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Barbara Khol

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## Latin American Economic System (sela) On Trade Liberalization & Common Market Initiatives (s/s)

by Barbara Khol

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On Aug. 8 in Caracas, the Latin American Economic System (SELA) released a report titled, "Apertura Comercial e Integracion Regional de America Latina." The report presents an optimistic overview of the recent revitalization of long- time economic integration schemes [e.g., Caribbean Community (CARICOM), the Central American Common Market, Latin American Integration Association (ALADI), Andean Pact], and new initiatives [Southern Cone Common Market (MERCOSUR)], including tariff reduction accords, the extension of coverage to investments and services, infrastructure development and coordination, and natural resources. Latin American and Caribbean exports consistently increased over the last three decades, from \$8.628 billion 1960 to \$112 billion in 1989. The intra-regional export component went from \$757 million in 1960 to \$15.8 billion in 1980-81. During the 1980s, or "the lost development decade," intra-regional exports declined. The total came to \$11.259 billion in 1984-85. The figure in 1988-89 was \$13.59 billion. Imports by Latin American and Caribbean nations declined as well, from about \$100 billion in the early 1980s, to \$60 billion in 1983. Aggregate imports in 1989 came to \$85 billion. The SELA report, nevertheless, questioned whether current efforts are likely to produce a long-term substantive expansion in intra-regional trade. SELA called on governments in the region to "harmonize" tariffs (see table below) and other macro-economic policies toward making real progress in regional integration and new forms of involvement in the global economy. Among other problems, SELA pointed to existing and potential conflicts arising from trade policy reforms by member-nations of sub- regional integration programs, and pledges between these nations with member-nations of other integration arrangements. SELA recommended a combination of trade openings and a gradual, selective and temporary tariff structure aimed at providing certain industries with time to prepare themselves for intra-regional competition. The overall aim of regional integration schemes should be creating homogeneous conditions of competition toward establishing larger markets. Andean Pact member-nation tariff averages, 1986-1990 (%) Bolivia Colombia Ecuador Peru Venezuela 1986 20.0 46.1 38.5 63.6 31.4 1987 20.0 48.0 39.2 63.6 33.6 1988 18.9 48.2 39.2 70.4 33.6 1989 16.6 44.5 42.5 72.1 27.7 1990 9.8 39.3 32.8 32.2 17.8 MERCOSUR member-nations, average tariffs (%) Argentina Uruguay Brazil (1991) (1990) (1991) 9.5 26.8 25.3 Central American average tariffs, by country & product category (%) Guatemala El Salvador Nicaragua Costa Rica Final goods produced in Central Am. 37 35 20 40/60 Inputs & capital goods produced in Central Am. 1/17/27 10/20/30 10/20 10/15/20 Not produced in Central Am. 1/5 1/5 1/5 1/5/10 Honduran tariffs: Maximum 40% Intermediate 10/15/30 Minimum 2 (Source: SELA. IN Agence France-Presse, 08/10/91.)

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