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PART I. TRADE AND REGIONAL COORDINATION

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INTRODUCTION

It is difficult to discuss the Caribbean Basin from the standpoint of its Andean Pact members. After all, the Andean Pact is a subregional commitment which initially excludes the Caribbean and the trading partners — present and potential — who front on it. I must be forgiven for discussing the Andean Group's two Caribbean states — Colombia and Venezuela — in a context removed from balmy beaches to the harsher realities of the Andean highlands. The two countries' major commitment to long-term trade lies there.

In a larger context, however, the Andean Group's problems and concerns *are* linked to those of the Caribbean. They share a general hope that a new economic order will result in greater equity and justice through international trade. Specifically, both the Andean Group and the Caribbean Basin countries want economies which will provide general access to the more comfortable standard of living enjoyed by the bulk of United States residents.[1] The United States, as the most powerful trading nation on the international markets[2] and traditionally, the dominant trading partner for most of the Caribbean and Latin American nations, is a natural focus for these aspirations to change. To change an existing order will certainly affect relations between the participants in that order. The United States inevitably will be affected by commercial events and

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1. There are any number of current expressions of the goals of the developing countries. *See, e.g.,* Acuerdo de Cartagena, Arts. 1–2, in 8 INT'L LEGAL MATS. 910 (1968); U.N. CHARTER OF ECONOMIC RIGHTS AND DUTIES, art. 7 and *passim,* 14 INT'L LEGAL MATS. 251 (1974).

2. Combined export-import trade of the United States expanded from $35 billion in 1960 to $240 billion in 1976, with 1978 projections over $300 billion. GIST, U.S. DEP'T. OF ST., U.S. TRADE POLICY (Feb. 1978). No other individual country exceeds these figures, although the European Community does, apparently counting intra-community exchange.

policies in the Caribbean in the near future, whether they reflect regional phenomena or a Third World movement. Our question here is not whether there will be an effect, but what the effect will be.

THE ANDEAN GROUP — ITS GOALS AND ACCOMPLISHMENTS

The Andean Group involves Venezuela, Colombia, Ecuador, Peru and Bolivia in a program of economic development set out in the Andean Pact of 1969.[3] I use the term "economic development" instead of "economic integration" advisedly, because although the Andean Group aims at economic integration of its five member states, it does so principally as a means to the end of development.[4] Before any meaningful consideration of the Andean Group is possible, one must grasp the quintessential objective of its Andean Pact: industrial development of all of its constituent members up to a level at which all of its residents should be able to enjoy the social and economic benefits available in a modern industrialized society.[5] The Andean Group is correctly denominated a subregion, for it had to be conceived within the framework of LAFTA[6] to which all of its members first belonged. However, the Andean Pact represents a program well beyond anything possible under LAFTA's treaty of 1960. The Andean Pact is a reactive program drafted in light of the Andean members' dissatisfiaction with LAFTA's failure and continuing inability to foster development within the Andean Group economies.[7]

The five contiguous countries which curl along the western coast of South America from Venezuela to Bolivia wish nothing less from their integration than to achieve a place in the international economy as an

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3. *See supra* note 1.

4. "In 1969, when the Acuerdo de Cartagena was signed, the Andean countries opted for a way of confronting the developmental challenge. . . . Within a difficult economic period, such as that experienced by the world in recent years, the advances registered by the Andean group . . . have confirmed the viability of the integration scheme as a means to confront and resolve the problems of Andean development." Prologue, *Mecanismos de la Integración Andina* 3 (Lima, 1977) [hereinafter cited as *Mecanismos*] (author's translation). This is a brief publication by the Andean Group Junta which gives a resume' of the Andean Group to date, but the developmental preoccupation is not new. *See* Declaration of Bogota of 1966, the initial statement of intentions by the Andean Group organizers.

5. The term usually applied is "balanced and harmonious development" (*desarrollo equilibrado y harmonizado*).

6. *See* LAFTA Permanent Executive Committee Res. 165, 179; LAFTA Conf. Res. 202, 203 (CH-II/VI-E) and 22 (VII).

