

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

L/3364

20 March 1970

Limited Distribution

Original: Spanish

CENTRAL AMERICAN COMMON MARKET

Progress Report by the Secretariat of the General Treaty
of Central American Economic Integration

The representative in Europe of the secretariat of the General Treaty of Central American Economic Integration has submitted the following report on progress achieved in the Programme for Central American Economic Integration from June 1967 to May 1969.

Table of Contents

	Page
I. COMMON MARKET	4
1. Free trade	4
2. Uniform import tariff	5
3. Evolution of trade	5
4. Customs legislation	6
5. Other uniform legislation	6
II. INDUSTRIAL SECTOR	7
1. Integrated industries	7
2. Special System for Promotion of Productive Activities	7
3. Fiscal incentives to industrial development	8
4. Textile industry	9
5. Other industries	9
III. INTEGRATION IN THE AGRICULTURAL SECTOR	9
1. Co-ordination of price stabilization policies for staple cereals	9
2. Co-ordination in the cotton industry	10
3. Livestock	11
4. Fisheries project	11
5. Animal health	11
6. Agricultural research	12
7. Technical co-operation	13
IV. THE EXTERNAL SECTOR	13
1. Balance of payments	13
2. Commercial policy	15
(a) Institutional organization	15
(b) Latin American Common Market	15
(c) Relations with countries and groups of countries	16
(d) International conferences	16
3. Export promotion programme	17

	<u>Page</u>
V. DEVELOPMENT OF INFRA-STRUCTURE	13
1. Regional road network	18
2. Study of natural regions	18
3. Research into natural resources	18
4. Regional studies on road maintenance	19
5. Electrification and hydraulic resources	19
6. Maritime transport and harbour development	19
7. Airfields	20
8. Postal services	20
9. Telecommunications	21
10. Central American Air Safety Services Corporation (COCESNA)	21
11. Road transport services	21
VI. TECHNICAL ASSISTANCE	22
1. Technical assistance by SIECA to the countries	22
2. External technical assistance for the integration movement	22
VII. FINANCING OF ECONOMIC INTEGRATION	23
VIII. ACTIVITIES OF REGIONAL INSTITUTIONS	23
1. Central American Economic Council	23
2. Executive Council	24
3. Permanent Secretariat of the General Treaty (SIECA)	24
4. Economic Co operation Committee of the Central American Isthmus	25
5. Central American Bank of Economic Integration (BCIE)	25
6. Central American Research Institute for Industry (IC-ITI)	25
7. Central American Monetary Council (COMCA)	25
8. Central American Clearing House	26
9. Central American Institute of Public Administration (ICAP)	26
10. Organization of Central American States (ODECA)	26
11. Supreme Council of the Central American Universities (CSUCA)	26
IX. PROSPECTS	27
TABLES	28
ANNEX	36

I. COMMON MARKET

1. Free trade

With the expiry in June 1966 of the period prescribed in the General Treaty for the suspension of the special systems of exception to the rule of free trade, the process of annual incorporation of headings into the regional free-trade régime has been practically completed.

The 1,194 headings of the NAUCA¹ which had so far been incorporated in the system represent 93.6 per cent of the total. The eighty-two sub-headings which have not so far been incorporated in the system of unrestricted free trade include, on the one hand, products for which such treatment is conditional on signature of special agreements and on compliance with specific conditions, such as equalization of import duties for those products or for their raw material components, and, on the other hand, items which are excluded from free trade largely because of the existence of international agreements regulating trade in these products.

Various additional efforts have been made to incorporate further headings into the free-trade régime and to guarantee the application of that régime to goods already covered by it. As regards the inclusion of new headings, a Protocol to the General Treaty was signed at San Salvador on 12 October 1967 to eliminate from the system of exceptions to free trade the headings comprising paper and glass containers which had remained as exceptions in trade between Nicaragua and the other countries of the Common Market. Now that this Protocol has come into force, on 20 January 1968, and has subsequently been ratified by most of the countries, the system of unrestricted free trade is completely in force except between Nicaragua and Honduras, since the latter country has not yet ratified and therefore not deposited the instrument of ratification.

As regards the guaranteeing of free trade, action by the governments and by regional institutions has led to the solution of certain trade problems connected with uncertainty as to the origin of goods and, in some cases, with recourse to the provisions on unfair business practices. In this connexion, the Economic Council adopted Resolution No. 50 (CEC) at San Salvador on 27 March 1968 approving Regulations for the Settlement of Disputes which have been applied since that date by the Executive Council.

Since 1964 the Executive Council has been developing procedures for suspending customs duty exemptions granted on imports from outside Central America in the case of products for which substitutes are being produced under satisfactory conditions in the contracting States. To this end, improvements were made in the procedures for application of the provisions of Article IX of the General Treaty, which has tended to ensure that the entire Common Market would be open for products from the region and, more particularly, raw materials, semi-processed goods, packaging and packaging materials and capital goods.

¹Central American Uniform Tariff Nomenclature

2. Uniform import tariff

The Second Protocol of Managua to the Equalization Agreement and to the Agreement on the Régime of Central American Integrated Industries, signed on 1 July 1968 and in force as from 23 March 1969, contains provisions regarding tariffs as part of the development policy for the textile industry introduced by that instrument. As a result, some headings which had been equalized under earlier instruments were broken down and two headings were incorporated which had previously been awaiting equalization. As a result, uniform duties have been adopted for 1,514 headings, representing 97.5 per cent of the 1,551 headings in the tariff.¹

The Protocol of Guatemala City to the Tariff Equalization Agreement came into force on 4 May 1967. It incorporates forty-five headings in the uniform tariff, fifteen of these for immediate equalization and thirty for progressive equalization. It also provides for amendments to certain duties which had been equalized under earlier instruments.

The other existing instruments for equalization of tariffs continued to progress in their respective transition periods towards the stage of uniform duties for those headings which are included in the system of progressive equalization.

On 28 April the transition period for the Protocol of San José came to an end and this implied the inclusion in the uniform tariff of 120 headings which had been in process of progressive equalization.

3. Evolution of trade

Trade between the Central American countries continued to grow, and in 1968 reached an estimated total of CA\$260 million (Table 1).² The absolute increase as compared with 1967 was CA\$46 million or 21.6 per cent. The trend is still upwards but the relative amount of increase is less than in the preceding year.

Trade by countries (Tables 2A and 2B) shows a slight change from the traditional pattern. Guatemala and El Salvador continued in 1967 to account for the bulk of intra-regional imports and exports, but the third place, which had been held by Honduras, was taken in the case of imports by Nicaragua, although the

¹It should be pointed out, as has been done in earlier reports, that the total number of headings may vary as a result of the introduction of new paragraphs in the existing sub-headings, as has been done with a view to the equalization of the 2.5 per cent of the schedule which is still pending, or as a result of changing certain duties on which agreement had already been reached.

²The Central American peso (CA\$) is a unit of account created by the central banks of the area and is equivalent to one United States dollar (US\$).

difference in the figure was quite small; Costa Rica became the third largest exporting country in the Common Market. The country distribution of imports is reasonably proportionate, whereas exports are still concentrated between the three main suppliers, which account for 80.3 per cent of the total.

The commodity composition of trade (Table 3) shows the same characteristics as in previous years. Manufactured goods still predominate (Sections 6 and 8 of the NAUCA), amounting to CA\$103.7 million in 1967 or 34.4 per cent of the total. Foodstuffs (Section 0 of the NAUCA) come in second place with CA\$47.8 million or 22.3 per cent, followed by chemical products (Section 5) with CA\$32.9 million or 15.4 per cent. The other six sections represent between 9.02 per cent and 4.45 per cent.

The other tables included in the Annex to this report give figures for the total value of imports and exports, the share of Central American trade in total trade and the distribution of Central American trade by areas of origin and destination.

4. Customs legislation

At its thirty-seventh meeting the Executive Council examined the draft regulations on customs formalities for products covered by the free-trade régime. This draft, drawn up on the basis of Article 183 of the Central American Uniform Customs Code (CAUCA), was approved at the technical level by the second meeting of Directors-General of Customs held in April 1968, and is intended to simplify customs formalities for products originating in Central America.

The Council approved the draft regulations by Resolution No. 106 and recommended their approval by the Economic Council. The latter body has not yet considered the draft.

In addition, a draft protocol on uniform customs legislation, and a draft agreement on smuggling and tax evasion, are still pending before the Executive and Economic Councils.

