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# A reflection to the Latin America's regional integration[1]

# Una reflexión de la integración regional en Latinoamérica

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## Abstract

Latin American countries have been signing multiple Free Trade Agreements with different member states, leaving the already regional blocs such as The Latin American Integration Association (ALADI), The Andean Community (CAN) and The Southern Common Market (MERCOSUR) aside. This can be explained due to the asymmetries that have arisen in these regional blocs, as well as the disappointments in the achievements of the Doha Round goals, most of them in favour of the developed countries, and the searching to achieve more economic growth rates through the increase of volume of trades, exportations and Foreign Direct Investment (FDI).

**JEL classification:** F15, O50, O54

## Keywords:

Asymmetries, economic growth, Free Trade Agreements and Regional Trade Agreements.

## Resumen

Los países latinoamericanos han firmado múltiples tratados de libre comercio con diferentes países, dejando de lado los bloques reigonales como la Asociación latinoamericana de Integración (ALADI), la Comunidad Andina (CAN) y el Mercado Común del Sur (MERCOSUR). Esta situación se puede explicar desde las diferencias que surgen entre los bloques regionales, al igual que las desilusiones en alcanzar las metas de la mesa de Doha, la mayoría de ellas favorecen a los países desarrolados y buscan alcanzar un mayor crecimiento económico a través del aumento de negociaciones, exportaciones e inversión extranjera.

Clasificación JEL: F15, O50, O54

## Palabras clave:

Asimetrías, crecimiento económico, tratados de libre comercio y tratados regionales de comercio.

# Introduction

This paper consists in analyzing regional integration in Ibero-America, taking blocs inside the region, but focusing on The Andean Community of Nations (CAN), The South Common Market (MERCOSUR) and The Latin American Integration Association (ALADI), to identify what each one has achieved thus far and what have been their weaknesses.

The main question that led to this research was: Why Latin American countries are tending to sign multiple Free Trade Agreements with countries either inside or outside the region, instead of improving or going further within the already regional agreements the region has? Same questions have led to some papers, as Carranza (2014) developed this question in a paper called ¿ Resilient or Declining? Latin American Regional Economic Blocs in the Postneoliberal Era, or as Carranza (2003) focuses more specifically on a bloc inside the region, writing a paper called ¿Can MERCOSUR survive? Domestic and international constraints on MERCOSUR.

The research showed that there is a tendency for Latin American countries to sign more and more Free Trade Agreements, playing down the importance of improving their already created regional agreements and this is given by a couple of matters such as: asymmetries inside every bloc, dissatisfaction in the achievements until now in the Doha Round, the pursuit to achieve more economic growth given by the increase of trade and exportations and more flows of Foreign Direct Investment (FDI).

## 1. Theoretical framework

The article talks about Free Trade Agreements (FTA) Latin American countries are signing, for this reason it is important to describe some terms that can be similar but in reality represent a wide difference in its meaning.

Let's start with Free Trade Agreements (FTA) which are designed to reduce the barriers to international trade between two or more countries. Barriers to international trade can come in form of tariffs, quotas, or some other measures that slow down the free flow of goods between countries such as certifications or import licenses.

It is important also to recognize the difference between Regional Trade Agreements and Preferential Trade Agreements.

Regional Trade Agreements, include Free trade Agreements as well as customs union, in which countries belonging to the Agreement establish a Common External Tariff for importations outside its free zone; and a Preferential Trade Agreement which is a unilateral way of trade, where developed countries grant preferential tariffs to imports from developing countries.

Countries, in addition of signing FTA, also look for signing International Investment Agreements for the purpose of protection and promotion of Foreign Direct Investment.

With all of these definitions defined and understood, it can be said that countries in Latin America have a mixture of all of them, and for the purpose of the article all of them will be mentioned and discussed in the following paragraphs.

It is important also to describe what Andean Community, Common Market of the Southern Cone and ALADI is and what countries include each of them

The Andean Community is a community of countries who are joined together with the purpose to achieve the Andean integration through a more balanced and comprehensive development, it is comprised by four countries: Colombia, Ecuador, Peru and Bolivia.