7. *See* Furnish & Atkin, *The Andean Group's Program for Industrial Development of the Metalworking Sector,* 7 LAW. AM. 29, 31-32 (1975) [hereinafter Furnish & Atkin].

exporter of manufactured goods.[8] The Andean Pact is perhaps the most profound expression of the belief that attainment of such status will bring with it social justice for the seventy million inhabitants of the Andean Group. There were benefits to the member states under LAFTA and these benefits still exist as total intra-LAFTA trade continues to increase in both absolute and percentage terms for all Andean countries. The Andean Group nations did not form their new pact because LAFTA had a negative impact on their trade statistics, but because it fell short of meeting their painfully-felt developmental necessities. The Andean Pact — and the fact of its continuing existence in spite of considerable difficulties — stands for the commitment and overriding concern of its signatories for economic and social development.

The Andean Group has achieved several noteworthy things to date. Perhaps the most significant in the eyes of the world has been its Decision 24 of 1970, the well-known Andean Foreign Investment Code.[9] Yet, Decision 24 and other subregional legislation are not so important to the Andean Group as its sectorial programs of industrial development (SPID).[10] Three SPID have been promulgated so far; one for machine tools in 1973,[11] for petrochemicals in 1975[12] and automobiles in 1977.[13] There must be several more SPID in the next few years if the Andean Group is to continue as a viable effort at integration.[14]

The SPID are programs of industrial planning and rationalization on a subregional scale. They treat key sectors by identifying their component production areas and then assigning them, often exclusively and sometimes jointly, for development within specific members of the Andean Group. Assignment of a given product carries with it exclusive duty-free access to all markets within the subregion. Of course, no SPID industries should be able to prosper solely on the economies of scale possible with a population base of seventy million as their primary market. Initially protected by a common outer tariff, SPID industries should become internationally competitive over time.[15]

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8. *See Mecanismos, supra* note 4, at 33-34 (1977); Heldt, *Integración Regional en America Latina,* INTEGRACIÓN LATINAMERICANA, at 19 (March 1977).
9. *See* updated version in 16 INT'L LEGAL MATS. 138 (1977).
10. *See,* Furnish & Atkin, *supra* note 7, at 35-37.
11. Decision 57 of 20 August 1972.
12. Decision 91 of 29 August 1975.
13. Decision 120 of 13 September 1977.
14. Currently under consideration are proposals for sectorial programs in chemicals, steel, pharmaceuticals, electronics, pulp and paper, and telecommunications.
15. Furnish & Atkin, *supra* note 7, at 46.

One might entertain doubts about the viability of the Andean Group. Since this analysis will proceed on the assumption that the Andean integration effort is effective and vigorous, perhaps some proof should be offered at this early stage. After all, integration movements in Latin America have a tradition of starting bravely but floundering in their first decade when their structural weaknesses are exposed by the hard facts of politics. It is significant that the Andean Group is close to its tenth year and has successfully negotiated a crisis which might have consigned the program to the same comatose state currently afflicting the CACM and LAFTA, both of which have been engaged in the official reorganization of their programs since 1969, the year the Andean Pact was signed. In the last year, Chile, initiator of the Andean integration idea, withdrew from the Pact in a dispute on fundamental policy.[16] The year was a watershed in that a new Junta assumed office and many of the original *andeacrats* who had drafted the fundamentals of the Andean program left Junta headquarters in Lima to be replaced by a new generation. World economic problems pushed inflation and held back exports in the subregion. It was a time in which it would have been easy for a vulnerable movement to have settled softly into the lethargic innocuousness of LAFTA — efficient and conscientious, yet unaggressive and virtually devoid of political initiative — but instead two new sectorial programs were pushed through, and Chile's secession seemed to unite the remaining five and sharpen their commitment.

If the Andean Group achieves its objectives, there should be an initial and increasing trade diversion away from the United States and other traditional import sources for manufactured goods in favor of growing intra-Andean exchange. Historically, the United States has accounted for close to one-half of all the foreign trade (imports and exports) for Venezuela and Colombia. There is some evidence in the trade statistics that the status quo is shifting. By picking out benchmark dates within the Latin American integration process, one can detect a definite impact: there is greater exchange among Andean Group (and other Latin American) trading partners combined with a relative decline in trade with the United States.[17]

The character of the Andean Group and its member states' international trade is not developing in a vacuum. Though some may still view Latin America as a fractious area in which agreement on trade and development matters is a rare event, solidarity of viewpoint is growing

16. *See* 9 LAW. AM. 179 (1977).