5. Other uniform legislation

The Agreement for the Protection of Industrial Property, Trade Marks, Trade Names and Publicity Slogans or Signs, was signed in San José, Costa Rica on 1 June 1968.

Drafts for uniform legislation on patents of inventions and industrial designs and models, on bills of exchange and on commercial companies, as well as a harbour code are in various stages of preparation.

II. INDUSTRIAL SECTOR

1. Integrated industries

The Agreement on the Régime of Integrated Industries, signed at Tegucigalpa in 1958 and in force since 1961, is intended to promote the growth of industries whose capacity is so small that they must have access to the whole Central American market in order to operate under reasonably economic and competitive conditions.

At the present time three plants are operating under this Régime: one for tyres and tubes in Guatemala, and one for chlorated insecticides and one for chlorine and caustic soda in Nicaragua. The tariff protection provided for in the relevant Protocol for industries established in this latter country began to take effect in December 1967 and March 1968, when SIECA informed the Governments that the plants fulfilled the requirements laid down in the Protocol with respect to capacity and standards of quality.

The Second Protocol to the Régime, which declared the sheet glass industry as being an integrated industry and authorized, in accordance with the Agreement, a producing plant to be established in Honduras, came into force on 27 January 1968, when the third instrument of ratification was received, and has now become effective in all five countries since the fifth ratification was deposited on 14 May of this year. However, the plant has not yet been set up because certain details have still to be settled concerning the size and characteristics of the available market.

At present the responsible authorities are studying requests for other industries, such as pulp and paper, iron and steel, and man-made fibres, to be declared integrated industries.

2. Special System for Promotion of Productive Activities

The Special System for Promotion of Productive Activities, which was established by the First Protocol to the Agreement on the Régime of Integrated Industries, signed in San Salvador on 29 January 1963, came into force for all the countries except Honduras on 26 February 1965. In terms of this system, customs duties are established a priori at rates higher than those of the existing tariff when there is regional production and an installed capacity sufficient to cover at least 50 per cent of demand from the five countries. This instrument is used in special cases to prevent the immediate adoption of a protectionist tariff from adversely affecting the consumer because of a shortfall in domestic production.

The Second Protocol to the Agreement on the Régime of Integrated Central American Industries, signed on 5 November 1965, added the following products to the Special System: sulphuric acid, uncut absorbent paper in large rolls or in small rolls for sanitary use; toilet paper in sheets or in rolls; sheets or thin leaves of aluminium, with or without paper backing and whether or not printed (aluminium foil); and metal cylinders for compressed gases and similar containers which resist pressure but which are not soldered or have soldered bottoms.

Of the products mentioned, the metal cylinders industry is already covered by the protective charges, and the latter will shortly be extended to the sulphuric acid industry.

On 23 March of this year, with the coming into force of the Second Protocol of Managua to the Equalization Agreement and the Agreement on the Régime of Integrated Industries mentioned above, which was signed on 16 November 1967, the following products were added to the Special System: polyvinyl chloride and compounds thereof; shovels, picks, hoes; axes and spades without handles; mattocks; trinkets, jewellery and silverware; fluorescent tubes.

Of these products, the following have already been made subject to the corresponding charges: compounds of polyvinyl chloride and fluorescent tubes, for which it had been shown that the necessary production machinery and installed capacity existed. At present, action is being taken to extend the coverage to the manufacture of hand tools, and the factories in question have already been inspected to determine whether they satisfy the conditions. At the same time, the Executive Council has pending before it a number of other applications for inclusion in the system of certain products the manufacture of which the Governments wish to promote.

3. Fiscal incentives to industrial development

The Central American Agreement on Fiscal Incentives to Industrial Development establishes a uniform system of fiscal incentives with a view to stimulating the industrial development of Central America as a whole, thus unifying the national provisions on the subject, as well as co-ordinating their application in the various member countries.

The First Protocol to the Agreement deals with the concessions which Honduras can grant for the establishment or extension in its territory of manufacturing industries in excess of those already contemplated in the Agreement itself. The purpose of this instrument is to ensure that Honduras, which is relatively less developed in the manufacturing sector, should be able to attract more investment for industries to be established in its territory and thus extend its industrial basis.

Both the Agreement and the Protocol came into force on 23 March when the fifth instrument of ratification for the two instruments was deposited. Accordingly, the Economic Council has recommended to the Executive Council that it should revise the regulations which had been approved a few years ago so as to adapt them to recent developments in connexion with the administration of fiscal incentives.

In accordance with an express provision of the Agreement the signatory States must, within a period of not more than one year from its coming into force, sign a protocol establishing the fiscal incentives applicable to overall activities.

4. Textile industry

The Second Protocol of Managua lays down the regional policy for development of the woven cotton fabrics industry. That policy is based on the control of supply by programming investments in new plants, subject to certain limits of capacity which are laid down in the Protocol for each country. It should be pointed out that these provisions constitute the first concrete application of regional policy for a given branch of industry.

The Protocol lays down among other things the maximum producing capacity to be installed in the various countries up to 31 December 1970; it fixes a reasonably protectionist customs tariff and provides for the abolition of duty-free treatment for imports from third countries. It also contains provisions concerning finance, technical assistance and the training of workers.

At the present time studies are being made of the knitted fabrics industry and the man-made fibre industry, to serve as a basis for uniform policies in those branches of the textile industry.

5. Other industries

The Central American Research Institute for Industry (ICAITI) has undertaken studies at the request of SIECA in the industrial branches for fats and oils and pharmaceutical products which will serve as a basis for proposing policies designed to promote and develop those branches.

III. INTEGRATION IN THE AGRICULTURAL SECTOR

1. Co-ordination of price stabilization policies for staple grains

On 14 October 1967 a Special Protocol on Grains under the General Treaty (Protocol of Limón) came into force when the third instrument of ratification was deposited. This Protocol provides a basis for co-ordinating production and supply programmes for staple grains in Central America. The Protocol became effective for all five countries when the fifth instrument of ratification was deposited in February 1968.

The Co-ordinating Committee for Markets and Price Stabilization set up by the Protocol has held a number of meetings to consider questions concerning the harmonization of price stabilization policies. Its decisions have been based on studies submitted by SIECA in co-operation with the FAO Advisory Group for Central American Integration (GAFICA).

Among the more important activities of this Commission is the establishment of a price stabilization fund for staple grains to finance the purchase of such grains by the bodies responsible for regulating prices. The Commission submitted to the Central American Economic Council a draft request for co-operation from the FAO World Food Programme in setting up this fund. The Council approved this proposal in May 1969 and requested the Central American Bank to follow up the matter.

Under its terms of reference the Commission is empowered to fix each year co-ordinated guaranteed prices to producers which must be observed in all the countries. In carrying out this task the Commission, which previously had fixed minimum prices for two products only, has now for the first time established co-ordinated prices for the four staple grains (maize, beans, rice and sorghum) in accordance with the Protocol of Limón; these prices will remain in effect during the crop year 1969-1970. The regional bodies have also been asked to undertake studies which will enable guaranteed prices to be fixed in future on the basis of a common formula, adapted to conditions in the area.

Recognizing that uniform action on price stabilization calls for action by the regulating bodies to maintain uniform methods of operation over and above the measures just mentioned, the Commission, on the basis of studies made by SIECA, has decided to examine in the very near future the various measures which will have to be taken to attain this objective.

The Committee also approved the establishment of a system of weekly notices to inform the public throughout the area of the situation on the grain market of Central America and on trends in supply and demand in the five capital cities. This service is provided by SIECA and has been operating since September 1968.

2. Co-ordination in the cotton industry

The Central American Front for the Defence of Cotton, established by producers in the area, continued to be active on both a regional and an international basis. At the regional level the Front took steps to fix a minimum price for cottonseeds and was successful in having measures adopted to prohibit the use of industrial tallow in the production of foodstuffs, thus promoting the use of cottonseeds. In the international field the Front presents the co-ordinated views of the Central American producers at annual meetings of the International Cotton Advisory Committee. In this connexion the SIECA prepared a document "Cotton in Central America" containing recent figures on the development of this crop in the region. The Front has now decided on the joint position it will take at the forthcoming meeting of the Committee in Kampala, Uganda, next June, at which it will propose resolutions for restoring the balance of the world cotton market.