The Common Market of the Southern Cone (MERCOSUR) is a sub-regional bloc whose member countries are Argentina, Brazil, Uruguay, Paraguay and Venezuela and was created with the purpose of promoting free trade of goods among its members as well as the movement and promotion of investments.

Finally, the Latin American Integration Association (ALADI) is the largest Latin-American group of integration which comprises 13 member countries: Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela. The aim of this regional bloc is to promote a harmonious and balanced socio-economic development for the region, and with the purpose for the long-term to establish a Latin-American Common Market.

## 2. Methodology

The Method used in this article was descriptive. It was based on secondary bibliography that was found on official Web pages from different Organizations or Entities either international or local as well as papers that have been written for different researchers specialized in this topic.

One of the main Organization that was consulted to access to the majority of information was the World Trade Organization, Organization whose purpose is to deal with the rules of trade between nations, therefore It regulates the international trade.

Other Organization that was very helpful to obtain information was The Foreign Trade Information System (SICE) which gives information on trade policy in the Americas. On its Website, there is valuable information in which it shows the full texts of trade agreements in force for the Organization of American States Members, besides new and ongoing trade policy developments as well as information on America's trade-related legislation.

Other Entity that was very helpful was the Ministry of Commerce, Industry and Tourism (Ministerio de Comercio, Industria y Turismo) from Colombia, which on its Website gives a wide enough information about the Free Trade Agreements Colombia has in force and those who are under the process of negotiation.

Regarding to the latest information about what has happened with each regional bloc such as the Andean Community (CAN) and the Common Market of the Southern Cone (MERCOSUR), Infolatam Website was very helpful, Website who specializes in politics and economic news in the Latin American region. Also Portafolio Website, an economic diary who publishes updated news related to these issues.

In the same way some references were looked up on the Web from published papers from different researchers who specialize in this kind of topic.

## 3. Findings

### 3.1. Regional Integration in Latin America and its asymmetries

The first reason why Latin American countries have to look for and sign new Free Trade Agreements with other countries resides in the dissatisfaction they have inside their regional blocs, especially for the asymmetries that each of these agreements shows.

### 3.2. Asymmetries in MERCOSUR

Risen (2008) says that MERCOSUR has been unable to revolve even basic trade issues between members, many of which derive from the vast differences in economic and political agendas among the member states. Even, Medus (2003) said that MERCOSUR had a long way to go, considering that there were different state reforms, with rhythms and stabilization plans of their own, which had taken place within some of the member countries. But, most important of all, despite these divergences, the external situation suggested the MERCOSUR had to offer a united front to the different problematic situations emerging from the new commercial agreements.

MERCOSUR presents marked asymmetries in size and level of development among its member countries and regions. On one extreme, Brazil accounts for more than 70 percent of regional territory and GDP, and almost 80 percent of total population. In contrast, Paraguay and Uruguay's share scarcely reaches about 4 percent of territory, 5 percent of population and 3.5 percent of GDP (Terra, 2009).

Hijazi (2012) points out that the size of the economy for each country is different, their level of economic development varies, the population figure for these countries widely differs, and the size of their markets is diverse. At the same time, there are other political and regulatory differences, such as a lack of coordinated macroeconomic policies and incentive policies, in particular. Each member has its own investment promotion policies, as well as policies to support the productive sectors and exports, which alters the conditions for competition between firms even more depending on their country of origin. This combination of structural and politicizes asymmetries can be considered an obstacle to deeper integration within MERCOSUR.

As we can see, inside MERCOSUR there are multiple differences between its members, specially characterized by the size of their economies and political and regulatory differences in economic issues. Besides, it is known that Brazil and Argentina have imposed non-traditional barriers to their smallest counterparts Uruguay and Paraguay, being these two who always complaint about the measures of protectionism that Brazil and Argentina have imposed.

