

Latin America Bulletin

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The Standard



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Introduction

This bulletin is dedicated to regional integration and cooperation in Latin America. Each of the articles focuses on a different inter-governmental organisation and evaluates its impact on shipowners.

Integration is defined as the act or process of incorporation as equals into society or an organisation of individuals from different groups.

Over the last century, there have been various initiatives aimed at regional integration in Latin America. Regional integration can create excellent opportunities for development and growth. In most cases, it reduces or eliminates trade barriers, thereby benefiting the economy and improving the well-being of the citizens within the relevant countries, and encourages the free movement of people, thereby encouraging social and cultural integration. Several organisations, such as Mercosur, the Pacific Alliance and the Latin American Association of Integration (ALADI) have been created with the aim of promoting integration in different areas, including the maritime sector.

The main goals of these organisations are to:

- facilitate the free movement of goods through the elimination of trade barriers, the creation of a customs union and the signing of tax agreements within the member states
- encourage the adoption of international maritime conventions to promote world maritime trade
- encourage the free movement of people between countries belonging to those organisations

- promote agreements with other regional trading blocs such as the European Union (EU) or the North Atlantic Free Trade Association (NAFTA) in order to encourage the carriage of goods by sea, air and road
- develop, improve and modernise navigational operations in the brown-water trade, predominantly in the Paraguay-Paraná waterway
- encourage compliance with international maritime standards and regulations.

However, regional integration can be challenging, too. It can be time-consuming and technically difficult to achieve. Often, challenges arise in Latin America out of the conflicting ideological stances of the various governments. It can be difficult in those cases to identify common goals between the different countries.

Other regions in the world have achieved regional integration, such as Europe with the EU, and the US, Canada and Mexico with NAFTA. Latin America can learn from these examples.

The articles in this bulletin focus on different public, private and inter-regional organisations created in Latin America with the aim of promoting regional integration.

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The role of ALADI in the promotion of trade



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ALADI regulates international trade through various agreements which help shipowners to operate in the region. Here we look at ALADI's origins and two of its most important agreements.

ALADI origins

In 1980, the *Treaty of Montevideo* created the Latin American Association of Integration (ALADI – www.aladi.org) as a governmental organisation designed to promote integration in the region as well as economic and social development.

ALADI is the biggest Latin American group addressing integration. Its member states include Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela.

ALADI fosters economic cooperation in the region, with the ultimate objective of achieving a Latin American common market through three mechanisms:

1. A regional tariff preference (PAR): member countries reciprocally grant a regional tariff preference to be applied with reference to the level in force for third countries.
2. Regional scope agreements common to all member countries: *PAR, Market Opening Lists* (only for Bolivia, Ecuador and Paraguay), *Agreement on Scientific and Technologic Cooperation*, *Agreement on Cooperation and Interchange of Goods in the Fields of Education, Culture and Science*, and the *Framework Agreement for the Promotion of Commerce Through*

Overcoming Technical Barriers to Trade.

3. Partial Scope Agreements, with the participation of two or more countries from the group.

In this article, we will focus on the third mechanism and two of its most relevant agreements for the shipping industry.

Partial Scope Agreements

These agreements can be commercial, economic or agricultural, or in promotion of trade or about any other subject in accordance with the *Treaty of Montevideo*. This flexibility has made these agreements the most popular instruments of regional integration.

Two of the most relevant Partial Scope Agreements in respect of trade are the *Paraguay-Paraná Inland Waterway Agreement* and the *Agreement on International Multimodal Transport*.

Paraguay-Paraná Inland Waterway Agreement

In June 1992, Argentina, Bolivia, Brazil, Paraguay and Uruguay executed the *Paraguay-Paraná Inland Waterway Agreement*, which establishes a common regulatory agreement to improve the development, modernisation and efficiency of the navigation operations in the Paraguay-Paraná Waterway.

For more information on ALADI visit: www.aladi.org

The waterway encompasses an area with huge potential for the development of the region, which produces soy, cotton, sunflower, wheat, flax, iron ore, manganese, and other industrial and agro-industrial products. The aim of the agreement is to optimise a natural river transport corridor where competitiveness of cost and safety of navigation are decisive factors for the integration of the countries of the waterway and for the balanced and sustainable development of the regional economies.