3. Livestock

The SIECA has considered the possibility of establishing on a regional basis a uniform register for the pedigrees of cattle. Studies are also being carried out to promote cattle-farming in Central America and Panama and concerning the marketing of meat at the regional level. These studies were begun by GAFICA and are being carried on by the FAO/IBD and FAO/IBRD groups. ICAITI has made proposals on quality standards for milk and milk products which are at present being considered by the countries and the regional organizations concerned.

In accordance with the provisions of the Protocol of San José, the Executive Council determined the first quotas for imports of powdered milk from third countries and those became effective on 1 January 1969.

4. Fisheries project

The five Central American Governments and Panama have since November 1966, with the help of the United Nations Development Programme and FAO, been working on a regional project for fisheries development. The purpose of the project is to increase production and consumption of fish products in the area, and to this end the following steps are being taken:

- (i) determining the potential of fishery resources which could be commercially developed;
- (ii) the development and management of existing fisheries;
- (iii) improvements in the methods of processing and marketing fishery products;
- (iv) consolidation of the administration and planning of fisheries.

The Central American Commission for Fisheries Development, established by the supreme authorities on the subject in each country, is responsible for decisions concerning the work to be done in developing the project, for which a director, with headquarters in San Salvador, is responsible.

The studies and research undertaken in connexion with the project are submitted periodically to the Commission.

5. Animal health

The Executive Council has expressed concern over the difficulties arising for unrestricted trade because of the existence of different health legislation in the various countries of the region. It has therefore instructed SIECA to take the necessary steps to have a study made with a view to simplifying and harmonizing the Central American legislations on health controls.

SIECA, in conjunction with the International Regional Organization against Plant and Animal Diseases (OIRSA), has commenced the preparation of a draft code on animal health and is now trying to find means of overcoming obstacles to free trade arising out of the application of provisions concerning plant and animal health.

6. Agricultural research

The Standing Committee for Agricultural Research held its second meeting at Tegucigalpa, Honduras, in November 1967. On that occasion an assessment was made of the state of agricultural research in the region and recommendations were made on procedures and priorities; a request was made to the IICA (northern zone), SIECA and BCIE to make a study and submit suggestions for the introduction and operation of comprehensive agricultural research programmes at regional level.

In the light of recommendations made by the Central American Co-operative Programme for the Improvement of Food Crops (PCCMCA) which was set up as a working group of the Standing Committee, the Pan-American Agricultural School (EAP) in Honduras has taken steps to set up a Regional Germ-Plasm Bank. Equipment for the Bank was supplied with the financial help of ROCAP in response to a request made by PCCMCA through SIECA.

At present the EAP is drafting regulations concerning methods for helping the countries to preserve seeds in establishments of this kind.

In the same connexion the School held the first international course in seed technology for Central America and Panama in September and October 1968. In view of the success of that course it is planning a second regional course which will deal with the harvesting, purification, preservation and storage of seeds.

On the basis of earlier studies undertaken by the Commission on Economic Co-operation with the financial help of the Inter-American Development Bank, SIECA has begun, in co-operation with the IICA (northern zone), to prepare a plan of agricultural regions within the Central American economy in order to guide the co-ordinated development of the area in the light of the particular characteristics of its resources.

So far a study has been completed of the situation in El Salvador (Stage I), and it is hoped that the experiment as carried out in that country will lead to the definition of a methodology which can be applied at regional level. Other stages in the plan, in which considerable progress has also been made, include agricultural zoning at the Central American level (Stage II), the compilation of bibliographical and cartographical information (Stage III), the training of professional staff (Stage IV), the regionalization at national level of the Central American countries and Panama (Stage V) and the integration of national studies (Stage VI).

The regional bodies which are helping to co-ordinate agricultural research in the area held a meeting in January 1969 to define the scope of their activities in the near future. The subjects on which agreement were reached include the short-term preparation of uniform legislation on the production and marketing of improved seeds; a regional programme for the collection and exchange of information on agricultural research; and the preparation of uniform integrated plans for agricultural research.

7. Technical co-operation

Work in connexion with the development of agriculture has been greatly helped by the increasingly active participation of two international organizations.

The FAO Advisory Group for Central American Integration (GAFICA), which was working at the branch office of the Economic Commission for Latin America in Mexico as part of the FAO/Central American Integration Scheme (FAO/CAIS) was transferred to the SIECA headquarters in January 1967 in order to co-operate in the Economic Integration Programme.

The Inter-American Institute of Agricultural Sciences (IICA) of the Organization of American States, which moved its Regional Director's office for the Northern zone to Guatemala in December 1964, has in recent years been co-operating more closely with SIECA, especially in its work connected with research, agricultural education and programmes of training and co-ordination of activities between the national institutions for agrarian reform.

In pursuance of an agreement signed in 1966 between the Inter-American Development Bank, the Organization of American States and the Government of Israel, this country established a mission to undertake a programme of technical assistance on land settlement in Central America. The mission has been working actively in the various countries and has had great success in organizing agricultural settlements and running short courses on land settlement for technicians from Central America and Panama.

Continued help has been received from the Government of the United States of America, which has provided technical and financial assistance through the local missions of AID and through ROCAP.

Recently a number of non-profit-making institutions from outside Central America have made preliminary contacts with certain national and regional bodies and have expressed an interest in assisting to promote agricultural development in Central America.

IV. THE EXTERNAL SECTOR

1. Balance of payments

The first indications of the existence of balance-of-payments problems in Central America were brought to the attention of the Directors of Planning when they met at San José, Costa Rica, in 1964, by the Joint Programming Mission for Central America.

The problem has become more acute in recent years as a natural result of the process of economic growth of the countries, which has been characterized by a tendency for imports from outside the region to increase much more quickly than exports or than the economy as a whole. Between 1961 and 1965, exports from Central America grew at the rate of 10 to 12 per cent per annum. However, this was not sufficient to cover the import needs which, during the same period, increased at the rate of 14 to 15 per cent per annum. This led to a growing trade deficit and a deficit in the current account of the balance of payments. The first of those rose from CA\$31.3 to CA\$103.5 million and the latter from CA\$45.1 to CA\$167.2 million.

The situation described in the preceding paragraph continued through 1967. The deficit on current account rose by more than 40 per cent and is now approximately CA\$242 million, while the international reserves of the region as a whole fell by CA\$21.3 million.

According to the information available, it had been foreseen that the expansion of economic activity would call for larger imports which could not be covered by exports and by inflow of capital. In those circumstances, what was required was to improve the means for restricting imports which the countries had already started to apply.

The numerous exchanges of views at various levels concerning the measures that should be taken to deal with this problem led to the signing in San José, Costa Rica, on 1 June 1968 of a Protocol to the General Treaty entitled "Emergency Measures to Safeguard the Balance of Payments". This Protocol was signed in the conviction that credit and monetary measures alone were not sufficient to restrict inflationary pressures and to reduce their effects on the level of international reserves.

The Protocol introduced an "economic stabilization tax" of general application which adds 30 per cent to the rates of import duties. This tax will be applied for five years as from the date on which the instrument came into force and will be supplemented by the possibility which has been granted to the countries to impose internal taxes on consumption at rates of up to 10 or 20 per cent in accordance with schedules contained in the Protocol.

The Protocol came into force on 9 November 1968 and is at present in force in Guatemala, El Salvador, Honduras and Nicaragua.

At the same time the Central American authorities are continuing to seek more effective means of acting together in monetary, banking and credit questions so as to contribute to a solution of the problem. One of the immediate steps has been the development by the Monetary Council of an agreement on monetary and exchange policy which is intended eventually to lead to the establishment of a Central American monetary union. Plans are also on foot for establishing a monetary stabilization fund composed of contributions from the countries concerned together with resources from abroad.

2. Commercial policy

(a) Institutional organization

International events, combined with the degree of progress which had been made by the Central American Common Market, made it necessary to take more concrete steps to develop a common trade policy which, in addition to strengthening the external sector of the economies, would lead to an improvement in the position of the region in dealings with third countries or groups of countries.

For this reason, in August 1967 the Economic Council adopted Resolution No. 44 (CEC) prescribing the methods by which Central American commercial policy should be conducted. The Resolution provides that the formulation and supreme administration of a common commercial policy in dealings with the rest of the world is a matter for the Economic Council, which should seek to harmonize the commercial policy of the region with the foreign policies of the countries by consultations and meetings with the Ministers of Foreign Affairs. The Executive Council is responsible for applying and administering the common commercial policy and, in so doing, it can count on the co-operation of the national foreign trade committees. SIECA is responsible for undertaking study and research to facilitate the tasks of both Councils.