17. *Evolución Favorable del Comercio Dentro del Grupo Andino,* GRUPO ANDINO, No. 70 at 15 (Nov. 1977).

remarkable in comparison to the situation as recently as a decade ago. The "New Economic Order" so much bruited about in the United Nations has had a positive effect throughout the Third World, even though it has not resulted in any concrete and enforceable international legislation.[18] The communication among Southern Hemisphere countries on common problems of development is intense. Within the Andean Group, there is constant reinforcement of integration by discovery of new and beneficial occasions for cooperation.[19] Likewise, there are numerous points of shared concern between the Andean Group countries and the developing nations of the Caribbean Basin. The United States should be aware that when the have-nots consort, much of their discussion will focus on how to secure more advantageous relations with the haves. Incipient clout, gained with solidarity of demand and through realization of the strategic importance of their raw materials, is bringing the Third World and Latin America close to the day when they can drive demanding bargains with the "North" or industrially developed nations.

The advent of SELA should be viewed as strengthening and coordinating the bargaining power of the entire region at the same time it buoys up the integration process. With headquarters in Caracas, SELA can be viewed as, at least partially, a forum for Venezuelan economic policy even though the organization is staffed from all of Latin America. Thus far SELA seems a serious effort that is winning adherents over time despite its rather flexible objectives and its ambitious program.[20] Perhaps the most important point to be made concerning SELA is that it demonstrates the ability of Latin American countries to cooperate and maintain communications on international economic questions; that is, the times have changed so that something concrete can be done through such a structure. A few years ago, nothing beyond the most general expressions of good intentions would likely have issued and it is unlikely that so many countries would have joined. Today, it is a genuine Latin American forum, as distinguished from the more academic approach of the United Nations' ECLA.

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18. On the national level the new economic order is very much in evidence, witnessed by the proliferation of new laws on foreign investment and transfer of technology throughout Latin America in the last decade.

19. *See, e.g.*, the Venezuelan Fund established for the Inter-American Bank, 14 INT'L LEGAL MATS. 315 (1975); or view any issue of GRUPO ANDINO *passim* for cooperation among Andean Group countries or between the subregion and foreign countries and agencies.

20. *See generally*,the SELA Convention in 15 INT'L LEGAL MATS. 1081 (1976); *SELA Council Decision on Rules of Procedure for Action Committees*, 15 INT'L LEGAL MATS. 1118 (1976); and *SELA Council Decision on Work Program*, 15 INT'L LEGAL MATS. 1125 (1976).

Regardless of my emphasis on the multilateral commitments of Colombia and Venezuela, no entangling trade alliance can stand unless it ultimately serves the perceived best interests of a given participant. If sufficient incentive can be created, either Colombia or Venezuela should be quick to break from solidarity and attend to its own best advantage. This has frequently occurred in Latin America in the case of individual countries. Let us then demonstrate why the Andean Group's Caribbean-Basin countries will find their greatest advantage in honoring their group commitments over any attempt at unilateral conduct.

VENEZUELA

Venezuela's petroleum resources make it unique among Latin American countries. Not only do petroleum exports account for the country's national surplus in foreign exchange, but they are so appreciable as to make the overall balance of payments between Latin America and the United States look respectable where it otherwise would not.[21] As a net exporter, Venezuela had misgivings about joining the Andean Group and in fact delayed its adherence to the Andean Pact for four years, finally joining in 1973. This was an accurate perception of the sacrifice it was called upon to make: it had to contemplate turning its foreign exchange earnings away from the importation of manufactured goods from the United States and other exporters with the highest technological skill and quality so as to make a commitment to take manufactured goods from other Andean Group countries as industry strengthened within the subregion.[22] This meant a commitment to pay at least sometimes higher prices for lesser goods, only during the short run.