The provisions of the agreement apply to navigation, commerce, and the transport of goods and persons by the waterway. The signatory countries have agreed to:

- acknowledge the freedom of navigation for national vessels and vessels flagged in third-party countries; equal treatment of vessels flagged in third-party countries and national vessels (in respect of taxes, tariffs, rates, assessments, rights, procedures, pilotage, towing, port services, etc); freedom of transit of vessels, goods and persons from the signatory countries; and freedom of cargo transfer and storage of goods

- establish the right to transport persons and goods between the signatory countries, where the origin and destination are ports of the waterway, to shipowners of such countries, granting them the equal rights, treatment and conditions established in the agreement
- acknowledge the national shipowners and the vessels flagged in signatory countries respectively as shipowners and vessels of the waterway¹
- accept the use of owned, chartered or bareboat-chartered tonnage to provide services as waterway shipowners
- remove the restrictions to the transport of persons or goods reserved to national vessels in favour of vessels flagged in signatory countries.

A number of protocols about complementary matters were also executed in June 1992. Such documents are multilateral agreements required for the satisfactory functioning of the waterway and regulate the following matters: insurance and equal opportunities for greater competitiveness, dispute settlement, provisions for temporary suspension of flag, navigation and safety, and customs.



The role of ALADI in the promotion of trade continued

- 1 Articles 12 to 15 of the agreement set forth the definition of 'waterway shipowners' and regulate their activities. The transport of goods and persons is reserved to shipowners and vessels of the signatory countries, which can benefit from the legal framework created by the agreement.
- 2 Comunidad Andina (Andean Community): In another attempt at regional integration, in 1969, Bolivia, Colombia, Chile, Ecuador and Peru signed the Cartagena Agreement, which initiated the Andean Process of Integration also known as Pacto Andino or Grupo Andino. Its purpose is to improve the quality of life of the people of the member states through economic and social integration. In 1973, Venezuela subscribed to the agreement and, in 2011, the Cumbre de Lima (Lima Summit) took place, where it was decided to fortify and reinforce the Andean process of integration through the Sistema Andino de Integración (SAI). The Comunidad Andina (www.comunidadandina.org), currently based in Lima, Peru, is run by the SAI through a Presidential Andean Committee, Andean Committee of Foreign Affairs Ministers, Secretariat, Andean Court of Justice and Andean Parliament. It also incorporates a regional university and a financial entity.

Agreement on International Multimodal Transport

Currently, there is no uniform regulation of multimodal transport in the region. Mexico, Argentina and Brazil have their own national regulations. International organisations such as Comunidad Andina², Mercosur and ALADI play an important role in the development of an international framework.

Comunidad Andina enacted Decision 331 of 4 March 1993 of the *Multimodal Transport Agreement* and Decision 393 Amendment to 331, which are in force in Colombia, Ecuador, Peru and Bolivia. Mercosur issued the *Agreement on Multimodal Transport* in force in Argentina, Brazil and Paraguay.

The most important development in the attempt to create an agreement on international multimodal transport that includes all member states of ALADI is the *Partial Scope Agreement on International Multimodal Transport*, which harmonises the regulations of the Comunidad Andina and Mercosur.

The main features of the partial agreement are: liability regime in accordance with the minimum limits of UNCTAD/ICCC; establishing the responsibility of the Multimodal Transport Operator (OTM) from the physical reception of the goods until delivery at destination; alleged

responsibility of the OTM for the loss, damage or delay in delivery of the goods; establishing the limits of liability applicable to the OTM and a timebar of 12 months from delivery of the goods (or if delivery did not take place, 90 days after the expected delivery date) of any action or claim.

This agreement, however, was only executed by Bolivia, Brazil, Peru and Venezuela, and has not yet come into force.

In 2010, the member states of ALADI agreed to continue the process of harmonisation of multimodal transport to include other member states. There have also been discussions about the possibility of opening this agreement to other Latin American countries and regions.

Conclusion

Multimodal transport plays a very important role in international trade. Currently, there are different national and international regulations in force. As the relevance of multimodal transport continues to grow, it would be enormously beneficial for the trade in the region to have a harmonised set of international rules on multimodal transport. Perhaps this would encourage other ALADI members to work more closely within the flexibility afforded by the *Treaty of Montevideo* to achieve this goal.