(b) Latin American Common Market

In the Declaration of the American Presidents adopted at Punta del Este, Uruguay, in April 1967, it was resolved that a Latin American Common Market should gradually be developed based on the amalgamation of LAFTA and the CACM.

In order to give effect to this decision of the Presidents, a meeting of representatives of the standing Executive Committee of LAFTA and its Executive Secretariat with the Executive Council and General Secretariat of SIECA was held in July 1967. On that occasion it was proposed that, in accordance with the Punta del Este decision, there should be an integrated Co-ordinating Committee established by agreement and subsequently approved by each of the higher bodies in both systems of integration. The instruments of ratification of this agreement were exchanged at the joint meeting of Ministers of Foreign Affairs, of LAFTA and of the CACM countries, held at Asunción, Paraguay, in September 1967, and on the same occasion a list of priorities for the work of the Co-ordinating Committee was drawn up.

The Committee held its first meeting at Port of Spain, Trinidad and Tobago, in October 1968 when it approved its standing orders and laid down the principles to govern the economic integration of Latin America. It also gave preliminary consideration to the possibility of drawing up sub-regional integration agreements, and proposed that industrial complementarity agreements should be open for participation to all the Latin American countries. It also dealt with the establishment of tariff preferences in Latin America, according to the relative degree of development of the various countries, and it further decided to introduce a standstill for import restrictions in Latin America.

The subjects described in the previous paragraph were included in the programme of work for more detailed study. The secretariats will lay down the terms of reference for putting the programme into effect and will undertake the necessary co-ordination. It is further provided that a meeting of government experts will be held which will submit a report with recommendations to the Co-ordinating Committee as part of the work on commercial and tariff policy.

(c) Relations with countries and groups of countries

In accordance with a resolution of the Economic Council, a study was made which led to a decision to continue negotiations for the complete incorporation of Panama in the Common Market. In due course officials of the Central American countries and Panama will meet to continue the negotiations.

As regards relations with Mexico and Spain, the Economic Council has designated the Executive Council to represent Central America on the committees which are to be set up to study the various possibilities of economic co-operation with those countries. Both committees will meet for the first time during the present year.

(d) International conferences

The delegations of the Central American countries have continued to co-ordinate their activities and, as far as possible, take a uniform line in various international conferences and meetings.

On the occasion of the second UNCTAD Conference, the countries put forward common views at the preliminary meetings in Bogota and Algeria, at the Conference itself and at meetings of the Trade and Development Board. In this connexion it may be pointed out that Guatemala and Costa Rica were appointed members of the Board and that four countries - Guatemala, Honduras, Nicaragua and Costa Rica - are members of various committees. The Central American countries are making every effort to ensure that effective results will be obtained by the special Committee on Preferences, and they hope that the Committee on Shipping will soon produce resolutions which can be applied in the short term. As regards international conferences on specific products, the authorities of the Common Market paid special attention to the preparatory meetings and the actual United Nations Conference on Sugar, which was held in Geneva in 1968, and which approved the International Sugar Agreement, 1968.

As a result of the joint action taken by the Central American delegations on that occasion the Common Market will be considered as one unit for allocation of basic tonnages for export.

With regard to this agreement, the Central American countries consider that, although they were successful in having the quota allocation made to them jointly, the quota is still too low in view of the present and potential volume of sugar production in the area. At future conferences, they will continue to press for an allocation which corresponds to the real amount of sugar production in the region.

In the meantime, SIECA is continuing, through its representative in Geneva, to maintain relations with the Secretariat of UNCTAD, with GATT and with other international bodies in Europe. From time to time it represents the governments at meetings of those bodies.

3. Export promotion programme

The promotion of exports to third countries is a matter to which great attention has been paid at the national and the regional level in recent years. From 1964 onwards, various recommendations have been made to governments to increase and diversify their exports in the belief that the successful application of development plans depends, to a very great extent, on the ability of the region to obtain foreign exchange.

The first joint meeting of the Economic Council, the Monetary Council and the Finance Ministers of Central America, held at Managua in November 1967, recommended the creation within SIECA of an office which would be responsible for promoting exports.

In March 1968, on the basis of an agreement signed by the Secretary-General and the President of the Central American Bank of Economic Integration (BCIE), a body known as the "Joint SIECA/BCIE Programme for the Promotion of Exports" began to operate within the framework of SIECA. The activities of this Joint Programme have been directed mainly to deciding what should be included within an export programme. The initial work has brought out the magnitude and complexity of the task, and the most recent activities have been to seek suitable means to be adopted in the public and private sectors.

The group consisted at the outset of a Co-ordinator and a Secretary, but the staff has been increased by officials detached from SIECA and the Central American Bank. Emphasis has been put on counselling for the setting up in each country of bodies to be responsible for promoting exports; other activities of the group have covered information, sales promotion, market research, training, technical assistance, finance, quality control, export credit guarantees and transport.

The Directorate of the Central American Bank and the Secretary-General of SIECA recently approved a detailed programme of activities for the future which will be submitted shortly to the supreme authorities of the Common Market for consideration.

V. DEVELOPMENT OF INFRA-STRUCTURE

1. Regional road network

The governments have continued to carry out the Central American road plan approved at the first meeting of Ministers of Economy, Communications and Public Works held at Guatemala City in 1963. This plan provides for the construction of thirteen regional roads with a total length of 5,321 kms. The construction of the network is to be financed by BCIE, through its Integration Fund, and by credits from other sources. It is estimated that by 1968 3,368 kms. had been built; the remaining work will call for expenditure of CA\$124 million of which BCIE will finance CA\$89 million, leaving CA\$31 million to be covered from other international sources of credit and contributions from governments.

2. Study of natural regions

In 1966 and 1967, the Permanent Secretariat made a study of the natural regions of Central America and established contact with government offices responsible for making similar studies at the national level in Guatemala, El Salvador and Honduras so as to ensure co-ordination of the work.

As part of this study of regions, certain areas which offer possibilities for multi-national development have been identified, as follows: Gulf of Honduras, Gulf of Fonseca and the Basin of the San Juan River. On the occasion of the joint meeting between the Economic Council and the Central American Institute for Public Administration in July 1968, the Ministers of Economy of the countries in whose territory those regions are situated requested financial assistance from the Inter-American Development Bank to determine the multi-national projects which might be contemplated. For this purpose SIECIL drew up terms of reference for the initial activities, and in November 1968 a mission from the Inter-American Development Bank, which had been asked to consider the request by the Ministers, visited the areas in question and submitted a report which is now being considered by the Bank with a view to deciding on the financing requested.

3. Research into natural resources

Atlases of physical resources in El Salvador, Honduras, Nicaragua, Costa Rica and Panama have now been published, and those contain cartographical information concerning the soil, ecology, hydraulic resources, rainfall and infra-structure (roads, electricity, hospitals and schools). The atlas for Guatemala is in course of preparation.

In addition, the countries have continued their national programmes of surveys for basic maps on a scale of 1:50,000.

4. Regional studies on road maintenance

The study on road maintenance prepared by SIECA and BCIE in 1966 is being revised, both as regards the analysis of the situation and the recommendations made therein. The results will be submitted to a meeting of Directors of Highways. It is intended to set up working parties to consider the recommendations made, and in that way to ensure the participation of all bodies concerned in the matter.

The results of the deliberations will be submitted to a joint meeting of the Economic Council and the Ministers of Public Works, which will take the necessary decisions.

In the meantime the Central American Bank has decided, as part of its credit operations, to finance the purchase of maintenance equipment subject to the condition that the loan will not be handed over until an appropriate programme has been submitted for the maintenance of paved networks, including road signs and signals, and supervision of load weights.

5. Electrification and hydraulic resources

The Central American Sub-Committee on Electrification and Hydraulic Resources has set up three working parties; one on standardization, one on inter-State links and one on charges. The first of those groups has begun to study the possible unification of standards, systems of distribution and codification of materials. The second has laid down guidelines for the preparation of a Central American Agreement on Inter-State Electricity Links, which will provide a general basis for formal bilateral and multilateral contracts and which provides for the creation of a Central American Commission for Inter-State Electricity Links. The third working party has studied the establishment of uniform accounting and statistical systems, and has examined the comparative situation as regards costs of electric energy in the region. The final results of the work of those groups will in due course come before the Sub-Committee.

