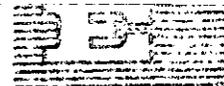


UNITED NATIONS

ECONOMIC
AND
SOCIAL COUNCIL



GENERAL

E/CN.12/AC.50/3

2 January 1962

ENGLISH

ORIGINAL: SPANISH

ECONOMIC COMMISSION FOR LATIN AMERICA
COMMITTEE OF THE WHOLE

Eighth session

Santiago, Chile, February 1962

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

At its ninth session the Commission took cognizance of the Report of the Central American Economic Co-operation Committee (E/CN.12/OCE/224),^{1/} which reviews activities under the Economic Integration Programme between 2 September 1959 and 13 December 1960 (the closing date of the seventh session of the Committee), and the report of the secretariat covering the period up to April 1961.^{2/} A brief account of the work carried out from May to December 1961 is given below.

I. GENERAL STATUS OF THE INTEGRATION PROGRAMME

During 1961, the phase of effective operation of the Central American common market began, with the entry into force of the treaties signed in December 1960: i.e. the General Treaty on Central American Economic Integration; the Protocol to the Agreement on Equalization of Import Duties and Charges; and the Agreement Establishing the Central American Bank for Economic Integration. This Bank, with its head office in Tegucigalpa, Honduras, and the Permanent Secretariat of the General Treaty, with its headquarters in Guatemala City, Guatemala, were established and entered operation. Steps to ensure the early application of the provisions of the General Treaty were taken in the following fields. With respect to tariff equalization, standard levels of duties and charges constituting almost the whole of the Central American common tariff were negotiated and agreed upon, and a draft Central American customs code was prepared. An agreement establishing standard fiscal incentives to industrial development was also drafted. Furthermore, the Governments considered specific possibilities for industrial specialization and formulated a draft agreement, determining the first six integration industries which will supply the needs of the member countries' market.

In addition, a Central American Seminar on Programming Techniques was organized and carried out; and progress was made in the work relating

^{1/} E/CN.12/552. United Nations Publication, Sales No.: 60.II.G.7.

^{2/} See E/3486 (E/CN.12/573/Rev.1), pp. 16 et seq.

to the preparation of a Central American highway plan and to regional co-operation in respect of electric power, agricultural development and housing. With a view to the implementation of resolution 80 of the Economic Co-operation Committee, studies were begun on the economic repercussions of the incorporation of Panama in the Central American Integration Programme.

II. FINANCING OF INTEGRATION

The Central American Bank for Economic Integration

The Agreement Establishing the Central American Bank for Economic Integration came into force on 8 May 1961. At the end of that month the first session of the Board of Governors of the Bank was held in Tegucigalpa, Honduras, at the headquarters of the new institution. At this session steps were taken to put the Bank into operation; the Board of Directors was appointed and a provisional programme of activities was adopted, together with the internal rules of procedure. The Bank's initial subscribed capital amounts to 16 million dollars, made up of equal contributions from each of the member countries (El Salvador, Guatemala, Honduras and Nicaragua), and its main objective is the financing and promotion of industrial and infrastructural projects which will contribute to the integrated development of the national economies concerned.

The secretariat co-operated in the establishment of the new institution preparing preliminary studies as groundwork for the drafting of the relevant Agreement by representatives of the member Governments. It also collaborated with the Preparatory Commission in the formulation of a provisional investment plan on the basis of which to determine the possible financing requirements of the area in the Bank's fields of investment, and the supply of funds likely to be available for the fulfilment of the aims of the Agreement.

III. TARIFF EQUALIZATION AND CUSTOMS LEGISLATION

Pursuant to the resolutions adopted by the Economic Co-operation Committee at its seventh session, the processes of equalizing import duties and charges on goods from third countries and formulating standard customs legislation were considerably expedited.

At the eleventh session of the Trade Sub-Committee some of the official base values already discussed at the previous session were negotiated and new items were equalized. This meant that over 90 per cent of the projected common tariff had been covered. At the date of preparation of the present report, standard duties are in force for 50 per cent of the tariff items.

In August 1961, an ad hoc working group of the Trade Sub-Committee, composed of customs experts, met to prepare a draft Central American standard customs code, based on a preliminary version which had been formulated with the co-operation of a BTAO expert. At the same time, work was begun on the drafting of regulations designed to ensure the uniform application both of the common tariff and of the standard tariff nomenclature in the member countries. With the same end in view, and in co-operation with the secretariat, a course on customs administration and a seminar on the application of the Central American common market treaties were held at the Advanced School of Public Administration for Central America (ESAPAC), the participants including customs officials from the Central American countries.

In January 1962, the Trade Sub-Committee will hold its twelfth session to complete the tariff negotiations and to formulate a new protocol to the Treaty on Equalization which will put the finishing touch to the work of establishing a common tariff for Central America, and will lay down the legislative regulations for its uniform application in the member countries.

IV. INTEGRATED INDUSTRIAL DEVELOPMENT

In compliance with the instructions of the Economic Co-operation Committee^{3/} and the provisions of the common market treaties in the field of integrated industrial development, the following sessions were held.

1. Equalization of fiscal incentives to industrial development

With a view to the implementation of article XIX of the General Treaty and of resolutions previously adopted by the Economic Co-operation Committee (50 and 85 (CCE)), two sessions of the Working Group on Equalization of Fiscal Incentives to Industrial Development were held at Guatemala City, Guatemala.

