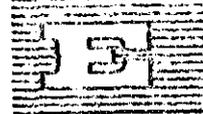


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Santiago, Chile, 7 April 1958

PROGRESS REPORT BY THE SECRETARIAT
ON THE CENTRAL AMERICAN ECONOMIC
INTEGRATION PROGRAMME

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A progress report (E/CN.12/431) on economic integration up to 15 May 1957 was presented on that date during the seventh session of the Economic Commission for Latin America, held at La Paz, Bolivia. The present document deals with the progress achieved since then to March 1958.

During this interval the Central American Economic Co-operation Committee has not met. The fifth session of the Committee is provisionally scheduled for April 1958.

A. General status of the integration programme

In the course of the period under review, progress has been made in the efforts to co-ordinate more closely and to develop certain activities forming part of the industrial infrastructure of Central America - such as electric energy and transport - as well as in the preliminary steps towards the gradual establishment of a multilateral free-trade system and integrated industrial development. A start has been made in some new fields, as, for instance, that of housing, which have a bearing on the integration programme; the activities and organization of the Central American Research Institute for Industry, founded under the Programme in 1956, have been established on a firm footing; and the Advanced School of Public Administration for Central America, which has been functioning since 1954, has continued to render valuable service in the field of vocational training. Studies have been carried out and other preparatory work undertaken for the next session of the Committee, which will be held at Tegucigalpa, probably in April.

B. Formation of the common market

1. Free trade. During the period under consideration, the Central American Governments have promoted discussion within each country of the draft multilateral free trade and economic integration treaty, endorsed by the Committee at its fourth session, held in Guatemala early in 1957; in February and March, consultations were held between representatives of the

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Ministers of Economy, with a view to reaching agreement on the schedule appended to the instrument and to the early signature of the latter. These consultations have been held in compliance with paragraph 3 of resolution 37(CCE), adopted by the Committee at its fourth session. Meanwhile, the secretariat has been studying the fiscal implications of the equalization of tariffs and free trade, as well as the legal and institutional problems attendant upon the application of the multilateral treaty, and will prepare a report on the subject for the next session of the Committee.

2. Equalization of tariffs. The fourth session of the Central American Trade Sub-Committee was held at San Salvador (Republic of El Salvador), from 23 to 27 September 1957. At this session the study on methods of computing import duties for purposes of comparison presented by the ECLA secretariat (E/CN.12/CCE/SC.1/31/Rev.1) was approved, and the most effective procedures for the equalization of customs tariffs were discussed on the basis of a document prepared by an expert of the Technical Assistance Administration (E/CN.12/CCE/SC.1/34-TAA/LAT/13). The Sub-Committee also recommended various measures designed to facilitate the negotiations which will be conducted in due course to establish the common tariff system provided for in the draft multilateral treaty. The report of the Sub-Committee (E/CN.12/CCE/106) will be presented at the fifth session of the Economic Co-operation Committee.

In connexion with the Standard Central American Customs Nomenclature, consultations have been arranged through the secretariat so that agreement may be reached on points involving classification problems.

C. Integrated industrial development

1. Central American Integration Industries. The Central American Governments have also consulted public opinion in their respective countries regarding the draft agreement on central american integration industries, endorsed by the Central American Economic Co-operation Committee at its fourth session.

2. Central American Industrial Initiatives Commission. From 24 to 29 January 1958, a further session of the Central American Industrial

/Initiatives Commission

Initiatives Commission - or, more specifically, its Working Group on the Textile Industry - was held at Managua, a decisive step thus being taken along the road to industrial co-ordination and integration. The meeting took note of a report prepared by a United Nations Technical Assistance Administration expert on the status of the textile industry in Central America (TAA/LAT/8). It was decided to recommend the formation of a Central American textile industries federation, and preliminary discussion was held on certain specialization criteria; in addition, several recommendations on the integration of the industry were adopted. The text of these resolutions is given in the relevant report (E/CN.12/CCE/109), which will be submitted to the Committee at its fifth session.

3. Pulp and paper industry. Further advances have been made towards the establishment of a pulp and paper industry in Honduras, based on the timber resources of the Olancho area. Experts from the Food and Agriculture Organization have completed the surveys relating to an inventory of forest resources, and have begun to consider such problems as a network of approach roads to the site, systems of forest conservation and protection, and the area's available water potential; a TAA expert will shortly embark upon the study of possible ways of financing the project.

4. Insecticides industry. Candidates are being considered for the appointment of an expert to examine, in co-operation with the Central American Research Institute for Industry, the possibilities for the establishment of an insecticides industry, pursuant to paragraph 5 of resolution 40 (CCE), adopted by the Committee on 23 February 1957.