The Governments, with financial help from the United Nations Development Programme, have set up a Central American Hydro-meteorological Network which will operate for a period of five years and will evaluate rainfall and study hydro-meteorological conditions in the region.

6. Maritime transport and harbour development

The Working Party of the Transport Sub-Committee of the Economic Co-operation Committee held two meetings: the first at San Salvador in November 1967 and the second at Guatemala City in September 1968.

At the first meeting the Working Party laid down general lines of policy to be followed in its discussions, and considered the possibility of setting up a Central American Commission of Harbour Authorities, a Central American Association of Users of Maritime Transport and a Central American Shipowners' Association.

At its second meeting the Working Party approved a draft request to be submitted to the Central American Economic Council for the establishment of the Central American Commission of Harbour Authorities as a technical advisory body to the Council. This Commission was established by Resolution No. 58 (CEC) of the Council, and will hold its first meeting next June.

Also in the course of the second meeting the Working Party drew up preliminary draft standing orders for the Commission and considered the establishment of uniform accounting and statistical systems with a view to facilitating the study of the costs of harbour operations. It made arrangements for the publication of uniform statistics on the subject and for the simplification of documents to be produced by ships, and for ensuring that such documents complied with the provisions of international conventions.

In February 1969 an extraordinary Central American meeting on maritime transport was held at Guatemala City for the purpose of exchanging views on the possible consequences of the expected increase in freight rates and to determine what steps could be recommended to the Governments to meet the situation.

SIECA is preparing a study on the main lines of shipping policy, the results of which will be submitted to the Commission.

7. Airfields

The extension of the Las Mercedes Airport in Nicaragua has been completed, and air terminals have been built at Guatemala City, Managua and San Pedro Sula. Proposals are at present being considered for extending the El Cocco Airport in Costa Rica, and studies are being made for the site of the new Tegucigalpa airport.

8. Postal services

In December 1966 the first meeting of Directors of Postal Services, convened by the Central American Institute of Public Administration, was held at San José, Costa Rica. At that meeting the Directors exchanged views on the problems of surface transport of mail within the region, and decided, for an experimental period, to have the mail carried in a vehicle to be provided by the Guatemala Postal Service and which would make the round between the five capitals, the cost being met jointly by the five countries.

The second meeting of Directors of Postal Services was held at Guatemala City in February 1968, having been convened by SIECA at the request of the Directors themselves. At that meeting an assessment was made of the results of the experiment begun as a result of the first meeting, and it was found that the operation of the service was very slow and costly in view of the small volume of mail that was carried. SIECA was therefore asked to make a study of the problems of the region as regards surface transport of mail. SIECA has completed this study, and its principal recommendations include the following: (1) To enter

into contracts with road transport services existing in the region¹ for the daily despatch of letters and parcels, it being thought that a maximum of three days would be required to reach the most distant capitals in the region; (2) training of Post Office staff, including the establishment of a Central American school for this purpose.

9. Telecommunications

In April 1966 the Governments signed a treaty setting up the Regional Technical Telecommunications Commission (COMTELCA) for the purpose of co-ordinating the construction of the Central-American telecommunications network based on uniform specifications. The contracts were to be allotted on the basis of a joint tender. The construction of the network would be financed by the Central-American Bank, which has made loans to each Government to finance the part of the work for which it is responsible. It is hoped that the network will be completed within two years and will have a capacity of 960 channels linking up the capitals of the Central-American countries and the city of San Pedro Sula, with connexions with Mexico and Panama and a third outlet for the rest of the world which may possibly be via satellite.

10. Central-American Air Safety Services Corporation (COCESNA)

The Central-American Governments set up COCESNA in 1960 under the management of the Directors-General of Aviation. The Corporation has the sole operating right for all the communication facilities and navigational aids for air traffic in Central America.

The Corporation has made considerable progress in the construction of facilities for air navigation as prescribed by ICAO, including the operation of radio beacons, VOR and DME for the main airports of the region. In addition, channels are being rented from the National Telecommunications Departments for inter-regional services. In March 1969 the Central-American Bank granted the Corporation a loan of CA\$300,000 to extend its installations, which include a number of additional channels to be rented from the National Telecommunications Departments.

11. Road transport services

The Permanent Secretariat is making a study of the situation of road transport services in the region which will include an enquiry into transport undertakings, undertakings making use of road transport and official bodies connected with the supervision of transit, including passage through frontier posts. The information thus collected will be used as a basis for outlining a policy of road transport services for the area.

¹At present mail is being despatched by sea, using international services, or in part by rail.

VI. TECHNICAL ASSISTANCE

1. Technical assistance granted SIECA to the countries

Economic programming activities have continued to be developed in the main within each country. The regional organizations, and particularly SIECA, have restricted their activities to giving advice to the countries in drawing up their national plans and have carried out research work at regional level.

The advice given includes co-operation in the preparation of plans for medium-term action in Costa Rica, El Salvador and Nicaragua and in the preparation of an annual operation plan for the public sector in Honduras. SIECA also co-operated with Costa Rica in preparing an operational plan for public and industrial investment to be put into effect in 1969. Advice was given to the Planning Office and to INSAFI in El Salvador in the preparation of a five-year plan, and to the Planning Office and INFONAC in Nicaragua for the preparation of an economic development plan for 1969-1973. In Guatemala assistance was given in the macro-economic evaluation of basic industrial projects.

As regards regional action, SIECA, OAS and ECLA formed a working party to analyze the financial requirements of the countries during the next few years, including the preparation of a comparative study of their secondary structures and the possibilities of harmonizing national systems. A budget was also drawn up for preliminary programmes of the main regional organizations for 1969.

Progress has been made in developing an inter-institutional programme for co-ordinated studies by BCIE/ICAITI/ECLA/SIECA.

Information on programming activities for different sectors is given in other sections of this document.

2. External technical assistance for the integration movement

During 1967, 1968 and 1969 the Permanent Secretariat as well as other regional institutions continued to receive valuable help from various organs of the United Nations, the Inter-American Development Bank, the Organization of American States and the Government of the United States, working through ROCAP.

Conversations have also been begun with certain other friendly governments and with a number of private foundations with a view to extending the fields of activity for which external co-operation might possibly be obtained.

VII. FINANCING OF ECONOMIC INTEGRATION

The financing body of the integration movement is the Central American Bank of Economic Integration, whose authorized capital increased over the period covered by this report from US\$40 million to US\$60 million. In addition, the Governments have approved a guarantee capital of a further US\$40 million as backing for the institution's bond issues.

In the past two years, the Bank has succeeded in doubling its resources by contracting loans and credit lines with international financial organizations and friendly governments. Thus, at 30 April 1969 the Bank's resources were in the vicinity of CA\$250 million, of which CA\$215 million were of external origin.

The Central American Economic Integration Fund, whose establishment was reported at the end of the third session of the Inter-American Economic and Social Council in 1964, is the main financing source for infrastructure projects of regional or multinational interest, and has been administered by the Central American Bank. At 30 April 1969 the aggregate resources of the Fund were equivalent to CA\$122.5 million, of which approximately one half had been obtained since June 1967.

As regards utilization of these resources, as of 30 April 1969 existing loans by the Bank amounted to CA\$150 million, of which CA\$52 million (34 per cent) were intended for industry, CA\$88 million (59 per cent) for infra-structure and CA\$10 million (7 per cent) for housing. The foregoing operations were carried out by means of almost 200 loans to the member countries.

With a view to mobilizing increased resources for financing the integration effort, and in accordance with the guidelines set forth in point 38 of the "Viña del Mar Action Programme", an advisory group composed of representatives of SIECA, the Central American Bank, ICAITI, ECLA, IDB, OAS, AID, IBRD, and IMF, met in Washington in September 1968. At the meeting, estimates were drawn up of the financing requirements of the integration process for the coming two years, and the bases were established for the work to be done in order to mobilize those resources.

VIII. ACTIVITIES OF REGIONAL INSTITUTIONS

Some of the more important activities of the institutions responsible for the direction, co-ordination and execution of the Programme have already been mentioned in earlier sections of this report; accordingly, here we shall merely summarize their activities during the period under consideration. It should be noted that these institutions have established closer relations among themselves, in order to ensure better co-ordination of activities.