Argentina, for example, imposes an affidavit of intent to importations (*Declaración Jurada Anticipada de Importación*, DJAI)[2] for all the importers who want to introduce goods from outside Argentina. Such is the case that due to this DJAI some Paraguayan companies have halted their sales to Argentina, and some other companies have incurred in extra costs and delays in the production of the goods given the unpredictable scenario in Argentina to obtain the DJAI, which in some cases takes long time to obtain it (Infolatam/Efe, 2012).

Even the World Trade Organization (WTO) has alerted about the imposition of non-tariff restrictions by Argentina, which some trade partners have accused the country of implementing some restrictive commercial measures, especially by the imposition of some licenses for importation which goes against the law of free commerce between its members (Infolatam/Efe, 2013).

The European Union, United States, China and other ten countries have sued Argentina before the WTO because of the restrictive measures the Argentinian government has imposed in defense of the local industry.

[2] The DJAI was imposed in February 2012 by Resolution AFIP 3252/12

The complaint for the obstacles to the international trade began previously from entrepreneurs belonging to MERCOSUR countries and United States, which they questioned the new measures that delayed up to several months to obtain the authorizations to allow some products to get into the country (Giménez & González, 2013, p. 38).

### 3.3. Asymmetries in the Andean Community (CAN)

Ecuador imposed Resolution 116 of Committee of Foreign Trade (COMEX, in Spanish), which came into effect on December 3 of 2013. It consists in obtaining a "Certificate of Recognition" for 293 subheadings, prior the clearance process for the products that are in the Ecuadorian customs.

This means that Ecuadorian companies must obtain this certificate prior the arrival of the products to the country, in case of not to obtain it; it will represent a delay in the clearance process, giving as a result more costs involved in the logistic chain (PROCOMER, 2014).

Products that are affected by this measure are: dairy, cosmetics, cheese, textiles, household appliances, meat products, bicycles, tea, toys and pans, soy sauce, among others. (COMEX, 2013).

The commerce between Colombia and Ecuador has been significant, but with these new measures taken by Ecuador the commerce has been affected. According to DANE, The National Administrative Department of Statistics, in Colombia, in January 2014 the Colombian sales to Ecuador diminished 12, 2% (DANE, 2014a, p. 11) comparing them with those of January 2013.

This measure has brought concerns to Colombian entrepreneurs who sell to Ecuador, especially those who export cosmetics, cleaning products, apparel and vehicles. There are some dispatches of these products that had to be suspended, due to the barriers Ecuador has imposed to its imports, with which the authorities of the neighboring country seek to counteract the imbalance in the balance of trade and boost local production (Portafolio, 2014).

It is important to emphasize that the measures that Ecuador has adopted have not affected just Colombia; they have affected several countries within Latin America. For example, Chile and Peru.

The international trade among countries in Latin America with Venezuela has been affected also, given that "The Venezuelan government has tightened access to its preferential currency exchange rate" (Mallet-Outtrim, 2014, para. 1). This measure has led to shortages of imported products, because some importers are not eligible to purchase dollars at a preferential rate with the Commission for the Administration of Currency Exchange

CADIVI (now, *El Centro Nacional de Comercio Exterior*, *CENCOEX* in spanish), instead, they are required to purchase dollars at a more expensive rate with the Complimentary System of Foreign Currency Acquirement SICAD, or in the black market to pay for their importations.

As a result of this measure adopted by Venezuela, the flow of exportations to this country has plummeted. For example, in March 2013, Colombia exported to Venezuela USD 190, 6 million FOB prices, and in March 2014, Colombia exported USD 113, 6 million FOB prices, a negative variation of -40, 4%. (DANE, 2014b, p. 11).

It is important to note that Venezuela abandoned the Andean Community in 2006 and within this sub-regional bloc there are differences in the economic models; Colombia and Peru are in favor of free markets, whereas Ecuador and Bolivia prefer a protectionist model, with the State having the predominant role in politics, social, and economic affairs.

Hence, taking into consideration the restrictions adopted for different countries such as Argentina, Ecuador and Venezuela against import products, plus the asymmetries inside MERCOSUR and the Andean Community, we can conclude that regional blocs such as CAN, MERCOSUR and ALADI (which has stayed stagnant as a preferential trading area) have lost power in their inner structures, giving way to celebrate and sign new Free Trade Agreements in a bilateral way.

