conducted on more or less bilateral basis, as mentioned above for Colombia and

Peru, and the Secretariat could very well co-operate with them in the completion of the necessary surveys, and in widening it to the other countries of the sub-regional groups. The co-operation of the respective secretariats in Lima, Guatemala and Georgetown should be enlisted for this exercise. The results of this analysis on the possibilities of trade could have a very significant impact for the future orientation of Latin American trade, in general, should they show concrete possibilities of complementarity and ways to overcome various balance of payments problems.

The preceding tasks should also be viewed in the light of the specific problems being faced by the CARIFTA member countries within the British Commonwealth, and the negotiations that have been going on in the special sub-committee of the CIES (Inter-american ECOSOC), to obtain preferential treatment in the United States market for Latin American commodities. The first point has special significance for the English-speaking countries in the Caribbean, which sorely need the foreign currency income they receive from special treatment to their main export commodities in Britain and Canada, in order to maintain the stability of their economies and to finance their development plans. It would be extremely interesting to verify if they may find comparable markets for some main export commodities, or whether new feasible trade alternatives could be opened to them within a Latin American economic community, at least comprising the three sub-regional integration groups.

A fourth important subject of study at this stage is that relating to transport; maritime, air and land, to serve the currents of trade between the sub-regional groups. In the Caribbean area, ECLA has initiated a study on maritime transport, that would be a first step to future and deeper analyses. It is easy to see that the Caribbean Basin includes all of the CARIFTA members, four of the five members of the Central American Common Market and one member of the Andean Group (Colombia).

It also covers another two members of LAFTA (Mexico and Venezuela), and the countries not now belonging to any of the integration schemes in Latin America; Dominican Republic, Haiti, Panama and Cuba, besides the French and Dutch overseas territories. The Caribbean could thus well be denominated as the 'sea of Convergence', since the larger part of the foreseeable trade would be carried over it.

Finally, it is essential to include in this list of points to be the subject of preliminary studies, those relating to plants or installations for mass production and incurring investment costs beyond the capacity of the individual countries, or even of each sub-regional group as a whole. The establishment of such plants should be based on considerations of mutual benefit, and of pooling of resources and markets, with particular emphasis to be paid to the need of assisting the relatively less developed territories. As examples, we could cite the pulp and paper plant in Honduras, the possibilities of alumina smelting in the Caribbean combined with bauxite reduction to alumina as well as tin and antimony refining in Bolivia and other minerals in Peru, fisheries in the Caribbean Sea and in the Western littorals of Central and South America, etc.

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