

preferential treatment given the relatively less-developed countries, that is, Bolivia and Ecuador. Because its scope is so extensive, this mechanism involves the Andean Group in an integration process entirely different from any before it. The preferential treatment affects most elements of the Cartagena Agreement, and to date it seems to have been implemented successfully by the member countries. The recent Decision 119, which instituted a special program of support to Bolivia, is a good example of the vitality of this measure. However, implementation of preferential treatment has not been a complete success in all fields: the Bolivian representatives on the Commission have noted negligence on the part of certain participating countries in isolated sectors such as regional trade and sectoral programming.

The last major mechanism is the harmonization of economic and social policies. Important steps have been taken in this area, in particular in the fields of industrial property and development, tariff nomenclature and export financing, agricultural product marketing, physical infrastructure and communications. The best known measure in this field of policy harmonization must be the adoption of a regional code of foreign investment and technology transfer. This decision aroused comment and criticism which has only been quieted with the gradual dilution of the principal measures of the code. It is evident, however, that the mechanism of economic and social policy harmonization has not been a priority during the first years of existence of the Andean Group. This is to be expected at first, but it is certain that if progress is to be made in this area in future, an effort will have to be made to produce greater homogeneity of social and economic structures in each of the member countries.

Difficult years

The first four years of the Andean Group's activity saw spectacular progress in the movement towards integration. It is quite usual for such a plan to move full speed ahead in the setting-up stage. The founding of community institutions and the rapid adoption of certain important measures helped to create a climate of optimism and unbounded confidence in the future of the Andean Group. This attitude also prevailed among the Andean technocrats, that is, all the regional officials and national negotiators who were involved, closely or remotely, in the integration process and who shared a common willingness to ensure the success of the venture. Lastly, the fairly strong similarity between the political intentions of the governments of Bolivia (until 1972), Chile and Peru also explains the success of this initial stage of the Andean Group.

Beginning in early 1974, however, the situation became more complicated. In fact, it can be said that the integration process came to a standstill from 1974 to 1976. The first reason for this situation was a technical one involving Venezuela's entry into the Andean

Group. This entry, which the Government of Caracas had been obliged to delay under the pressure of the powerful Fedecamaras, had forced the Junta, in 1972, to devote a significant proportion of its time to studying and adapting existing regional programs. The new membership involved the reworking of several of the Cartagena Agreement mechanisms, and this prevented the Junta from concentrating on analysis of the proposals it was expected to make before the 1975 deadlines, in particular concerning the common external tariff and industrial programming.

The second reason was the serious deterioration of the international economy, beginning in 1973. The Andean countries, particularly those who were oil importers, were hard hit by the crisis. But they were not alone; all the underdeveloped countries were suffering from the situation — petroleum derivatives represent a large proportion of these countries' imports. Most of the Andean countries became more cautious in view of the economic situation and they hesitated to continue supporting integration mechanisms that might make the region less attractive to foreign investors who had, it was said, become more selective in their investments because of the scarcity of capital. However, the most important factor in the crisis came from within the Andean region itself. The Andean Group's image had deteriorated badly since the early seventies. At that time, three countries made up what could be called the driving force behind the integration process. These three — Bolivia under the Torres government, Chile under President Allende and Velasco's Peru — had, in varying degrees, come to adopt strongly nationalistic economic policies and had thus wanted to shape the regional economic model in line with their concerns. Thus it was the delegations of these countries on the Commission, and chiefly the delegation from Peru, that insisted on and obtained a decision in favour of control of foreign investments and transfers of technology.

The situation soon changed, however, with the coming to power of General Banzer's reactionary government in Bolivia at the end of 1971. Later, in September 1973, came General Pinochet's *coup d'état* in Chile. Thus, at the beginning of 1974, there were only two nationalist governments remaining in the Andean Group, those of Venezuela and Peru, while the latter was becoming increasingly entangled in an extremely difficult economic situation.

In 1972, the new Bolivian government had begun to call for a softening of some of the provisions of the Cartagena Agreement. Bolivia said, with justification, that it had not benefited as much as its partners from the first sectoral program relating to the metal-working industry. It also demanded profound changes to the foreign investment code, which was in opposition to an economic policy the new government was then trying out and which was subsequently adopted through that government's acceptance of the Musgrave