### 3.4. Disappointments with the achievements in the Doha Round

The second reason why Latin-American countries are looking for new Trade Agreements is due to the poor advances that have been achieved in the Doha Round under the World Trade Organization (WTO) frame.

The Doha Round was launched in Doha, Qatar, in November 2001. Named the Doha Development Agenda, its main objective is to improve the trading prospects of developing countries, liberalizing trade, aiming to facilitate the integration of developing countries, particularly the Least Developed Countries (LDCs) into the WTO multilateral system (European Commission, 2014, para. 1).

In agriculture, the purpose of the Doha Round is to gain more market access, particularly exporting agricultural products from developing countries to developed countries and to eliminate agriculture's export subsidies —which they had to be eliminated by the end of 2013 for developed countries. These measures have not been achieved so far; cut of tariffs have been achieved in favor of developing countries, but non-tariff measures and quantitative restrictions have been erected against them.

As with subsidies, developing countries argue that their domestic producers are in disadvantage if they have to face imports whose prices are low because of export subsidies. This group includes countries that are net food importers (World Trade Organization, 2002), specially developing countries within Latin America.

Developing countries object in particular to the fact that developed countries are allowed to continue to spend large amounts on export subsidies while developing countries cannot because they lack the funds, and because only those countries that originally subsidized exports were allowed to continue subsidizing–albeit at reduced levels (World Trade Organization, 2002).

As mentioned above, agricultural export subsidies for developed countries must have been eliminated by the end of 2013 (World Trade Organization, 2005), but this measure has not been achieved yet. For example, total agricultural support in OECD countries amounted USD 366 billion in 2010 (United Nations, 2011).

In 2014, the Farm Bill in United States failed to include subsidy limits. “Farmers, landowners, and investors in farms have and will continue to receive unlimited crop insurance premium subsidies on each and every acre and for every bushel of production without limit and regardless of their income or ability to pay” (NSAC, 2014, para. 17).

For the near future,

> farm subsidies will continue to consume the European Union Budget to 2020, they will consume some 38 percent of the EU budget for 2014-2020, equivalent to 363 billion euros ($485.7 billion) of the 960 billion total, or around 50 billion euros a year (Dunmore, 2013, para 3).

For non-agricultural markets, the aim of the Doha Round is to reduce or eliminate high tariffs as well as non-tariff barriers on products exported from developed countries to developing countries. That situation does not happen the same way around, due to non-tariff barriers developed countries impose to developing countries.

> The goal is to reduce or as appropriate eliminate tariffs, including the reduction or elimination of high tariffs, tariff peaks and tariff escalation (higher tariffs protecting processing, lower tariffs on raw materials) as well as non-tariff barriers, in particular on products of export interest to developing countries (World Trade Organization, 2001).

In conclusion, we can say that under the frame of WTO, countries in the Doha Round have not managed to agree among themselves to achieve all the main goals countries in the Round were supposed to accomplish in benefit of developing countries. Given that many Free Trade Agreements have been signed between developed countries and developing countries in Latin America, they just have accomplished with success the cut on tariffs for products entering to developed countries but not fulfilling the requirements the developing countries are asking for: the elimination of non-tariff barriers to enter their agricultural and raw material products the region specializes in, and the elimination of export subsidies by developed countries.

## 3.5. Encouragement of Free Trade Areas

The third reason for developing countries to be encouraged to sign more Free Trade Agreements is supported by the General Agreement on Tariffs and Trade GATT, in its article XXIV, paragraph 4, which states:

> The contracting parties recognize the desirability of increasing freedom of trade by the development, through voluntary agreements, of closer integration between the economies of the countries parties to such agreements. They also recognize that the purpose of a customs union or of a free-trade area should be to facilitate trade between the constituent territories and not to raise barriers to the trade of other contracting parties with such territories (World Trade Organization, 1994).