At the first of these, which took place in July 1961, the Group formulated provisional bases for a Central American agreement on fiscal incentives to industrial development. At the same time, it recommended to the secretariat that the latter should prepare a preliminary draft agreement, with due regard to these bases and to the relevant comments by Governments.

This first draft was considered by the Group at its second session, held in November, and, as the final stage of the work, the Group then drafted a proposed Central American agreement on fiscal incentives to industrial development, which will be submitted to the consideration of the Economic Co-operation Committee at its next session, and, if the Committee approves it, to the Governments of the member countries for their signature.

2. Integration industries

The Agreement on the Régime for Central American Integration Industries was signed at Tegucigalpa, Honduras, on 10 June 1958, by the Governments of the five Central American countries. It has so far been ratified by

^{3/} See resolution 84(CCE).

Guatemala, El Salvador, Honduras and Nicaragua. The Central American Governments, with a view to the early application of this instrument, adopted all its provisions as part of the General Treaty on Central American Economic Integration, signed at Managua, Nicaragua, in December 1960, and fixed a time limit for the conclusion of the first protocols to the Agreement, which were to stipulate conditions and requisites for the establishment of plants under the integration industries régime, and free trade in respect of their products.

Under the terms of the General Treaty, and pursuant to resolution 84 (CCE) of the Economic Co-operation Committee, the Ad Hoc Working Group on Industrial Development was set up, and met for the first time at Managua, Nicaragua, from 28 November to 3 December 1961.

On that occasion the Group considered projects submitted by the member Governments, as well as the studies on industrial possibilities prepared by the secretariat and the Central American Research Institute for Industry (ICAITI), and agreed that the first integration plants should represent the following branches of industry: tyres and inner tubes, copper wire and cable, raw materials for detergents, glass containers, and caustic soda, chloride and chlorated insecticides. To this end, the Group prepared a preliminary draft of a protocol to the Agreement on the Régime for Integration Industries, stipulating minimum capacity of plants, price and supply guarantees and other requisites for their establishment and operation.

The Group will hold a further session in January 1962 to formulate the final draft of the protocol, which, if approved by the Economic Co-operation Committee, will be submitted to the member Governments for signature.

V. AGRICULTURAL DEVELOPMENT

With the co-operation of FAO, work has proceeded on the preparation of the necessary background documents for the first session of the Agricultural Development Sub-Committee, which is planned for 1962. The chief aim of this session will be to establish the bases for a

/Central American

Central American agreement on the co-ordination of measures relating to the production and prices of specific agricultural commodities, for the purpose of increasing the supplies produced in the area.

VI. DEVELOPMENT OF THE ECONOMIC INFRASTRUCTURE

1. Transport

The study on a Central American highway plan by a BTAO expert is now finished. It includes the determination of the sectors still needed to complete a regional road network which will facilitate commodity trade in the common market. A beginning has been made on the preparation of standard transport regulations, with a view to preliminary drafting of the relevant protocols for which the General Treaty on Central American Economic Integration provides. The Transport Sub-Committee will consider these and other matters at its second session, which will be held in the course of 1962.

2. Electric power

The Electric Power Sub-Committee will meet for the second time in 1962 to discuss the studies prepared on the interconnexion of electricity systems among the various countries of the area, the possibilities of co-ordinating the joint development of sources of energy and the standardization of the accounting methods of electricity companies.

VII. OTHER PROJECTS

1. Housing

Progress has been made in research on the production of building materials and the possibility of establishing a broader market for these, of regional scope, while a project for the application of modular co-ordination to the building of low-cost housing has also been prepared. A study of future housing requirements in the Central American countries

/has likewise

has likewise been started, as a first step towards the formulation of investment programmes in this sector. The studies in question will be considered by the Housing Sub-Committee at its second session, to be held in 1962.

2. Land tenure

An advanced stage has been reached in the research on the structure of land tenure and agricultural labour conditions, and their influence on the economic development of the Central American countries. This research is being carried out in co-operation with the Central American universities and with BTAO, FAO and ILO experts.

3. Studies of the economic development of the Central American countries

Work has proceeded on the study of the economic development of Nicaragua, with the co-operation of the National Working Group.

A beginning has been made on the study of the economic development of Guatemala, a national working group having been set up, composed of economists from the Banco de Guatemala, the National Economic Planning Council (Consejo Nacional de Planificación Económica), and the Research Institute of the Faculty of Economics of the University of Guatemala.

With the termination of these two pieces of research the series of studies on the development of the five Central American countries and Panama will have been completed. Preparations have begun for a study of the economic development of the area as a whole, in which the predictable effects of the Integration Programme will be specially taken into account.

4. Central American Seminar on Programming Techniques

This Seminar was held in Mexico City, Mexico, in October-December 1961, under the auspices of the ECLA secretariat and BTAO, and in co-operation with the Governments of the Central American countries and Panama.

/The purpose

The purpose of the Seminar was to contribute to the technical training of a body of Central American specialists who will take part in the preparation of national economic development plans by their respective Governments. The Seminar was focused mainly on the technical and practical problems raised by the preparation of an economic development programme, and on the work of analysis and projection in respect of the various sectors of the economy. Twenty-nine officials of the Governments of the Central American countries and Panama attended the Seminar.