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## **Andean Pact Nation Presidents Formalize Plan For Common Market Arrangement**

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May 16: In Caracas, Andean Pact foreign ministers Bolivia, Colombia, Ecuador, Peru and Venezuela convened to finalize a regional free trade agreement. Heads of state were scheduled to meet May 17-18 to sign the accord. The Caracas Declaration calls for trade barriers between the five countries to be removed beginning Jan. 1, 1992. The Ecuadoran government was expected to call for a six-month moratorium. To smooth the road to full-scale regional integration, Latin American nations have recently formed smaller economic blocks: Mercosur (Argentina, Brazil, Paraguay and Uruguay), the Central American common market, the group of three (Colombia, Mexico and Venezuela), as well as the long-established CARICOM of the English-speaking Caribbean island nations. The Andean Pact presidents are Jaime Paz Zamora of Bolivia, Cesar Gaviria of Colombia, Rodrigo Borja of Ecuador, Alberto Fujimori of Peru and Carlos Andres Perez of Venezuela. According to a report by the Venezuelan Foreign Trade Institute (ICE), Andean Pact nations increased trade with rest of the world by 19% in 1990. The five nations' combined export revenues last year totaled \$29.622 billion. The Institute report said the increase was a result of the accelerated integration process. Venezuelan export earnings in 1990 came to \$16.5 billion, compared to \$12.386 billion in 1989. Colombian export earnings increased 8.2%, from \$5.733 billion in 1989 to \$6.2 billion in 1990. Peru was the only Pact member-nation which experienced a decline in export revenues last year. Peruvian exports in 1989 totaled \$3.539 billion, and in 1990, \$3.3 billion. Ecuadoran exports increased 15.6%, from \$2.354 to \$2.722 billion. In the Bolivian case, export earnings rose 9.9%, from \$819 to \$900 million. Intra-Pact trade in 1990 totaled \$1.306 billion, a record since the Pact was established almost 22 years ago. Venezuela accounted for 37% of intra-regional exports (\$488 million), and Colombia, 29%. Next in the ranking was Peru at \$201 million; Ecuador, \$188 million; and, Bolivia, \$55 million. May 17-18: Andean Pact presidents sent a letter to US President George Bush proposing an anti-drug summit similar to the one held in 1990, but which would include all Andean nations. The presidents signed an agreement establishing an Andean common market by 1995. Beginning Jan. 1, 1992, trade barriers among the five nations are to come down. The integration plan was described as a stepping stone on the way to Bush's Initiative for the Americas, or a hemispheric free trade zone. The Ecuadoran government requested special considerations due to its highly protectionist policy. Quito will be permitted to adapt more gradually to the program. As of January, Ecuadoran tariffs vis-a-vis other Pact member-nations will be reduced by 50%. Six months later, the tariffs are to be eliminated. Peruvian President Alberto Fujimori told reporters the Andean Pact plans to provide his government with \$40 million in conditional loans, and that Mexico is also considering economic aid to Peru. The Caracas Declaration includes an "open skies" agreement granting the five Andean Pact members equal commercial aviation rights and common use of airport facilities. The agreement is considered a first step toward free movement of people, capital and goods within the subregion, as well as common migration and labor policies and shared development initiatives for border regions. At a later stage, all five nations will adopt common macroeconomic policies realigning their industries, stimulating competition, encouraging exports, attracting foreign investment and reforming state administration. The five

nations will adopt a joint tariff policy vis-a-vis the rest of the world at some point in 1992. Next, the Caracas Declaration calls for the Andean group to seek accords with other Latin American subregional blocs, e.g., MERCOSUR, and the Group of Three. The declaration also seals cooperative agreements between the five countries on technological, cultural, health and environmental issues. The five nations hope to negotiate as a bloc future trade accords with the United States, and to present a common front in the on-going Uruguay Round of the General Agreement on Tariffs and Trade (GATT). Peruvian President Alberto Fujimori said his government will quickly reduce its long list of "exceptions and failures to comply" with the Andean Pact integration process. May 19: According to official sources, businesspersons from Venezuela and Ecuador established a bilateral chamber of commerce. A formal agreement will be finalized in late July. On an annual basis, Venezuela exports about \$200 million worth of goods to Ecuador. Ecuadoran exports to Venezuela average about \$20 million per year. May 20: In Quito, President Rodrigo Borja told reporters that in order for Ecuador to comply with regional free trade agreement provisions, several reforms are required which would modernize the nation's productive sector and create more jobs. Industry, Trade, Integration and Fisheries Minister Juan Falconi said the government expects cooperation by the national congress to implement reforms to legislation pertaining to the labor code, foreign investment, and the federal bureaucracy. Germanico Salgado, president of the Monetary Council (Junta Monetaria), said the need is clear for administrative reforms to eliminate the functions of several government bureaucracies, simplify administrative procedures and abolish excessive regulations. Salgado did not dismiss the possibility of privatizing state-run companies. He pointed out that the largest such companies provide utilities and services, and thus constitutional reforms would be required prior to attempts to privatize them. (Basic data from EFE, 05/16/91; AP, 05/17/91; Notimex, 05/18/91; AFP, 05/16-20/91)

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