And paragraph 5, which states:

> Accordingly, the provisions of this Agreement shall not prevent, as between the territories of contracting parties, the formation of a customs union or of a free-trade area or the adoption of an interim agreement necessary for the formation of a customs union or of a free-trade area… (World Trade Organization, 1994).

Thus, we can say that under the frame of the World Trade Organization, the creation of Free Trade Agreements is acceptable as long as they contribute to a larger global liberalization of commerce. Latin American countries have been aware of this principle, carrying out the celebration of more Free Trade Agreements.

In addition to the article XXIV of GATT, the World Trade Organization has "special and differential treatment provisions", which give developing countries special rights and give developed countries the possibility to treat developing countries more favorably than other WTO Members. This Enabling Clause includes measures to increase trading opportunities for developing countries. As an example we can find the Generalized System of Preferences (GSP) the developed countries offer to developing countries[3]. Colombia, for example, is beneficiary of: Australia, Canada, European Union, Japan, New Zealand, Norway, Turkey, Russian Federation, Belarus and Kazakhstan[4].

[3] Look for http://ptadb.wto.org/ptaList.aspx

[4] Look for http://ptadb.wto.org/Country.aspx?code=170

## 3.6. Other reasons for countries to sign more Free Trade Agreements

Due to the fact, that countries in Latin America sense that regional blocs have lost their structural strength, because of asymmetries within each bloc, mainly in the Andean Community and in MERCOSUR, as well as the dissatisfaction in the achievements that have been reached in the Doha Round, these countries have started to diversify their exports through the celebration of more Free Trade Agreements with the objective of not becoming dependent of only one market and boosting their exports to achieve more economic growth rates.

As Sannassee, Seetanah and Lamport (2014) point out: through export diversification, an economy can progress towards the production and exportation of sophisticated products which may greatly contribute towards economic development. Besides, export diversification allows a government to achieve some of its macroeconomic objectives, namely sustainable economic growth, a satisfactory balance of payments situation, employment and redistribution of income.

Also, “trade can help to boost development and reduce poverty by generating growth through increased commercial opportunities and investment, as well as broadening the productive base through private sector development” (European Commission, 2012, p. 1).

As we can see, international trade helps countries to improve their economic growth due to export diversification, creating more employment opportunities by producing more to fulfill the foreign demand and moreover with the revenues based on exportations, consumption improves, helping to increase GDP. As a result, countries in Latin America are looking for to increase their economic growth by signing new Free Trade Agreements. Free trade is more important than ever for economic growth and job creation (European Commission, 2013, p. 5).

Therefore, we can say that liberalization of commerce brings multiple benefits, among them, consumers can benefit due to lower prices and greater variety of imported products. Companies can diversify their markets and boost their exportations generating more employment and, in this way, help the countries to generate more economic growth.

Finally, it is important to note that within the celebration of these Free Trade Agreements there is a chapter on the Agreements especially dedicated to improve Foreign Direct Investment (FDI), or sometimes countries celebrate International Agreements on Investment which are very important, given that FDI has

> a positive impact upon the economic growth in the receiving countries. There is a direct relation between the FDI flows (as percent of the GDP) and the growth of GDP *per capita*. In this way, countries that had attracted an important FDI volume have had the highest economic growth rates. Since the early 60s of the 20th century, the times with the most intense foreign investment activities had coincided with a sudden increase in the macroeconomic indicators (especially the GDP) (Pelinescu & Rădulescu, 2009, p. 153).