D. Development of the industrial infrastructure

1. Transport. From 3 to 10 October 1957, the second session of Central American and Panamanian Road Traffic Authorities was held at San Salvador. It took note of and discussed certain problems connected with the development of transport in Central America. Two documents prepared by United Nations Technical Assistance Administration experts were presented at this session, one entitled Standardization of Central American road traffic regulations^{*} (TAA/LAT/15), and the other Preliminary draft of a manual of specifications for road-building in Central America.^{*}

* Translator's note: These are unofficial translations of the titles.

The session considered and endorsed a draft Central American agreement on road traffic submitted by the expert, and recommended that it be provisionally applied forthwith and subsequently signed by the Central American Governments. It was decided that standard requirements for the issue of driving permits should be adopted, and other related topics were discussed, which will be further studied at subsequent sessions and by the Governments themselves. The first two chapters of the Manual on road-building were approved, and machinery was set up for proceeding with the relevant study with a view to its adoption at a later date. All these proceedings are set forth in the relevant report (E/CN.12/CCE/105), which will be presented to the Economic Co-operation Committee at its fifth session at Tegucigalpa.

The first session of Central American Road Traffic Authorities in February 1957 had already approved a Central American Manual of Road Signs and Signals and had reached agreement on other matters connected with transport, such as interconnecting frontier points on international highways, limits for the weight and dimensions of vehicles and other equally important topics. In 1956 a regional agreement had been signed for the temporary importation of road vehicles.

The secretariat is preparing a report to bring up to date the study on Transportation in Central America (E/CN.12/356).^{1/}

2. Electric energy. A Meeting of Central American Electric Power Officials took place from 20 to 30 November 1957, at San José, for the purpose of discussing the report prepared by an UNTAA expert on the status of the electrical industry in Central America (TAA/IAT/9) and of dealing with market problems, economic exploitation, tariffs and other matters of equal importance for electricity development. At this meeting, the officials were brought up to date regarding the present status of the

^{1/} Published in Spanish under the title El transporte en el Istmo Centroamericano (United Nations publication, Sales No:1953.VIII.2), September 1953.

electrical industry; energy sources were evaluated; and development plans and problems were examined. At the same time, consideration was given to the possibilities of integrating and co-ordinating the grids of the Central American countries; estimates of the future Central American energy market were analysed; and comparative studies were made of the forms of exploitation, tariff systems and relevant legislation in the various Central American countries, with the object of profiting from the experience of each country. The meeting also recommended to the Economic Co-operation Committee that it should establish a Central American electrification sub-committee and a documentation and information centre to help secure the necessary co-ordination and integration in that field in the future. Technical assistance needs were also assessed, and it was recommended that a request should be made for the provision of experts to meet those needs. The results of these discussions are contained in the report of the meeting (E/CN.12/CCE/107) which will be submitted to the Economic Co-operation Committee at its next session in Tegucigalpa.

E. Agricultural and livestock development

The studies on the development of production and the industrial exploitation of agricultural and livestock products have followed their normal course. FAO experts seconded to the Integration Programme have concluded the studies relating to the livestock and dairy industry and also to cotton production. The first is an economic study which deals with the improvement of the quality of products and their distribution and trade throughout Central America. The second consists of a complete analysis of the technical problems the solution of which might bring about an increase in the production of high-quality fibre. It also examines the Central American cotton economy from the standpoint of international market prospects and of the present possibilities of reducing costs substantially.

With the continuing technical co-operation of FAO, the study on the fishing industry has progressed in conformity with the plans and suggestions made in the previous report. In 1957 the work was concentrated

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in El Salvador, but this year it will be extended to the other countries of Central America. The overriding aim is to improve the exploitation of already known resources which have been already incorporated in the economy. The study and inventory of potential fishery resources will be left until later.

In 1957, the secretariat began a study on the supplies of rice, maize and beans in Central America and Panama. The intention was to evaluate the needs of the six countries during the next few years and to suggest the necessary measures to achieve reasonable levels of Central American self-sufficiency in the supply of these commodities. The study seeks to determine those aspects which hold out hopes of multi-national action, including the integration of the production of certain inputs, the Central American cereal trade and the co-ordination of programmes for stabilizing and controlling the markets.

The secretariat is also studying future demand for certain of the main export commodities and their possible supply, with a view to providing Governments with the criteria on which to base suitable external trade policies.

F. Improved utilization of resources

1. Technological research and advice. For this purpose the Central American Research Institute for Industry was established in 1956. During the period under review it entered into full operation. During this time it has given considerable technical advice in response to requests by Governments, State agencies and private firms. It has undertaken, or is undertaking, studies which include the conservation of fruit and vegetables, the manufacture of dehydrated soaps, the rehabilitation of a mine, the utilization of sulphurous raw materials, the modernization of a mint, the dairy industry, the textile industry, the manufacture of oils and fats, the fuel alcohol industry and many others. The cost of these studies is usually met by the agencies or persons concerned.