1. Central American Economic Council

The Economic Council has held six meetings at which it approved various agreements, protocols and regulations that had been submitted to it; it established the meeting of Director-General of Customs as an advisory body of

the Executive Council; it adopted a plan for immediate action in pursuance of the Economic Integration Programme; and it attended to other matters for which it has responsibility under the Integration Treaties. In addition, it held two joint meetings with the Monetary Council and the Central American Ministers of Finance and a second meeting with the Monetary Council¹ in order to discuss measures for dealing with the region's balance-of-payments problems.

In July 1968, the Economic Council held a meeting at Guatemala City with the Inter-American Council of the Alliance for Progress (CIAP), the first meeting of this kind to be held in the continent, to study ways of ensuring more effective and speedy financial and technical assistance for the five countries.

The Council visited Washington D.C. in February 1968 to discuss with United States officials some of the problems of external origin with which the Central American Common Market is confronted. Similarly, with a view to maintaining closer relations with the European Economic Community, the Council has arranged to visit the member countries of the Community in the near future. In this connexion, the Secretary-General of SIECA went to Brussels in June 1968 to prepare for the visit.

2. Executive Council

The Executive Council held twelve meetings in the period covered by this report, to consider matters connected with the administration of the Common Market. It also examined matters referred to it by the Economic Council, including questions relating to the balance-of-payments problem which are reported in another section of this document, and it examined draft legal instruments submitted to it by SIECA. The last of these twelve meetings was beginning at the time when this report was prepared, with a view to considering draft implementing regulations for the Central American Agreement on Fiscal Incentives for Industrial Development.

3. Permanent Secretariat of the General Treaty (SIECA)

SIECA has continued to carry out enquiries and studies and to prepare documentation for meetings of the various bodies of the General Treaty and of the committees and auxiliary bodies. In co-operation with the Secretariat of the Central American Monetary Council, SIECA carried out enquiries and prepared background material to enable decisions to be taken for dealing with the region's balance-of-payments problems.

The tariff project in which SIECA has been engaged jointly with ICAP was extended until 1970, under an agreement recently negotiated with ROCAP. An Export Promotion Programme has been launched jointly with the Central American Bank of Economic Integration and this is reported on in the relevant section of this document.

¹The first had been held in January 1967.

4. Economic Co-operation Committee of the Central-American Isthmus

The Statistical Co-ordination Sub-Committee of the Central-American Isthmus held its second extraordinary meeting at Guatemala City in November 1968, to examine the content and coverage of the 1970 censuses. On that occasion, it adopted Resolution No. 58 (SC.2) under which various measures were recommended to governments for carrying out censuses of population, housing and agriculture in 1970, in accordance with the American Census Programme (COTA-1970).

5. Central American Bank of Economic Integration (BCIE)

The main financial activities of the Bank are summarized above in Section VIII. In addition, the Bank has taken an active part in the identification and preparation of projects of regional or multinational interest.

6. Central American Research Institute for Industry (ICAITI)

During the period covered by this report, ICAITI carried out technical and economic studies for international and regional bodies, integration organizations, national organizations and for the private sector; it gave advisory assistance to industries in the region and carried out analyses, tests and experiments on products of those industries; it continued its research work designed to identify raw materials in the area with a view to their industrial utilization, or to promote new uses for raw materials already known; it drew up new quality standards, and expanded its training programmes in the field of research techniques.

7. Central American Monetary Council (COMCA)

The Secretariat of the Monetary Council has been working on the bases for an additional monetary protocol to the General Treaty, with a view to harmonizing, co-ordinating or unifying the monetary policies of the member countries as a prior step towards attaining a monetary union. Under the Agreement, the Council and its Secretariat would be established on an institutional basis, and the groundwork would be laid for a common market of capital guaranteeing full convertibility of the currencies of the five countries.

The Council is also studying possibilities for establishing a Central American Monetary Stabilization Fund designed to afford temporary financing to associated countries in order to help them to restore balance-of-payments equilibrium in the event that their international monetary reserves fell to a level that might disrupt payments relations within the Common Market.

In co-operation with the Central American Central Banks, the Council is endeavouring to strengthen existing payments mechanisms. In this connexion it is examining the possible establishment in the near future of a Central American traveller's cheque and a Central American bill of exchange which would help to expedite payments within the Common Market.

In addition, and as mentioned in other sections of this document, the Secretariat of the Council has participated actively in the work leading up to the signature of the San José Protocol on Measures to Safeguard the Balance of Payments.

8. Central American Clearing House

At 31 December 1968, operations by the Clearing House within the Common Market had reached an amount of CA\$222,556,000, representing the highest annual level of clearing transactions ever carried out by the Clearing House since its establishment in July 1961, and an increase by CA\$42.2 million (24.5 per cent) over the level of clearing transactions carried out in 1967, which had reached nearly CA\$180.4 million. This increase is also the largest since the Clearing House began operations.

It is estimated that payments through the Clearing House represent approximately 85 per cent of all transactions within the Common Market. The difference is accounted for by frontier trade which does not usually use banking services, and by commercial transactions effected on credit terms.

9. Central American Institute of Public Administration (ICAP)

The Institute continued its technical and general training programmes for personnel in the public sector. In February of the current year the governments signed a new agreement with the United Nations Development Programme, providing for the continuing financing of the Institute's activities.

In addition, a new agreement was signed between ICAP and SIECA on the one hand and ROCAP, on the other hand, with a view to continuing activities under the joint tariff project.

10. Organization of Central American States (ODECA)

The Conference of Ministers of External Relations, which is the main body of ODECA, held its third regular meeting in December 1967, and the fourth commenced in January 1969. On these occasions the Ministers examined matters connected with the smooth working of the Organization, and set up bodies to deal with specific matters.

The technical councils and committees of the Organization have continued to hold meetings to attend to matters within their purview.

11. Supreme Council of the Central American Universities (CSUCA)

The Council, which was set up by the National Universities of Central America and Panama, has continued its efforts to raise the cultural, social and economic level of the peoples of the Isthmus, to disseminate the ideal of Central American union and to contribute to those aspects within its purview in connexion with the achievement of economic integration.

IX. PROSPECTS

By reason of the dynamic character of the Integration Programme, periodic reviews afford an opportunity not only to evaluate progress but also to redefine objectives in the light of the stage of progress achieved.

At the present time, the final stage has been reached in liberalizing intra-regional trade and adopting a common tariff to be applicable to imports from the rest of the world. For this reason the meeting of Central American Presidents, held at San Salvador in July 1968, when it evaluated the results already achieved, defined the new tasks to be undertaken within the Programme. The Declaration of Central American Presidents which was issued on that occasion includes the new guidelines set by the supreme political authorities of the region for the Common Market bodies.

From the operative aspect, the targets set forth in the Declaration have been stated in practical terms in Resolution No. 54 of the Economic Council, adopted at Tegucigalpa on 22 March of this year, by which the Ministers of Economy of the Central American countries decided as follows:

- "1. To set the following central objectives of the Central American Economic Integration Programme, for the next stage of its implementation:
 - (a) the establishment of a customs union between the constituent territories, in a gradual and progressive way and in conformity with the provisions of Article I of the General Treaty;
 - (b) the co-ordination and harmonization of national policies on industrial, agricultural, monetary and infrastructure matters, in accordance with the requirements of the Common Market and of the formation of the customs union;
 - (c) the creation of a common capital market and the establishment of conditions to facilitate and promote free movement of workers at regional level;
 - (d) joint action to safeguard exports by the Central American countries to international markets and, in general, improvement of their economic relations with third countries."