## 4. Free Trade Agreements in the Region

Here, there is a list of all Free Trade Agreements countries in the region have signed so far:

**Table 1.** Free Trade Agreements in force for Latin American Countries

| Partner countries | Date of Entry into Force |
| --- | --- |
| Bolivia-Mercosur | February 28, 1997 |
| Bolivia-Mexico | June 7, 2010 |
| Central America-Chile | Chile-Costa Rica: February 15, 2002<br>Chile-El Salvador: June 3,2002<br>Chile-Guatemala: March 23, 2010<br>Chile-Honduras: July 18, 2008<br>Chile-Nicaragua: October 19, 2012 |
| Central America-Dominican Republic | Costa Rica: March 7, 2002<br>El Salvador: October 4, 2001<br>Guatemala: October 3, 2001<br>Honduras: December 19, 2001<br>Nicaragua: September 3, 2002 |
| Central America-European Union | Costa Rica: Provisional application:<br>October 1, 2013<br>El Salvador: Provisional application:<br>October 1, 2013<br>Guatemala: Provisional application:<br>December 1, 2013<br>Honduras: Provisional application:<br>August 1, 2013<br>Nicaragua: Provisional application:<br>August 1, 2013<br>Panama: Provisional application:<br>August 1, 2013 |

| Partner countries | Date of Entry into Force |
|---|---|
| Central America-Mexico | Guatemala-Mexico: September 1, 2013<br>Costa Rica-Mexico: July 1, 2013<br>Honduras-Mexico: January 1, 2013<br>El Salvador-Mexico: September 1, 2012<br>Nicaragua-Mexico: September 1, 2012 |
| Central America-Panama | Costa Rica – Panama: November 23, 2008<br>El Salvador – Panama: April 11, 2003<br>Guatemala – Panama: June 22, 2009<br>Honduras-Panama: January 9, 2009<br>Nicaragua – Panama: November 21, 2009 |
| Chile-Australia | March 6, 2009 |
| Chile-Canada | July 5, 1997 |
| Chile-China | October 1, 2006 |
| Chile-Colombia | May 8, 2009 |
| Chile-European Free Trade Association (EFTA) | December 1, 2004 |
| Chile-European Union | February 1, 2003 |
| Chile-Japan | September 3, 2007 |
| Chile-Malaysia | April 18, 2012 |
| Chile-Mercosur | October 1, 1996 |
| Chile-Mexico | August 1, 1999 |
| Chile-New Zealand, Singapore and Brunei Darussalam (P4) | Chile: November 8, 2006<br>Brunei Darussalam: July 12, 2006<br>New Zealand: May 28, 2006<br>Singapore: May 28, 2006 |
| Chile-Panama | March 7, 2008 |
| Chile-Peru | March 1, 2009 |
| Chile-Republic of Korea | April 1, 2004 |
| Chile-Turkey | March 1, 2011 |
| Chile-United States of America | January 1, 2004 |
| Chile-Vietnam | February 4, 2014 |
| Colombia-Canada | August 15, 2011 |
| Colombia-European Free Trade Association (EFTA) | July 1, 2011 |
| Colombia-European Union | August 1, 2013 |
| Colombia-Mexico | January 1, 1995 |
| Colombia-Northern Triangle | Guatemala: November 13, 2009<br>El Salvador: February 1, 2010<br>Honduras: March 27, 2010 |
| Colombia-United States of America | May 15, 2012 |
| Costa Rica-Canada | November 1, 2002 |

| Partner countries | Date of Entry into Force |
|---|---|
| Costa Rica-CARICOM | Costa Rica–Barbados: August 1, 2006<br>Costa Rica–Belize: March 10, 2011<br>Costa Rica–Guyana: April 30, 2006<br>Costa Rica–Trinidad and Tobago: November 15, 2005 |
| Costa Rica-China | August 1, 2011 |
| Costa Rica-Peru | June 1, 2013 |
| Costa Rica-Singapore | July 1, 2013 |
| DR-CAFTA (Central America–Dominican Republic–United States) | El Salvador and the United States<br>March 1, 2006<br>Honduras and Nicaragua<br>April 1, 2006<br>Guatemala<br>July 1, 2006<br>Dominican Republic<br>March 1, 2007<br>Costa Rica<br>January 1, 2009 |
| El Salvador-Taiwan | March 1, 2008 |
| Guatemala-Taiwan | July 1, 2006 |
| Honduras-Taiwan | July 15, 2008 |
| Mercosur-Israel | Israel-Uruguay: December 23, 2009<br>Israel-Paraguay: March 24, 2010<br>Israel-Brazil: April 3, 2010<br>Israel-Argentina: September 9, 2011 |
| Mercosur-Peru | Uruguay: December 16, 2005.<br>Argentina: December 13, 2005<br>Perú: December 12, 2005<br>Brazil: December 29, 2005.<br>Paraguay: February 6, 2006 |
| Mexico-European Free Trade Association (EFTA) | July 1, 2001 |
| Mexico-European Union | July 1, 2000 |
| Mexico-Israel | July 1, 2001 |
| Mexico-Japan | April 1, 2005 |
| Mexico-Peru | February 1, 2012 |