Mercosur and Pacific Alliance



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Mercosur and the Pacific Alliance are the two main trading blocs in Latin America. They both aim for integration and cooperation in regional trade.

Mercosur was established in 1991 by Argentina, Brazil, Paraguay and Uruguay. Later, in 2012, they were joined by Venezuela. The Pacific Alliance was established in 2011 by Chile, Colombia, Mexico and Peru.

Geographically, the two trading blocs divide the region into two distinct areas: on the western side and facing the Pacific Ocean are the countries of the Pacific Alliance, and on the eastern side and facing the Atlantic Ocean are the Mercosur countries.

Similarities

Their goals at the time of being established were very similar. For Mercosur, these were the creation of commercial opportunities through the integration of the economies of the member states and the development of commercial relationships in the international market. The EU is currently in the process of negotiating a trade agreement with Mercosur.

Mercosur countries

Argentina
Brazil
Paraguay
Uruguay

The Pacific Alliance countries

Chile
Colombia
Mexico
Peru



For more information on Mercosur visit: www.mercosur.int

For more information on Pacific Alliance visit: www.alianzapacifico.net

Mercosur and Pacific Alliance continued

Mercosur makes its decisions through three main bodies: the Common Market Council, the Common Market Group and the Trade Commission, plus several smaller negotiating units which provide support to these bodies. It also has its own dispute resolution service for contractual matters.

The goals of the Pacific Alliance are the promotion of deep integration of the economies to move progressively towards the free movement of goods, services, capital and people, following a similar structure to that of the EU, and to strengthen their relationships with other countries internationally, with an emphasis on the Asia-Pacific region. The Pacific Alliance also enjoys a positive relationship with the EU.

The Pacific Alliance has a simple structure, working through the coordination between the ministries and agencies of the four member countries, but without a permanent secretary.

Differences

The formation of the Pacific Alliance was welcomed by the international community as a positive development for the region. There were concerns internationally that Mercosur was stagnating and becoming overly protective in its approach to international trade, being more focused on political rather than economic integration. Its intention, initially, was to create a customs union between the member states. However, this goal was not properly achieved, even though various countries within Mercosur have now declared their intention to progress this.

In addition, as part of the economic integration efforts of the Pacific Alliance, its member states created the Latin American Integrated Market (LAIM) in 2011, merging their stock markets in an attempt to make their markets more competitive internationally. MILA has become the largest equity market in Latin America. This is another example of the Pacific Alliance's success and the general success internationally of similar trading blocs. It also highlights the relevance of trading blocs in the current market in order to help individual countries succeed.

Conclusion

Both blocs combined represent more than 80% of Latin America's foreign trade and population, and they are significant investors in each other's economies. It is, therefore, not surprising that recently there have been integration efforts by both trading blocs, since they are facing common challenges in the region, such as falling prices for commodities and slow international growth. Chile, on behalf of the Pacific Alliance, has volunteered to act as a bridge between the two blocs. Argentina's new president, Mauricio Macri has also emphasised the importance of cooperating with the Pacific Alliance.

It will be interesting to see whether cooperation between the two blocs or full integration is possible. This would facilitate trade internationally as well, and not just trade between the member states of the two blocs.

COCATRAM and ROCRAM



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The maritime and port development of Latin America is heavily dependent on the work of two regional organisations, namely the Central American Commission of Maritime Transport (COCATRAM) and the Operative Network for Regional Cooperation of Latin American Maritime Authorities (ROCRAM). They both manage and promote environmentally sustainable and safe maritime policies with a view to making Latin America a competitive place in the world maritime trade.

COCATRAM

Key players

- Ministers Responsible for Central American Economic Integration (ROMRIECA)
- Ministers of Transport of Central America (REMITRAN)
- Central American Integration System (SICA)
- Sectoral Council of Ministers of Transport of Central America (COMITRAN)

History

During the 1980s, it was pointed out that the existing Central American maritime legislation was obsolete, fragmentary and did not contribute at all to the development of trade and maritime activities in the region. COCATRAM was set up in 1987 to act as the technical body of the Ministers of Transport of Central America to implement guidelines adopted by SICA and modernise legislation.

What is COCATRAM?