TABLE 1

INTRA-CENTRAL AMERICAN TRADE

Revised figures

(CA\$'000)

	Central America		Guatemala		El Salvador		Honduras		Nicaragua		Costa Rica	
	Total	Annual	Total	Annual	Total	Annual	Total	Annual	Total	Annual	Total	Annual
1950	8,626		1,777		2,894		2,528		451		976	
1951	10,192	18.2	967	-45.6	5,597	93.4	2,456	-2.9	755	67.4	417	57.3
1952	10,813	6.1	1,149	18.8	4,980	-11.0	2,622	6.8	1,281	69.7	781	87.3
1953	11,393	10.0	940	-18.2	6,669	33.9	2,512	-4.2	1,345	5.0	427	-45.3
1954	14,038	18.0	1,132	20.4	7,858	17.8	2,409	-4.1	2,177	61.9	462	8.2
1955	13,106	-6.6	1,577	39.3	6,841	-13.0	2,550	5.9	1,542	-29.2	596	29.0
1956	13,689	4.4	1,586	0.6	8,064	17.9	1,644	-35.5	1,466	-4.9	929	55.9
1957	16,916	23.6	1,843	16.2	8,677	7.6	2,758	67.8	2,755	87.9	883	-5.0
1958	21,146	25.0	2,281	23.8	10,504	21.1	4,608	67.1	2,721	-1.2	1,032	16.9
1959	28,681	35.6	3,110	36.3	12,489	18.9	5,192	12.7	4,016	47.6	3,874	275.4
1960	32,676	13.9	7,584	143.9	13,491	8.0	5,311	2.3	2,776	-30.9	3,514	-9.3
1961	36,806	12.6	8,867	16.9	14,663	8.7	6,353	19.6	2,877	3.6	4,046	15.1
1962	50,848	38.2	11,228	26.6	22,058	50.4	8,911	40.3	5,343	85.7	3,308	-18.3
1963	72,098	41.8	19,747	75.9	27,923	26.6	13,258	48.8	7,353	37.6	3,817	15.4
1964	106,188	47.3	26,357	33.5	39,234	40.5	18,004	35.8	14,308	94.6	8,285	117.1
1965	135,503	27.6	31,530	19.6	42,406	8.1	25,480	41.5	21,395	50.7	14,692	77.3
1966	174,734	28.9	33,834	7.3	52,032	22.7	34,053	33.6	31,659	48.0	23,156	57.6
1967	213,958	22.4	42,104	24.4	54,506	4.8	40,754	19.7	42,373	33.8	34,221	47.8
1968	260,001 ¹	21.6										

¹Preliminary.

TABLE 2 A
INTRA-CENTRAL AMERICAN IMPORTS BY COUNTRY 1963-1967

Revised figures

(CA\$ million)

	1963	1964	1965	1966	1967
Central America	72.1	106.2	135.5	174.7	213.9
Guatemala	19.7	26.4	31.5	33.8	42.1
El Salvador	27.9	39.2	42.4	52.0	54.5
Honduras	13.3	18.0	25.5	34.0	40.8
Nicaragua	7.4	14.3	21.4	31.7	42.3
Costa Rica	3.8	8.3	14.7	23.2	34.2
<u>Percentages:</u>					
Central America	100.0	100.0	100.0	100.0	100.0
Guatemala	27.3	24.9	23.3	19.3	19.7
El Salvador	38.7	36.9	31.3	29.8	25.4
Honduras	18.4	17.0	18.8	19.5	19.1
Nicaragua	10.3	13.4	15.8	18.1	19.8
Costa Rica	5.3	7.8	10.8	13.3	16.0

TABLE 2 B

INTRA-CENTRAL AMERICAN EXPORTS BY COUNTRY 1963-1967

Revised figures

(CA\$ million)

	1963	1964	1965	1966	1967
Central America	72.1	106.2	135.5	174.7	213.9
Guatemala	20.8	30.0	38.4	55.0	65.7
El Salvador	28.7	35.2	46.1	57.5	75.1
Honduras	14.0	18.3	22.2	21.5	23.5
Nicaragua	4.2	6.9	9.9	14.9	18.6
Costa Rica	4.4	15.8	18.9	25.8	31.0
<u>Percentages:</u>					
Central America	100.0	100.0	100.0	100.0	100.0
Guatemala	28.9	28.3	28.3	31.5	30.7
El Salvador	39.8	33.1	34.0	32.9	35.1
Honduras	19.4	17.2	16.4	12.3	11.0
Nicaragua	5.8	6.5	7.3	8.5	8.7
Costa Rica	6.1	14.9	14.0	14.8	14.5

TABLE 3
INTRA-CENTRAL AMERICAN TRADE BY NAUCA SECTIONS 1966-1967

Revised Figures

(CA\$'000)

Section	Description	1966		1967	
		Value	% of total	Value	% of total
	TOTAL	173,915	100.0	213,958	100.00
0	Foodstuffs	39,082	22.5	47,797	22.30
1	Beverages and tobacco	2,358	1.4	3,250	1.50
2	Crude materials other than foodstuffs	6,178	3.6	6,975	3.20
3	Fuels and lubricants	1,893	1.0	4,384	2.10
4	Fats and oils	5,221	3.0	5,390	2.50
5	Chemicals	25,428	14.6	32,898	15.40
6	Manufactures, by material	50,791	29.2	63,025	29.48
7	Machinery and transport equipment	7,539	4.3	9,506	4.50
8	Miscellaneous manufactures	34,269	19.7	40,683	19.00
9	Miscellaneous transactions	1,156	0.7	50	0.02

TABLE 4
EXTERNAL TRADE
TOTAL VALUE OF IMPORTS AND EXPORTS
(\$ million)

		Total	Guatemala	El Salvador	Honduras	Nicaragua	Costa Rica
Imports CIF	1953	339.0	79.5	73.4	62.0	50.4	73.7
	1954	380.8	86.3	86.7	59.0	68.2	80.6
	1955	415.3	104.3	91.9	62.0	69.6	87.5
	1956	469.3	137.7	104.7	66.9	68.8	91.2
	1957	525.1	147.4	115.0	79.0	80.9	102.8
	1958	510.5	149.7	108.0	75.6	77.9	99.3
	1959	472.5	134.0	99.5	69.5	66.8	102.7
	1960	514.1	137.9	122.4	71.8	71.7	110.4
	1961	495.8	133.6	108.7	72.0	74.4	107.2
	1962	552.1	136.0	124.8	79.8	98.2	113.3
	1963	652.6	171.1	151.7	95.1	110.8	123.8
	1964	770.4	202.1	191.1	101.6	137.0	138.6
	1965	889.3	228.3	200.6	121.9	160.3	178.2
	1966	937.0	207.6	220.0	149.0	181.9	178.5
	1967	1,030.4	247.1	223.9	164.8	203.9	190.7
Exports FOB	1953	380.1	88.9	89.6	67.2	54.5	79.9
	1954	403.8	95.7	105.0	55.6	62.8	84.7
	1955	414.6	98.7	106.9	48.1	80.0	80.9
	1956	434.0	116.3	112.7	72.4	65.1	67.5
	1957	465.8	108.8	138.5	63.9	71.2	83.4
	1958	450.2	102.5	116.0	68.7	71.1	91.9
	1959	431.5	102.1	113.4	67.2	72.2	76.6
	1960	440.1	112.7	116.8	61.9	62.9	85.8
	1961	454.1	110.2	119.1	72.3	68.4	84.2
	1962	513.7	114.5	136.3	79.8	90.2	93.0
	1963	589.1	151.5	153.8	81.9	106.8	95.0
	1964	673.4	164.4	178.1	91.8	125.2	113.9
	1965	761.3	185.8	188.7	126.0	149.0	111.8
	1966	836.9	226.1	188.9	144.2	142.2	135.5
	1967	856.5	197.9	207.2	155.9	151.7	143.8

TABLE 5

SHARE OF INTRA-CENTRAL AMERICAN TRADE IN TOTAL EXTERNAL TRADE 1953-67

(in CA\$ million)

	IMPORTS CIF			EXPORTS FOB		
	Total	From Central American countries	%	Total	To Central American countries	%
1953	339.0	11.9	3.5	380.1	11.9	3.1
1954	380.8	14.0	3.8	403.8	14.0	3.5
1955	415.3	13.1	3.2	414.6	13.1	3.2
1956	469.3	13.7	2.9	434.0	13.7	3.2
1957	525.1	16.9	3.2	465.8	16.9	3.6
1958	510.5	21.1	4.1	450.2	21.1	4.7
1959	474.0	28.7	6.1	431.5	28.7	6.7
1960	514.2	32.7	6.4	440.1	32.7	7.4
1961	495.8	36.8	7.4	454.1	36.8	8.1
1962	552.1	50.8	9.2	513.7	50.8	9.9
1963	652.5	72.1	11.0	589.1	72.1	12.2
1964	770.4	106.2	13.8	673.4	106.2	15.8
1965	889.3	135.5	15.2	761.3	135.5	17.8
1966	937.0	174.7	18.6	836.9	174.7	20.9
1967	1,030.4	213.9	20.8	856.5	213.9	25.0