| Partner countries | Date of Entry into Force |
|---|---|
| Mexico-Uruguay | July 15, 2004 |
| Mexico-Canada-United States (NAFTA) | January 1, 1994 |
| Nicaragua-Taiwan | January 1, 2008 |
| Panama-Canada | April 1, 2013 |
| Panama-Peru | May 1, 2012 |
| Panama-Singapore | July 24, 2006 |
| Panama-Taiwan | January 1, 2004 |
| Panama-United States of America | October 31, 2012 |
| Peru-Canada | August 1, 2009 |
| Peru-China | March 1, 2010 |
| Peru-European Free Trade Association (EFTA) | July 1, 2011 |
| Peru-European Union | March 1, 2013 |
| Peru-Japan | March 1, 2012 |
| Peru-Singapore | August 1, 2009 |
| Peru-South Korea | August 1, 2011 |
| Peru-Thailand | December 31, 2011 |
| Peru-United States of America | February 1, 2009 |

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## 4.1. Partial Preferential Agreements

Besides Free Trade Agreements, Latin American countries also trade with Partial Preferential Agreements, which are negotiated to reduce tariffs to certain products that are going to be traded between two countries, but they do not abolish tariffs completely.

Within the region there are a significant amount of Partial Preferential Agreements, such as:

**Table 2.** Preferential Trade Agreements in force for Latin American Countries

| Partner countries | Date of Entry into Force |
|---|---|
| Argentina–Brazil (ACE N° 14) | December 20, 1990 |
| Argentina–Chile (AAP.CE N° 16) | August 2, 1991 |
| Argentina–Mexico (ACE N° 6) | January 1, 2007 |
| Argentina–Paraguay (ACE N° 13) | November 6, 1992 |
| Argentina–Uruguay -Auto Sector (ACE 57) | May 1, 2003 |
| Belize–Guatemala | April 4, 2010 |
| Bolivia–Chile (AAP.CE N° 22) | April 6, 1993 |
| Brazil–Guyana (AAP.CE N° 38) | May 31, 2004 |
| Brazil–Mexico (AAP.CE N° 53) | May 2, 2003 |
| Brazil–Suriname (AAP.A25TM N° 41) | July 26, 2006 |
| Brazil–Uruguay (AAP.CE N° 2) | October 1, 1986 |
| CARICOM–Colombia (AAP.A25TM N°31) | January 1, 1995 |
| CARICOM–Venezuela (AAP.A25TM N° 24) | January 1, 1993 |
| Chile–Ecuador (AAP.CE N° 65) | January 5, 2010 |
| Chile–India | August 17, 2007 |
| Chile–Venezuela (AAP.CE N° 23) | April 2, 1993 |
| Colombia–Costa Rica (AAP.A25TM N°7) | No Data |