COCATRAM is now a specialised, technical body which forms part of the institutional framework of SICA. It adopts policies, measures, recommendations and decisions in different fields of shipping for implementation at regional and national level to promote harmonisation across the maritime sector.

COCATRAM advises COMITRAN and member governments on those policies and decisions, and ensures that they meet the guidelines established by SICA.

Its main office is currently in Managua, Nicaragua. COCATRAM is run by a board of directors representing both the public and private sectors' interests. Among these are the Federation of Chambers of Commerce of Central America, the Federation of Chambers of Exporters of Central America and the Association of International Transport Users Central. The extent and scope of its powers are set out in Resolution REMITRAN V-3-87, which establishes its composition and function.

Since its creation, COCATRAM has signed various agreements and received support from the International Maritime Organization (IMO) and United Nations Conference on Trade and Development (UNCTAD).

COCATRAM does not have unlimited powers. It cannot intervene in matters within the domestic jurisdiction of the member states.

At present, there are six member countries: Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama.

For more information on COCATRAM visit:
www.cocatram.org.ni

For more information on ROCRAM visit:
www.roccram.net

COCATRAM and ROCRAM continued

Mission

COCATRAM's main mission is to contribute to the effective development of maritime trade in Latin America by identifying, promoting and encouraging measures, policies and actions that comply with international regulations and standards. It aims to ensure efficiency of maritime transport and port services by protecting and representing regional interests.

Accomplishments

Thanks to the efforts of COCATRAM and the maritime administrations of its member countries, some partial results have been achieved towards modernising the maritime legislation, mainly through the ratification of, or accession to, numerous international conventions.

ROCRAM

History

In the early 1980s, although most Latin American countries were members of the IMO, they acted in their own interests within the organisation rather than as a group. At the time, it was felt that there could be great advantages in setting up a regional Latin American forum for cooperation, and the co-ordination of positions and exchange of information.

What is ROCRAM?

ROCRAM is a regional organisation that provides the operational network for cooperation among the maritime authorities of Latin America to improve maritime security in the region and promote the protection of the marine environment.

Its network includes Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela. The Secretariat of ROCRAM is currently based in Rio de Janeiro, Brazil.

Its role is to guide processes on maritime safety and security, the training and certification of seafarers, and the protection of the marine environment, and to ensure the implementation of maritime laws and IMO conventions.

Mission

- To promote cooperation between the maritime authorities through the exchange of information and documentation regarding the implementation of international conventions into domestic legislation.
- To facilitate maritime traffic, maritime passenger transport and telecommunications.
- To encourage cooperation between nautical institutes and maritime training centres in Latin America with a view to improving academic standards among seafarers.
- To prepare the maritime authorities to deal with casualties and establish mechanisms to facilitate emergency responses.
- To simplify shipping certification procedures.

Accomplishments

Members of ROCRAM, supported by the United Nations Development Programme (UNDP) and the IMO, have managed to solve key problems of the maritime sector through a number of initiatives, including:

- the *Latin American Agreement on Port State Control* (known as the Viña del Mar Agreement)
- the *Recommendations on Management of Human Resources in Maritime Administrations*
- guidelines regarding the safety of fishing vessels
- the adoption of a memorandum of understanding (MOU) on technical cooperation with the IMO.



ROCRAM's success is mainly due to the fact that since its beginning, important decisions have been taken meaning an increase in:

- actions, tasks and measures
- adoption of resolutions
- awareness of the capabilities, qualities and virtues of the member maritime authorities.

Conclusion

COCATRAM and ROCRAM work together in order to implement the IMO principles and enhance government cooperation to enact international maritime regulations at local and regional levels.

The club, through its Rio office and in the furtherance of ROCRAM's and COCATRAM's missions, has already worked with both organisations by participating and speaking at different events and workshops in the region.

Since 2006, the IMO and COCATRAM have had in place a MOU, whose terms meet the purposes of the IMO and the member countries of ROCRAM regarding cooperation between governments for effective implementation of the global maritime standards of the IMO and the maritime strategies adopted by ROCRAM.

SAPIC: Past, present and future of the South American P&I Correspondents Association



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South American P&I Correspondents (SAPIC) was created in July 2001 in Montevideo, Uruguay, by five South American P&I correspondents, having in mind an idea of cooperation and integration.

