CHAPTER IX

TRADE BLOCS IN THE LATIN AMERICAN REGION
THE CENTRAL AMERICAN COMMON MARKET (CACM):

The five Central American States viz., Costa-Rica, El-Salvador, Guatemala, Honduras and Nicaragua formed an Organisation of Central American States (ODECA) to achieve the aims of a customs union. These states have formed a Central American Common Market which is aimed to eliminate all tariffs and barriers between the member countries and thus evolving a common tariff for the trading partners outside the CACM. The customs union is operating since 1970 and it is making efforts to equalise external tariffs for the remaining export items.

The Latin American Free Trade Association, broadly called LAFTA and in other terms written as ALALC (Association Latino-Americana de Libre Commercio) which is a
Spanish term for LAFTA was formed in 1960 by 7 major countries of the Latin American region, mainly Argentina, Brazil, Chile, Mexico, Paraguay, Uruguay and Peru. This organisation was further joined by Colombia, Ecuador, Venezuela and Bolivia. It was agreed by the member countries in general that the inter-country trade between the member countries would be almost free by 1980 and the member countries have successfully reached at this stage by the end of 1980. It was decided that the tariff reduction should be made by two methods i.e. preparation of national list and by executing a common list applicable, in general to all the member-countries. Every year the national lists are revised in the month of October where all the member countries negotiate an annual meeting and discuss the various issues in regard to reduction of tariff on the goods traded in. These terms and conditions are agreed on mutual contracts and are followed by the member countries in general. In the beginning a formula for reduction of tariff upto 8 percent of the goods traded in during the last three years was evolved on the basis of which a weighted average of duties levied in the last three years was to be arrived at and this concession was to be given by all the members in bilateral trade. By following this formula, it was expected that this reduction of tariff between the members would bring the trade among the members
countries up to a free level by 1973 but the same could not be applied as a blind rule for all the commodities and hence it was thought desirable to make the goods duty free before 1980 through gradual reduction in the tariff. Afterwards the annual rate of tariff reduction was brought to 2.9 per cent instead of 8 per cent so that the targets could be achieved in a fine way by 1980.

The common list was to be prepared in four ways and stages, i.e. first list to be finalised in 1964, the second in 1967, the third in 1970 and the final in 1973. On account of the change in the time schedule there had been minor adjustments in the fixation of years for final common list. Every year, it was decided that, by the first fixed year, at least 25% of the commodities traded in will be included in the list for bring such percentage of goods as duty-free goods and as such, every year (i.e. in 1967, 1970 and in 1973) the same percentage will be brought under duty-free goods and thus the entire 100 per cent trade among the member countries was to be made duty-free as per the four common lists prepared for the member countries. Thus, the four lists were to be finalised for all such goods traded during the said period among the member countries.

The national lists are also prepared after cool thinking and on practical approaches. These lists are
prepared on mutual negotiations and on the basis of actual performances between the two member countries. In most of the cases, opinions from the industrialists, exporters, and entrepreneurs are invited to agree upon such practical terms which may be acceptable to all and thus the entire tariff-reduction scheme is finalised on the basis of operational dynamics and practical achievements. The ways so adopted are so rational that they are acceptable to all the traders as well as the outside world. Strictly speaking the tariff concessions so granted are given to the member countries and as such are easily tenable among them. Till now a number of agreements have been signed between the member countries on various commodities and the major group of commodities included in the lists include mainly, electronic tubes, engineering goods, glass, heavy electrical equipments, office equipments, pharmaceuticals, petro-chemicals and photographic equipments. There are many other commodities on which common agreements have been made, particularly consumer goods and capital goods produced in most of the countries. Various reciprocal and bilateral trading agreements have been signed between the member countries on several important items. It is estimated that in miscellaneous commodities of foreign trade tariff upto 60 to 75 per cent has been reduced by the member countries in their intra-regional trade and this is a good
achievement which is worth appreciation.

The Latin American Free Trade Association (the ALALC) thus provides an adequate cushion for weaker members particularly Bolivia, Ecuador, Paraguay and Uruguay which have received maximum benefits in the field of expanding their foreign trade. The LAFTA group has permitted formation of other smaller trading blocs like Andean Group among the region itself which aims at maximising the trading benefits among the member countries.

The Latin American Economic Cooperation Organisation - SELA:

This organisation has been developed as a permanent consultation and economic cooperation body with the help of Cuba and mainly promoted by Mexico. Its customary name, SELA denotes Sistema Economico Latinoamericana which was formed in October 1975 with headquarters at Venezuela and the 25 major Latin American countries as its members. It is claimed that the member States have a total population of 300 million, gross national product of US $ 250 billion, annual exports of roughly US $ 55 billion and annual imports of roughly 60 billion US dollars. The objectives defined by the SELA mainly include the following terms:
1. To promote economic development projects or programmes with the consideration for the interests of participating countries and for the actions or policies of third countries that share in its achievement.

2. To foster the creation of multinational Latin American enterprises that assist in making better use of regional countries' natural, human, technical and financial resources.

3. To support measures designed to channel financial resources into projects and programmes to stimulate the region's economic development.

4. To defend prices and obtain markets for raw materials and manufactured goods, ensuring a steady supply of such commodities under the most advantageous conditions for Latin American countries.

5. To promote actions aimed at improving food supplies in all regional countries, especially in the relatively less economically developed. The SELA proposes to foster the creation of a multinational Latin American apparatus for the production and supply of fertilisers.

6. To help create specific agencies for the import of capital goods and technology so as to improve the bargaining power of member countries.
7. To stimulate scientific and technical co-operation among Latin American countries and foster collective use of the region's human and educational resources.

8. To encourage the technical co-operation of world, inter-American and sub-regional organisations on behalf of the less economically developed Latin American countries, especially in the field of project planning.

9. To promote arrangements with institutions operating in Latin America for the implementation of work programme and to make efforts to achieve common development targets.

10. To establish ties of co-operation with organisations outside the region, especially in Third World nations.

In order to achieve the above goals, the SELA promotes joint ventures so that unproductive competition may be brought to an end. It aims to enable a "more efficient incorporation of the State as entrepreneur into the integrated process, thereby neutralising the harmful activities of transcontinental corporations and correcting deficiencies in the local investment structure". Thus it has made several economic attempts to bring the trading partners in the Latin American region more nearer to each other and thus curtail the barriers of international trade in the longrun.