| Partner countries | Date of Entry into Force |
|---|---|
| Colombia–Nicaragua (AAP.AT25TM N° 6) | No Data |
| Colombia–Panama (AAP.AT25TM N° 29) | January 18, 1995 |
| Colombia–Venezuela (AAP.C N° 28) | April 16, 2012 |
| Colombia–Ecuador–Venezuela–MERCOSUR (AAP.CE N° 59) | Argentina – Colombia: February 1, 2005<br><br>Argentina – Ecuador: April 1,2005<br><br>Argentina – Venezuela: January 5, 2005<br><br>Brasil – Colombia: February 1, 2005<br><br>Brasil – Ecuador: April 1, 2005<br><br>Brasil – Venezuela: February 1, 2005<br><br>Paraguay – Colombia: April 19, 2005<br><br>Paraguay – Ecuador: April 19, 2005<br><br>Paraguay – Venezuela: April 19, 2005<br><br>Uruguay – Colombia: February 1, 2005<br><br>Uruguay – Ecuador: April 1, 2005<br><br>Uruguay – Venezuela: January 5, 2005 |
| Costa Rica–Venezuela (AAP.A25TM N° 26) | No Data |
| Dominican Republic–Panama | June 8, 1987 |
| Ecuador–Guatemala (AAP.A25TM N°42) | February 19, 2013 |
| Ecuador–Mexico (ACE 29) | August 6, 1987 |
| Ecuador–Uruguay (AAP.CE No 28) | April 1, 2005 |
| El Salvador–Venezuela (AAP.A25TM N° 27) | No Data |
| Guatemala–Venezuela (ACE N° 23) | No Data |
| Guyana–Venezuela (AAP.A25TM N° 22) | June 28, 1991 |
| Honduras–Venezuela (AAP.A25TM N° 16) | No Data |
| MERCOSUR–India | June 1, 2009 |
| MERCOSUR–Mexico (ACE N° 55)–auto sector agreement | January 1, 2003 and in Brazil January 15, 2003 |
| Mexico–Panama (AAP.A25TM N°14) | April 24, 1986 |
| Mexico–Paraguay (AAP.R 38) | July 1, 1994 |
| Nicaragua–Venezuela (AAP.A25TM N° 25) | No Data |
| Trinidad and Tobago–Venezuela (AAP.A25TM N° 20) | No Data |

Made by my own with data provided by SICE 2016.

As We can see from the two charters above, Latin American countries have signed multiple Free Trade Agreements and Preferential Agreements with other countries inside the region or outside this one, reinforcing what has been said previously.

# Summary and conclusions

The purpose of this paper is to provide an understanding of how the Latin American regional integration has evolved, moving from the scheme of sub-regional agreements to the creation of Free Trade Agreements.

We can conclude that countries within Latin America are disappointed with their regional integration blocs, except the Central American Common Market (CACM) and the Caribbean Community (CARICOM), but being the case of the Andean Community, Mercosur and ALADI which has stayed stagnant as a preferential trading area.

One of the results is that inside the Andean Community and Mercosur there are asymmetries which impede going further in the evolution of these blocs. Inside the Andean Community, due to political differences between its member countries; in Mercosur due to non-tariff measures that Argentina and Brazil have imposed to the smaller economies of Uruguay and Paraguay.

The Latin America Integration Association (ALADI, in Spanish), traces its ancestry to 1960, known as the Latin American Free Trade Association (ALALC, in Spanish), which in 1980 became the ALADI. This one did not evolve enough as far as regional integration is concerned, since it just has stayed in the first stage of economic integration, a preferential trade area. This brought as a result that some members disenchanted with this slow pace of liberalization, Bolivia, Chile, Colombia, Ecuador, and Peru established the more ambitious Andean Pact in the late 1960s (Steinfatt, 2001).

In 1980 when ALADI was created, this one adopted a "flexible" approach to integration, relying mainly on sector-based bilateral or multilateral negotiations (Steinfatt, 2001), bringing as a result the creation of MERCOSUR (the Common Market of the South, composed of Argentina, Brazil, Paraguay, and Uruguay) and the Group of the Three (Colombia, Mexico and Venezuela).

Therefore, as we can see ALADI did not progress, instead, it was subdivided into sub-regional trading bloc's agreements.

The other conclusion is that Latin American countries are dissatisfied with the achievements reached in the Doha Round which has benefited just developed countries instead of developing countries.

For all the previous reasons, Latin American countries have decided to celebrate new Free Trade Agreements with countries in or outside the region; in order to open new markets, diversify exports, increase the volume of trade, increase the flow of FDI to their countries and therefore increase their economic growth rates, which within some years will be reflected in more economic development.

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