An indication of the restructuring of its foreign trade which Venezuela carried out prior to joining the Andean Group is its termination of a reciprocal trade agreement with the United States originally signed in 1939.[23] In essense, the reciprocal agreement encouraged the export of Venezuelan petroleum to the United States with a corresponding flow of U.S. capital and durable goods to Venezuela, all at preferential tariff rates. The agreement apparently had the effect of forging an effective link between the two countries. This relationship stabilized Venezuelan currency against the dollar, and per capita income

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21. For example, LAFTA countries ran a $5.5 billion trading deficit with the United States in 1975, a year in which Venezuela exported $3.6 billion (largely in petroleum and products) of LAFTA's total $8.1 billion exports to the United States.

22. *See generally*, GRUPO ANDINO, No. 38 (Feb. 1973).

23. 203 L.N.T.S. 274 (1940–41); supplemented by 3 U.S.T. 4195 (1952); clarified by 14 U.S.T. 1901 (1963); terminated by 23 U.S.T. 1213 (1972).

in Venezuela grew to be the highest in Latin America, but labor costs in the country were, as now, proportionately high. Although the United States has consistently run a trade deficit with Venezuela in recent years, its exports to that country were quite substantial in absolute terms: American dollars, spent to purchase Venezuelan petroleum, returned to the United States in the form of Venezuelan payment for extensive imports of U.S. manufactures. This basic trade relation continues (according to the most recent figures at my disposal), despite the fact that Venezuela and the United States terminated the reciprocal trade agreement in June 1972, apparently preparatory to Venezuela's entry into the Andean Group.

What is impressive about Venezuela's trade figures through 1975 is that they demonstrate a notable upsurge in LAFTA and Andean Group trade, although percentages remain low for these trading partners. For purposes of our consideration here, one should presume that Venezuela will continue to trade large amounts of petroleum to the United States and reciprocate by taking large amounts of manufactured items in return, but the liaison is neither so firm nor so committed as it was before the termination of the trade agreement which had stood for thirty-three years. Much of the increase in Venezuela's exports may be explained by the increase in the price of oil due to OPEC so that the 100% increase in Venezuela's LAFTA exports is not surprising between 1966 and 1975. However, during the same period, Venezuela's LAFTA imports increased by over 1000%, from $31.7 billion to $354.3 billion, with over half the increase occurring after 1973 when the Andean Group impact should have manifested itself.

This is most significant, for if Venezuela's oil production is segregated from consideration, the country is very underdeveloped. It does not have strong advancement in its industrial manufacturing sectors and it has been amply demonstrated that exceptional exploitation of mineral wealth cannot bring about the sort of overall distribution of wealth and standard of living necessary to stabilize the country. Apparently aware of its vulnerability behind the shield of its oil riches, Venezuela's decision to join the Andean Group is a decision to bring about industrial, economic and social change in a way which could not occur if it did not make itself this sort of hostage to the fortunes of the Andean Pact.[24] To date, Venezuela has been a strong participant in the Andean Group. As the country points out, it commits more of its national budget to foreign aid than the United States and it has been a leader in

24. Interview with Dr. Manuel Perez-Guerrero, Venezuelan Minister of International Economic Affairs, LE MONDE (May 8, 1977).

fomenting SELA and other institutions and arrangements to further the developmental cause in this hemisphere.

COLOMBIA

Colombia contrasts sharply with Venezuela. It is a representative Andean Group member with no major-magnitude export and a chronic shortfall in its foreign exchange earnings. Colombia's major exports tend to lie in the agricultural sector (cotton, sugar, coffee) and have been boosted in recent years by international scarcity. The country's major trading partner has traditionally been the United States which, until more recently, had accounted for almost one-half of Colombia's exports and imports each year. Unlike Venezuela, Colombia has a vigrorously expanding domestic industrial sector.

Colombia's industrial products cannot compete in international markets with those of the developed countries, but recent trends in Colombian foreign trade indicate that they are becoming a significant element in the country's exports through their access to Andean Group and LAFTA markets. It is generally true that while exports to the U.S. have been of agricultural and primary materials, exports to other Latin American trading partners have been of industrial products. Since both imports and exports from the United States have increased steadily in absolute terms while accounting for a steadily decreasing percentage of Colombia's trade, it is apparent that Colombia is increasing its industrial exchange within the Latin American region in general and the Andean Group in particular. Especially interesting in the context of our Caribbean Basin discussion is the fact that Colombia has sought out Venezuela as a special trading partner and has increased its exports from $2.7 million in 1966 to $89.5 million in 1975, a singularly impressive trend.

