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Committee of the Whole Meeting
Santiago, Chile
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Item IV of the Provisional Agenda

ECONOMIC INTEGRATION OF CENTRAL AMERICAN COUNTRIES

(Note by the Executive Secretary on the status of
the preliminary study and on planned activities)

I. BRANCH OFFICE ACTIVITIES IN RELATION TO RESOLUTION 9 (IV)

1. Background

The Fourth Session of the Commission, which met at Mexico during May and June, approved on 16 June a resolution on the "Economic Development of Central America" (resolution 9 (IV), document E/2021) which had been proposed to the meeting jointly by the delegations of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. The resolution was based on one adopted by the Commission on 20 June 1950 at its Third Session, recommending to the Latin American governments that, when drawing up programmes and adopting measures for economic development, "they should take into account the possibilities of expanding demand through reciprocal trade, in order to achieve a better integration of their economies and higher levels of productivity and real income" (see document E/CN.12/194).

/In accordance

In accordance with the principles of this resolution, the delegations expressed "the interest of their governments in the development of agricultural and industrial production and of transportation systems in their respective countries, so as to promote the integration of their economies and the expansion of markets by the exchange of their products, the co-ordination of their development programmes and the establishment of enterprises in which all or some of these countries have an interest", and indicated their desire that "the Executive Secretary of the Commission should co-operate with the governments concerned in the study and development of these plans".

Resolution 9 (IV) (document E/2021) after considering the above and recognizing that "the aspirations of the Central American countries will make a positive contribution to the economic development of Latin America and are compatible with the objectives of the Commission" :

- a) TAKES NOTE with satisfaction of the declared objectives of the Central American Governments with reference to the integration of their national economies;
- b) REQUESTS the Executive Secretary to study the means or plans for the progressive attainment of these objectives, and
- c) INVITES the governments of the Isthmus of Central America, whenever they deem it appropriate, to form a committee on economic co-operation, composed of ministers of economic affairs or persons appointed by them, to act as a co-ordinating body for activities relating to the above-mentioned questions, and as a consultative organ of the Executive Secretary of ECLA, both to direct the studies mentioned above and to examine the conclusions reached therein.

2. Establishment of the Branch Office

Anticipating the establishment of a branch office in Mexico in accordance with resolution 30 (IV), the Executive Secretary sent the

/Deputy Executive

Deputy Executive Secretary to Mexico to inaugurate the work on the Central American and other projects relating specifically to Mexico, Central America and the Antilles. Following the General Assembly approval of ECLA's budget for 1952 (including provisions for the Mexico Office), the Mexico Office has now been established.

3. ECLA contacts with the Central American countries.

a) Background. The Deputy Executive Secretary was nominated in August 1951 as United Nations delegate to the Second Extraordinary Session of the Inter-American Economic and Social Council held in Panama. In accordance with instructions received, he took advantage of this occasion to visit the five Central American countries. At the same time he made preliminary enquiries among the officials dealing with economic affairs concerning the resolution relating to the integration of Central American economy. Prior to this, on 11 August, he wrote to the Ministers of Economy of the five Central American countries advising them that the study on economic integration had already been commenced, and that this study had top priority in the work programme of the Branch Office. He also advised them of his proposal to visit them towards the end of the month to discuss the project.

b) Impressions on economic integration gathered during the visit. The visits took place during the second half of August and the results may be summarized as follows : a) there was complete agreement among the five ministers and other high officials that it was very important for the region's economic future that integration should become a reality; b) there was unanimous support for the Commission's project; c) all expressed the opinion that conditions in the economic field favoured the study; d) all provided fairly definite indications as to the specific types of industry which could be installed or developed with a view to the economic integration of the five countries and those products which they themselves could produce, should such integration take place; e) all expressed interest in holding "round tables" at a fairly early date to be attended by official and private representatives of each country's economy, as well as by representatives of ECLA in order to

/examine the

examine the economic problems of the region, particularly in relation to the proposed study; f) as regards the meeting of the five Ministers of Economy or their representatives, as proposed in section c) of resolution 9(IV), they agreed on the necessity of holding such a meeting providing always that discussions could be based on some specific points and on a previously prepared report; g) the proposal for a meeting of experts on transportation problems in Central America, which is closely related to problems of economic integration, also received general acceptance and aroused considerable interest; h) there was general agreement that it would be advantageous for the proposed study if the Executive Secretary and the Deputy Executive Secretary, accompanied by the Chief of Economic Studies at the Branch Office, should visit Central America; the programme of round-table discussions and official visits which such a trip would entail was also considered; i) it should be pointed out, finally, that the Panamanian authorities visited expressed the desire of their government that Panama should be included in the projects.