TABLE 6A

IMPORTS BY THE AREA, BY ORIGIN 1966-67

ORIGIN	1966		1967	
	Value in CA\$'000	% of total	Value in CA\$'000	% of total
1. United States	386,331	41.2	410,085	39.8
2. European Economic Community	144,932	15.5	148,857	14.5
3. European Free Trade Association	64,378	6.9	73,370	7.1
4. Central American Common Market	174,734	18.6	213,958	20.8
5. Latin American Free Trade Association	49,122	5.2	49,529	4.8
6. Japan	60,921	6.5	76,022	7.4
7. Caribbean Free Trade Association	3,939	0.4	3,294	0.3
8. Council for Mutual Economic Assistance	2,353	0.3	2,544	0.2
9. Rest of the World	50,249	5.4	52,736	5.1

TABLE 6B
EXPORTS FROM THE AREA BY DESTINATION 1966-67

DESTINATION	1966		1967	
	Value in CA\$'000	% of total	Value in CA\$'000	% of total
1. United States	285,542	34.1	292,974	34.2
2. European Economic Community	198,159	23.7	191,088	22.3
3. European Free Trade Association	39,147	4.8	32,855	3.8
4. Central American Common Market	170,284	20.3	205,648	24.0
5. Latin American Free Trade Association	3,123	0.3	3,278	0.4
6. Japan	88,102	10.5	84,386	9.9
7. Caribbean Free Trade Association	2,992	0.4	3,363	0.4
8. Council for Mutual Economic Assistance	719	0.1	534	0.1
9. Rest of the World	48,825	5.8	42,423	4.9

ANNEX

STATUS OF INSTRUMENTS FOR CENTRAL AMERICAN ECONOMIC INTEGRATION
AS AT 31 MAY 1969

1. Regional Agreement for Temporary Importation of Vehicles by Road, signed by the five Governments on 8 November 1956. In force in all the countries.
2. Multilateral Central American Free Trade and Economic Integration Treaty, signed by the five Governments on 10 June 1958. In force in all the countries.
3. Agreement on the Central American Industrial Integration Régime, signed by the five Governments on 10 June 1958. In force in all the countries.
4. Central American Agreement on Movement by Road, signed by the five Governments on 10 June 1958. In force in all the countries.
5. Central American Agreement on Uniform Road Signs and Signals, signed by the five Governments on 10 June 1958. In force in all the countries.
6. Central American Agreement on the Equalization of Import Duties and Charges, signed by the five Governments on 1 September 1959. In force in all the countries. Entered into force on 29 September 1960.
7. Protocol on Central American Tariff Preference to the Central American Agreement on the Equalization of Import Duties and Charges, signed by the five Governments on 1 September 1959. All the countries have deposited instruments of ratification. Under Article IV of the General Treaty, the Protocol is not applicable to trade in products subject to special régimes which are excepted from free trade.
8. Treaty of Economic Association, signed by Guatemala, El Salvador and Honduras on 6 February 1960. In force between the three countries.
9. General Treaty for Central American Economic Integration, signed on 13 December 1960 by Guatemala, El Salvador, Honduras and Nicaragua. In force for Guatemala, El Salvador and Nicaragua since 4 June 1961; for Honduras since April 1962, and for Costa Rica since 9 November 1963.
10. Instrument of Accession to the General Treaty, signed unilaterally by Costa Rica at San José on 23 July 1962. The corresponding instrument of ratification was deposited by the Government of that country on 23 September 1963.

11. Protocol to the General Treaty containing lists of articles subject to transitional régimes of exception from free trade between Costa Rica and the other countries of the Region, signed by the five Governments on 16 November 1962. In force in all the countries. Entered into force on 9 November 1963.
12. Agreement establishing the Central American Bank of Economic Integration, signed on 13 December 1960 by Guatemala, El Salvador, Honduras and Nicaragua. In force as between them since 1961, and for Costa Rica since September 1963.
13. Instrument of Accession by Costa Rica to the Agreement establishing the Central American Bank of Economic Integration, signed by the Government of that country at San José on 23 July 1962. The corresponding instrument of ratification was deposited on 23 September 1963.
14. "Managua Protocol" to the Central American Agreement on the Equalization of Import Duties and Charges, signed by Guatemala, El Salvador, Honduras and Nicaragua on 13 December 1960. In force as between the five States, including Costa Rica. Entered into force on 4 June 1961.
15. Protocol signed by the five Governments on 31 July 1962, providing for Costa Rica's accession to the "Managua Protocol". In force in all the countries since 26 December 1963.
16. "San José Protocol" to the Central American Agreement on the Equalization of Import Duties and Charges, signed by the five Governments on 31 July 1962. In force in all the countries. Entered into force on 29 April 1964.
17. Central American Agreement on Fiscal Incentives for Industrial Development, signed at San José by the five Governments on 31 July 1962. In force in all the countries since 23 March 1969.
18. "First San Salvador Protocol" to the Central American Agreement on the Equalization of Import Duties and Charges, signed by the five Governments on 29 January 1963. In force in all the countries. Entered into force on 11 October 1964.
19. Protocol to the Agreement on the Central American Industrial Integration Régime, signed at San Salvador by the five Governments on 29 January 1963, "First Protocol to the Régime". Ratified by Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica. In force since 26 February 1965 for Guatemala, El Salvador and Costa Rica, and since 31 August 1965 for Nicaragua.

20. Protocol to the General Treaty setting forth the Central American Uniform Customs Code. Signed by the five Governments on 13 December 1963. In force since 6 February 1965 for Guatemala, Nicaragua and Costa Rica and since 14 June 1967 for El Salvador.
21. "Guatemala Protocol" to the Central American Agreement on the Equalization of Import Duties and Charges, signed by the five Governments on 1 August 1964. Instruments of ratification were deposited by Costa Rica on 2 March 1965 and by Nicaragua on 8 October of that year. Guatemala deposited the corresponding instrument on 26 April 1967. In force since 4 May 1967.
22. Special Central American Agreement on the Equalization of Import Duties and Charges on Woven Fabrics of Rayon and other Man-made Fibres, signed on 7 February 1965 and known as the "Special Agreement". In force for all the countries. Entered into force on 27 January 1968.
23. Special Protocol on Grains (Limón Protocol). Signed at Limón, Costa Rica, on 28 October 1965. In force for all the countries. Entered into force on 14 October 1967.
24. Second Protocol to the Agreement on the Central American Industrial Integration Regime, signed on 5 November 1965. Known as the "Second Protocol to the Régime". In force for all the countries. Entered into force on 27 January 1968.
25. "Second San Salvador Protocol" to the Central American Agreement on the Equalization of Import Duties and Charges, signed on 5 November 1965. In force for Guatemala, El Salvador, Nicaragua and Costa Rica. Entered into force on 14 October 1967.
26. Treaty on Telecommunications between the Republics of Nicaragua, El Salvador, Guatemala and Honduras. Signed at Managua on 29 April 1966. Costa Rica has acceded to this Treaty under the provisions of the Transitional Article thereof. Instruments of ratification were deposited by Guatemala on 17 June 1966, by El Salvador on 13 November 1966, by Honduras on 29 September 1966, by Costa Rica on 18 January 1968. In force since 18 November 1966.
27. Protocol to the Central American Agreement on Fiscal Incentives for Industrial Development (Honduras Preferential Treatment Protocol). Signed at Managua on 23 September 1966. In force for all the countries since 23 March 1969.

28. Protocol to the General Treaty for Central American Economic Integration, to extend free trade to paper and glass containers, as between Nicaragua and the other countries. Signed on 12 October 1966. Instruments of ratification deposited by Guatemala on 5 October 1967; by El Salvador on 14 March 1969; by Nicaragua on 12 January 1968; by Costa Rica on 31 May 1968. In force for these countries.
29. Charter Establishing the Organization of Central American States, signed on 12 December 1962. In force in the five countries since 30 March 1965.
30. "Second Managua Protocol" to the Central American Agreement on the Equalization of Import Duties and Charges, signed on 16 November 1967. Deposited by Guatemala on 17 March 1969; by El Salvador on 14 March 1969; by Nicaragua on 18 January 1968; by Costa Rica on 25 October 1968. In force since 23 March 1969.
31. Protocol to the Treaty for Central American Economic Integration (Emergency Measures to Safeguard the Balance of Payments), signed on 1 June 1968. Instruments of ratification deposited by Guatemala on 31 October 1968; by El Salvador on 30 October 1968; by Honduras on 21 March 1969; by Nicaragua on 3 July 1968. In force since 9 November 1968.
32. Central American Agreement for the Protection of Industrial Property, signed on 1 June 1968. Instrument of ratification deposited by Nicaragua on 6 January 1969.