Colombia seems to derive the requisite benefits from the subregional integration program even though it has displayed skepticism of the Andean Group on frequent occasions.[25] The amendments to the Andean Code on Foreign Investments, which recently increased the maximum profits subject to repatriation to twenty percent and the maximum profits subject to reinvestment in the host country to seven percent, may have allayed Colombia's main doubts concerning Andean integration. Its trade figures are a classic profile of what should happen to an Andean Group country as a result of the integration process. Its LAFTA exports have increased eight-fold since 1966, with the most dramatic jump occurring in

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25. *See* 8 LAW. AM. 834-35 (1976).

the period between the instigation of the Andean Group's initial free-trade regulations on internal items in 1973 and in 1975 when LAFTA exports more than doubled. In other words, Colombia is beginning its steps toward significant export of manufactured goods and the sort of industrial economy which will support a "developed" society. This would be a radical change in the socioeconomic makeup of Colombia, but the first glimmerings are there in the trade figures.

If the glimmerings become a dawning, we can expect to see Colombia continue to increase its exports to the United States but not at the rate with which it increases nontraditional exports to other Andean Group countries with other Latin American countries following, and perhaps ultimately, as a competitive producer on the world market, breaking into nontraditional markets as demand dictates. This eventuality should be cause for some alarm in the United States, not because it need be to the latter's detriment but because it may catch the U.S. by surprise if this country does not understand the phenomenon.

UNITED STATES

U.S. trade with Colombia is of doubtful importance, either in an absolute sense or strategically, although the U.S. has quite clearly been the major trading partner of both Colombia and Venezuela since World War II. On the other hand, the United States must certainly view Venezuela as an important source of an essential import. Even if Venezuela were not an oil exporter to the United States, it would probably be considered an important country to the United States for the high amount of U.S. exports it absorbs — $2.8 billion in 1975. Regardless of the obvious distinctions between Venezuela and Colombia, when the two are compared as individual trading partners of the United States, these two members of the Andean Group cannot be separated so easily as to say one is important and the other is not. Colombia cannot be viewed as an isolated nation-state and dismissed on that basis; its fortunes ultimately become at least partially those of Venezuela and vice versa, because they are linked in a common cause.

The United States has defined its trade policy for the new economic order of the 1970s with the passage of the Trade Act of 1974.[26] While the new law has some benefits and represents an advance over prior existing legislation controlling trade relations with Latin America, it has not been warmly received in this hemisphere. The reasons are simple. In the eyes of Latin beholders, the Trade Act could only be viewed as a U.S. response

26. 19 U.S.C. §§2101 et seq (1974).

to the demands of the Third World for a new international economic order. As such, it falls short of well-defined interests and demands of the developing countries in Latin America and elsewhere. In addition, it rubs salt in old sores of U.S.-Latin American relations. The Trade Act pales in comparison with the concessions that African, Caribbean and Pacific states were able to negotiate with the European Economic Community in the Treaty of Lomé.[27] Galling to Latins is the GSP it contains, which has many strings attached[28] and is only a ten-year program with an evaluation report due at midterm. All in all, the Trade Act of 1974 is a tentative document. It is a wary partial response to Third World demands, burdened with old skeletons like the Hickenlooper Amendment and other mechanisms from a different era in trade relations.

An illustration of the lack of a U.S. legislative response to Third World demands is the $20 million ceiling on imports of any one item from a

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27. *See* Laing, *New Departures in Multilateral Trade, Development and Cooperation; The Lomé Convention and its Impact on the United States*, 27 MERCER L. REV. 781 (1976).