2. Training of personnel for public administration. The Advanced School of Public Administration for Central America (ASPACA), which was founded in 1954, has completed another year of work. It has thus finished

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a programme involving about 200 students recruited from among the best qualified persons in administrative circles. Besides general teaching on public administration, courses have been given on many subjects including fiscal and budgetary administration and the administrative aspects of local government, harbours, statistics, education, public works, personnel etc.

3. Training of industrial staff. ILO experts in co-operation with the Research Institute for Industry have carried out programmes designed to improve labour productivity.

Consideration is being given to other training projects for private enterprise for the purpose of training managerial staff and skilled workers.

G. Social problems

1. Housing. A meeting was held at San José, from 10 to 16 November 1957, on the problems of housing, building industries and construction materials in Central America and Panama. It was attended by more than 80 persons including representatives of State organizations responsible for carrying out governmental housing programmes in the countries concerned and representatives of private building and constructional industries. The preparation and conduct of the meeting was organized jointly by the Housing, Building and Planning Branch of the United Nations Bureau of Social Affairs, the Technical Assistance Administration, the Pan-American Union and the Inter-American Housing Centre.

The main problems arising in this field were discussed, and a series of recommendations were adopted with a view to furthering and promoting house-building activities as well as the constructional industries; the establishment of standardization programmes for the building industry and the materials themselves so as to produce uniformity in the design of building elements and in the production of materials; the technical training of skilled workers; technological research in this field; and the provision of technical assistance by international bodies.

At the same time thought was given to modern systems of town planning,

/and recommendations

and recommendations were made concerning the adoption of town planning schemes and suitable legislation on this subject. Certain methods of financing housing and community improvement programmes, public services and planning schemes were also considered.

The recommendations adopted were embodied in the report (E/CN.12/CCE/104) which will be submitted to the Economic Co-operation Committee at its fifth session at Tegucigalpa.

2. Demographic questions. The expert appointed by the Technical Assistance Administration to study demographic problems in Central America and their relationship to the economic development of the region has almost completed his work. He devoted particular attention to the connexion between population trends and Central American economic integration. The study was requested by the Committee in resolution 27(CCE), adopted on 21 January 1956.

H. Integration of supplementary activities

1. Statistics. The Statistical Co-ordination Sub-Committee held its third session in Guatemala from 25 to 30 March 1957. This represented a step forward towards the standardization of statistical methods and procedures throughout Central America. As a result of the work of this session, recommendations were adopted on foreign trade, transport and statistics pertaining to industry, agriculture and livestock, forestry and demography, which, generally speaking, were immediately acted upon by the appropriate Government departments. A preliminary discussion was held on certain aspects of the preparations for the 1960 census and a programme of work for the following year was drawn up. The report submitted to ECLA at La Paz mentioned this session. The relevant report is contained in document E/CN.12/CCE/104, which will be presented to the Economic Co-operation Committee at its Tegucigalpa session.

By agreement with the Economic Co-operation Committee, a course was held in Mexico, in September 1957, on external trade indices for Central American officials working in this field. The Technical Assistance Administration co-operated in this project and appointed a professor from the Inter-American Training Centre for Economic and Financial Statistics
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of the Organization of American States.

During the period under discussion the Central American Statistical Compendium (E/CN.12/487) was completed and published.^{2/} This is the first document presenting statistics for Central America as a whole in an easily comparable form.

2. Weights and measures. Work has been completed on the study on weights and measures carried out by a TAA expert in compliance with resolution 7(CCE), adopted on 7 May 1955 during the Committee's extraordinary session. The study includes an inventory of the various systems of weights and measures used in Central America and recommendations for the effective application of the decimal metric system in the five Central American countries.

3. Customs regulations. The revised draft of the Customs Code, prepared by a new TAA expert, has been completed. The document will be discussed by the Trade Sub-Committee in the course of the present year.

I. Co-operation between the secretariat and other international bodies

As hitherto, the ECLA secretariat has maintained close and constant co-operation with the Regional Representative of the Technical Assistance Board and with the Technical Assistance Administration of the United Nations, as well as with the specialized agencies, particularly with the Food and Agriculture Organization, the International Labour Organization and the United Nations Educational, Scientific and Cultural Organisation, in the development of the regional technical assistance programme. It has taken part in two sessions of the Working Group on technical assistance, which includes representatives of the agencies mentioned and of ECLA.

The secretariat has likewise worked most profitably, within its terms of reference, with the Pan American Union, the specialized agencies of the inter-American system and the bodies created under the Technical

2/ Published in Spanish only, under the title Compendio Estadístico Centroamericano (United Nations publication, Sales N°: 1957.II.G.8). The English title is unofficial.

Assistance Programme of the Organization of American States. Thus the Statistical Co-ordination Sub-Committee has been able to rely at all times upon the co-operation of the Inter-American Statistical Institute, and as regards integration programme activities, when the time came to study and discuss the problems of housing and statistics, the Inter-American Housing and Planning Center and the Inter-American Training Center for Economic and Financial Statistics contributed actively in those aspects of the work falling within their respective fields.