4. Preparations for the meeting of the five Ministers of Economy

On 16 November 1951 the Ministers of Economy of the Central American countries were consulted concerning the convenience of holding a meeting of the five ministers as foreseen in section c) of resolution 9(IV), in August 1952, a date which had been provisionally fixed on the Executive Secretary's calendar. The five Ministers agreed to this and expressed their interest in the meeting.

5. The Economic Council of ODECA and the ECLA resolution on economic integration

Favourable conditions thus exist for the study on economic integration and for the practical results arising therefrom. In this respect it should be noted that, together with the preparatory steps taken, the creation of the Economic Council of ODECA (Organisation of Central American States) has largely contributed towards the providing of these favourable conditions. This organisation grew out of the Conference of Foreign Ministers of the five countries which took place in San Salvador last October. The discussions resulted in the Charter of San Salvador, which was signed by the five governments. Resolution N° XVIII of that

/Conference suggested

Conference suggested the creation of the Economic Council mentioned above, to function under the direction of the Meeting of Foreign Ministers, to which it will have to submit "the proposals and recommendations which it considers convenient for solving the problems indicated (the economic problems of Central America) and for promoting the development and integration of Central American economy". It should be noted that there is a close resemblance between the proposals put to the Economic Council of ODECA and resolution 9 (IV) of the Fourth Session of ECLA. The meeting of the five Ministers of Economy, suggested in section c) of the said resolution could co-ordinate these proposals and the corresponding work programmes.

6. Present status of the work

Work is therefore proceeding on the preparation for the trip to Central America in February and March of the Executive Secretary and Deputy Executive Secretary, accompanied by the Chief of Economic Studies at the Branch Office, and on the reports and working papers to be submitted by the Commission's staff for the consideration of the five Ministers of Economy in August 1952.

II. BRIEF OUTLINE OF SUGGESTED CONTENTS OF THE STUDY^{1/}

The contents of the study will cover mainly the following chapters :

1. An examination of the internal economy of the Central American republics, with special reference to the nature and features of the national markets for which Central American production is intended, together with a description of the agricultural, forestry and industrial production which supplies them. It is planned to provide a picture of Central America as a whole, without which it is impossible to conceive of economic integration. This section of the study will

^{1/} It should be noted that the study and meeting of experts on transportation problems in Central America is now being undertaken as an integral part of the entire Central American project discussed in this paper. See document E/CN.12/AC.16/3 "Joint ECLA/TAA Activities" regarding the transportation study.

- show why integration would be advantageous, together with the obstacles which would be encountered.
2. The study will present a precise outline of the concept of economic integration in its broad sense and a determination of the consequences which would arise from an economic policy founded on a consideration of the Central American economies as a single unit. It will indicate the possibilities of economic integration in a limited and viable sense, with special reference to industrial activities, and the agricultural bases for these, as well as the requirements of economic integration as regards transport, labour, trade and tariff policy, distribution of products and coordination of certain kinds of activity.
 3. The study will examine the conditions and problems relating to specific selected industries with a view to their integration in Central America, bearing in mind the broadening of markets, the factors favouring specific locations and the complementing of different branches of industry.

Taking this outline as a basis, which may be changed and broadened as the work progresses and as first-hand information and opinions in Central America are gathered, sufficient data has already been collected to provide a preliminary idea of various branches of industry which could be harmonised within a programme for the integrated development of Central America. During the next few months it will be possible to enter more deeply into those aspects which, after discussion with public and private sectors of the economy in each country, merit closer study with the objective that an economic report on integration containing practical advice, may be presented to the Meeting of Ministers of Economy in August 1952.