28. The Congress felt it necessary to limit United States GSP participation to those "beneficiary" countries which do not expropriate or nationalize without paying prompt, adequate and effective compensation or beginning good faith negotiations to establish such compensation. Although an executive override is possible whenever "the President determines that [beneficiary] designation shall be in the national economic interest of the United States," the fact that such criteria might be invoked against inclusion in the GSP runs counter to the demands of the Third World in the Charter of Economic Rights and Duties which does not recognize the "fair, adequate and effective" standard of compensation and against current confirmed effective practice in negotiating the settlement of expropriations in Latin America. *See* Gantz, *The Marcona Settlement: New Forms of Negotiation and Compensation for Nationalized Property*, 71 AM. J. INT'L. L. 474 (1977). There is a clear prohibition against allowing beneficiary-country status for any country which belongs to OPEC or similar commodity cartels. This provision cost Venezuela (and Ecuador) exclusion in the list of beneficiary states which might utilize the GSP for their exports. Arguably, Venezuela and Ecuador could still be included on the list of beneficiary states for GSP, if the Chief Executive were willing to determine that OPEC's activity did not "cause serious disruption of the world economy." Venezuela never participated in the embargo so as to "withhold supplies of vital commodity resources from international trade." *See* 19 U.S.C. §2462(b)(2) (1965).

The Latin Americans are not satisfied with the Trade Act's version of the GSP aside from the constraints on beneficiary status. Protectionist sentiment is apparent in the insulation of "import-sensitive" articles (those which would compete favorably in price with current production of the same article within the United States) from the GSP list of approved articles. If internal production should cover demand, then the item is import-sensitive to the extent that imports under the GSP might curtail national production, *i.e.*, compete successfully in price with the U.S. product.

beneficiary GSP country.[29] In effect, this may act as a disincentive to beneficiary countries to increase export production. Similarly, the limitation imposed on each beneficiary country of fifty percent of the total annual U.S. imports of any given article[30] operates against specialization and comparative advantage in some countries as well as serves to discourage increased production.

Another aspect of the Trade Act (and one which illustrates the solidarity of the Andean Group), is that if a country such as Colombia is prevented from developing a world-competitive scale in its production of a given item or line of items then the entire Andean Group may be similarly frustrated. Why? Because the subregion often will have designated a single country like Colombia as its member state to develop that industry within one of the sectorial programs of industrial development. In the name of efficiency, the Andean Group puts all of its industrialization eggs in one national basket (Colombia, in our example). At the same time, the Trade Act insists on spreading the benefits among several countries by imposing dollar limits on the amount of exports of a given item any country can ship to the United States. A more appropriate way to handle the subregional integration phenomenon would be to assign Colombia five maximum-dollar quotas, or one for each of the Andean Group members, in light of their common cause.

Both the quantitative limit and the fifty percent maximum may be avoided by the President where there is a traditional trade relationship treaty or trade agreement with the country in question and the country does not impose discriminatory, "unjustifiable or unreasonable barriers" against U.S. commerce.[31] Wholly apart from the discretionary aspects of such exemption, the respect for traditional preferences must frustrate countries who would foment development by using the GSP as a means of breaking existing trade patterns.

The United States need not give Latin America any special breaks, of course, and must attend to its own concerns as it attempts to aid by opening its market to Third World producers. However, the Trade Act of 1974 should be seen for what it is: legislation unable to satisfy many of the long-term concerns and interests of Colombia for its industrial development and failing to open its benefits to Venezuela which, in all likelihood, is not in a position to take significant advantage of GSP

29. 19 U.S.C. § 2464(c)(1)(A) (1965). There is a provision for upward-adjustment of the $25M figure, based on increases in the United States' GNP.

30. 19 U.S.C. § 2464(c)(1)(B).

31. 19 U.S.C. § 2464(c)(1)(B)(i-iii).

access anyway. Thus, the Act should have no major effect on defining new trade patterns even though it is drafted for an era of great movement and redefinition of trade patterns.

FUTURE EFFECTS OF THE ANDEAN GROUP INTEGRATION ON TRADE WITH THE UNITED STATES

The Andean Group can already point to an impressive increase in intraregional trade and overall exports since its inception in 1969.[32] During the six-year period, exports have increased from $5,541 million to $16,470 million, or about 300%. During the same period, imports have risen from $4,126 million to $12,537 million, or about a 300% increase. Intraregional trade does not account for a large percentage of the trade, currently standing at five percent of exports (up from three percent in 1969) and six percent of imports (up from four percent in 1969). When one considers that even for subregional trade about fifty percent of exchange is covered by three traditional products — meat, sugar and combustibles — it might appear that the impact of the Andean Pact on existing patterns has been minimal.