Origins

Mercosur and other initiatives originally gave some of the P&I correspondents in the region the opportunity to work together.

The correspondents realised that closer relationships would benefit not only the principles they had in common but also themselves, by capitalising on their experience, contacts and knowledge of the different local maritime markets in the region. The idea of creating a more formal organisation started to emerge.

Guided by these common aspirations, Cave y Cia Ltd of Valparaíso, Chadwick Weir Navegación SA of Montevideo, Pandi Liquidadores SRL of Buenos Aires, Representações Proinde Ltd of Santos and Van Herp & Frumento (P&I Services) Ltd of Paranaguá created SAPIC in July 2001, and the objectives and organisation of SAPIC were set.

SAPIC – the facts

SAPIC members aim to cooperate with each other in order to promote unity, development, efficiency and quality in the servicing of their principles.

SAPIC was conceived as an informal non-profit association in which each member retained its ability to conduct its own business.

Any independent South American P&I commercial correspondent with at least five years in the business and acting solely for P&I insurers or other similar marine underwriters can join SAPIC.

SAPIC is governed by the following principles: transparency, independence, communication, quality service, efficiency and mutual support.

It is the appropriate forum to discuss and solve common problems promoting regional integration and cooperation regarding marine, brown water and multimodal trade issues.

SAPIC has been extended to include Latin America as well as South America. Additionally and consequently, correspondents from Mexico and the USA have been accepted as members of this organisation.

The [SAPIC website](http://www.sapic.org) links to its members' websites and includes information on maritime laws, regulations and frequently asked questions on issues arising in each country. The site is constantly being updated and therefore is a useful source of information for clubs and members.

For more information on SAPIC
visit: www.sapic.org

An Annual General Meeting (AGM) takes place once a year. All members of SAPIC are invited to discuss the running, finances and projects of the association, including any new applications for membership.

The association currently has 11 members from eight different countries:

1. Pandi Liquidadores SRL (Buenos Aires, Argentina)
2. Van Herp & Frumento (P&I Services) Ltda. (Paranaguá, Brazil)
3. Representacoes Proinde Ltda. (Santos, Brazil)
4. Brazil P&I (Santos, Brazil)
5. Marventura Services Ltda (Bogotá, Colombia)
6. Cave y Cia. Ltda. (Valparaíso, Chile)
7. P&I Services Mexico SA DE CV (México, DF, México)
8. De Leo & Kuylenstierna PA (Miami, USA)
9. Chadwick Weir Navegación SA (Montevideo, Uruguay)
10. Venepandi (Caracas, Venezuela)
11. Globalpandi, SA (Puerto Cabello, Venezuela).

In the furtherance of its mission, in September 2015, SAPIC held its annual meeting in London, which was attended by all SAPIC's members and most P&I clubs. It gave SAPIC the opportunity to report on the difficulties faced in South America and to enhance existing long-standing relationships.

Benefits of SAPIC

SAPIC offers various benefits, providing an environment of unity and cooperation, and a forum for exchanging common experiences in the region to find local and regional solutions.

One example involved a collision between a member's ship and a Uruguayan Navy ship during berthing operations at a Brazilian port. The Uruguayan ship requested the arrest of the other vessel until a bank guarantee was provided.

A club Letter of Undertaking (LOU) from an International Group (IG) club was offered instead but was rejected by the commanding officer of the Uruguayan ship. Procedures to obtain a bank guarantee would have meant undue delays.

The Brazilian correspondent contacted the Uruguayan correspondent in order to assist. The Uruguayan correspondent contacted the commander of the Uruguayan ship and confirmed that an arrest of the ship would not be necessary, and the ship was subsequently released. Despite the fact that the correspondents operate in different countries and jurisdictions, regional cultures and idiosyncrasies are similar.

This network has proven to be advantageous and practical for the IG clubs, especially when dealing with day-to-day regional challenges.

Local and regional maritime authorities are sometimes unaware of particular clubs, but they are familiar with local correspondents and this of course works to the advantage of the clubs and their membership.

In summary, SAPIC shows how pooling correspondents' knowledge and expertise together with the clubs', helps to improve the service rendered to clubs and shipowners.

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Taylor**