There are significant indications that an incipient transformation is underway in the Andean Group. Whereas in 1969–70, only four percent of the Andean Group's internal trade was in manufactured items, by 1975-76 those articles had risen to twenty percent of its trade. The number of manufactured items in subregional trade grew from 171 in 1969 to 312 in 1976. However, one should not overestimate the stakes; in 1976, there were still only $275 million worth of manufactured items exchanged within the subregion.

The Andean Group's major stock-taking occurred in October 1976 and resulted in the Lima Protocol to the original Cartagena Agreement.[33] The discussion within the Group, which was one of serious discord and resulted in the withdrawal of Chile from the Andean Pact, centered on the elimination of customs duties on intraregional trade and the instigation of the common external tariff. At first instance, the proposal was made to delay the instigation of the common external tariff and the cessation of all intraregional duties, and to readjust benefits by way of special concessions to Boliva and Ecuador. The concerns of Colombia and Chile, probably the two most industrially-advanced countries within the Group

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32. All figures in the next two paragraphs are taken from *Evolución Favorable del Comercio Dentro del Grupo Andino*, GRUPO ANDINO No. 70 at 15 (Nov. 1977).

33. 16 INT'L LEGAL MATS. 235 (1977); *See* Acuerdo de Cartagena, Texto Oficial Codificado, GRUPO ANDINO, Separata No. 42 (May 1977), incorporating the changes into the Andean Pact.

at that time, were that they were the most dependent upon the tariff-reform programs for continuing expansion of their industrial sectors. They felt that the delay, caused by the slow implementation of the new tariff policies, would create inefficient industries with which the Andean Group would then be saddled. This would be a permanent detriment to world-competitive industrialization and the ultimate development of the Group.[34] Against these arguments, Ecuador and others stated that the central principle of balanced, harmonious development necessitated special concern for the plight of the less-developed countries of the region, who would be cast into permanent disadvantage if Colombia and Chile were allowed to increase their original headstart in industrialization.[35] Venezuela and Peru sided with Bolivia and Ecuador, Chile dropped out and Colombia was apparently placated by liberalizing modifications in the Andean Foreign Investment Code.[36] The Andean Group as a whole appears strengthened in solidarity, although it now remains to be seen whether the subregional integration effort can in fact bring about efficiency and world-competitive industrialization at the same time it serves the objectives of balanced development, *i.e.,* whether "harmonious" development is inevitably doomed to inefficiency. Only time can tell, but the experiment is noble and perhaps dictated by the hard fact that no other means of development is available for countries like Bolivia and Ecuador.

CONCLUSIONS

The United States, through its official voices, has recently emphasized its dependency on the international market and its commitment to free trade. At the same time it recognizes the legitimacy of the demands made by the less-developed countries and reiterates its willingness to participate in the North-South dialogue. Its legislation, however, evinces a lingering protectionism and something less than willingness to commit itself to helping Latin American and other underdeveloped countries by opening its market to their exports. This is not improper, for the U.S. is concerned with assuring its sources of raw materials and getting something in return for its concessions. Latin America, speaking from the righteous position of the less-developed, wants to get a lot and give a little. Much will be determined by relative bargaining power and Latin America's bargaining power is growing rapidly along with that of the

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34. *See Andean Group Forced to Reevaluate Priorities,* 8 LAW. AM. 832, 834 (1976).
35. *Id.* at 835.
36. *See supra* note 13.

Third World in general. Colombia and Venezuela seem committed to the Third World view at the present time, as confirmed by recent developments within the Andean Group.

If the Andean Group is able to maintain its momentum, its bargaining power and its trading power will increase still more. It would behoove the United States to consolidate its position with the Andean Group against the eventuality of a strong Andean industrial complex which will draw on Andean raw materials for its manufactures. This would divert those materials from the United States while, at the same time, import-substitution reduces U.S. exports to the subregion. Concretely, the United States should open its market to greater imports from the Andean Group and give all the support and aid the Andean Group will permit, so that the Andean effort at integration will develop with the United States as an involved observer. Unfortunately, current lines are drawn against such a role until the United States demonstrates greater amenability for the new international economic order in its positive laws as well as its official statements. Currently a war of economic desires and ideologies exists between the North and South, albeit some would classify it as a dialogue.