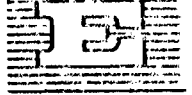


UNITED NATIONS



ECONOMIC  
AND  
SOCIAL COUNCIL



GENERAL  
E/CN.12/517  
2 April 1959

ENGLISH  
ORIGINAL: SPANISH

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ECONOMIC COMMISSION FOR LATIN AMERICA  
Eighth Session  
Panama City, Panama, May 1959

PROGRESS REPORT ON THE CENTRAL AMERICAN ECONOMIC  
INTEGRATION PROGRAMME SINCE 10 JUNE 1958

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The report of the Central American Economic Co-operation Committee (E/CN.12/492) submitted to the Economic Commission for Latin America at its eighth session outlines the activities carried out under the Central American Economic Integration Programme between the fourth (Guatemala, February 1957) and fifth (Tegucigalpa, June 1958) sessions of the Committee. The present report covers the progress made from June 1958 to April 1959. The sixth session of the Committee is scheduled to be held at San José, Costa Rica, in July 1959.

#### A. GENERAL STATUS OF THE INTEGRATION PROGRAMME

The Economic Integration Programme has entered into a phase of more specific achievements following the signature, by the plenipotenciaries of the Governments of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, of the instruments for constituting the Central American common market, namely, the Multilateral Treaty on Free Trade and Central American Economic Integration and the Agreement on the Regime for Central American Integration Industries, signed on 10 June 1958. The situation has been further consolidated by the subsequent ratification of the first of these instruments by the legislative assemblies of three out of the five countries.

As a result of the resolutions adopted at the fifth session of the Committee, greater impetus has been given to the work of equalizing customs tariffs, and work programmes have been drawn up for the recently established sub-committees. All this means that the activities connected with the Programme will be intensified during the coming period. Research into industrial possibilities in terms of the common market of the five countries has continued and work has begun on the study of some aspects related to the promotion of integrated industrial development. The Central American institutions set up by the Committee in earlier years are in full operation.

/B. FORMATION

## B. FORMATION OF THE COMMON MARKET

### 1. Free trade

Once the three countries which have already ratified the Treaty have deposited their respective instruments, the Treaty will enter into force, as specified in article XXVIII. Another country has already submitted the integration agreements to its legislative chamber for ratification, and the fifth is preparing to do the same.

The secretariat has been studying possibilities and criteria for extending the free-trade list and for increasing the pace of liberalization. For this purpose a document was presented at the fifth session of the Central American Trade Sub-Committee (Guatemala, September 1958) relating to the implementation of article XXVII of the Multilateral Treaty and exploring some aspects of the establishment of progressive tariff reductions, with a view to ensuring eventual free trade. It is intended to present a more comprehensive report on this subject at the next session of the Committee.

### 2. Equalization of tariffs

The fifth session of the Trade Sub-Committee approved and recommended to Governments for signature the first Central American Agreement on the Equalization of Import Duties. This Agreement includes a list of products in respect of which the Government representatives agreed that a uniform level of customs tariffs should be established. The number of equalized NAUCA sub-items covers approximately half of the products contained in the schedule attached to the Multilateral Treaty. The Sub-Committee set a time-limit within which Governments should transmit to the secretariat any observations they might wish to make concerning the draft agreement and the levels equalized. All the countries duly presented the observations which they considered pertinent. The next step was to convene a consultative meeting at San Salvador (15 to 25 April) in order to review these observations. Moreover, negotiations will take place at this meeting concerning the rest of the schedule annexed to the Treaty, with a view to equalizing the other items. At its session at Guatemala, the Sub-Committee also adopted a procedure for equalization based on the

/recommendations and

recommendations and studies carried out by the secretariat. The secretariat will, however, continue to study the possibility of perfecting the system in order to formulate a common tariff policy through the progressive building-up of a uniform Central American tariff.

In addition, at its fifth session the Sub-Committee recommended that Governments should adopt the uniform tariff classification agreed upon on that occasion - down to the sub-item level - for those sub-items of NAUCA which had been approved by the Government representatives. On this occasion also a consultative procedure was recommended, so that the equalization could be maintained and in order to avoid the unilateral alteration of the customs classification of sub-items for which the import duties had been equalized.

Finally, the Sub-Committee recommended to Governments that, in view of the importance of the equalization of import duties for the joint economic development of the Central American countries, the equalization process should be expedited through frequent and periodic negotiations, even though this might mean that the equalization process would proceed at a faster pace than that of free trade and industrial integration, to which it contributes to a marked degree.

The secretariat has continued to act as the focal point for inter-governmental consultations on classification problems in connexion with NAUCA designed to bring about agreement on this matter. The Sub-Committee's report will be submitted to the Economic Co-operation Committee at its sixth session.

### C. INTEGRATED INDUSTRIAL DEVELOPMENT

#### 1. Regime for Central American Integration Industries

The relevant Agreement (Tegucigalpa, 10 June 1958) has already been ratified by two Governments. The instrument provides that it shall enter into force when the five signatory countries have ratified it, which will probably be within the next few months.

#### 2. Central American Industrial Initiatives Commission

Work on the textile industry, arising out of the session of the Working Group held at Managua in 1958, will shortly be started with the help of an expert supplied by the United Nations Technical Assistance Programme.

/3. Pulp

### 3. Pulp and paper industry

The studies of the pulp and paper mission are now in the final stage. The final report - to be presented at the next session of the Committee - will contain a study of an economically feasible industrial project, based on a mill for producing bleached and unbleached pulp for consumption in the area and for export, as well as on a saw mill and on the local production of kraft to supply the Central American market.

### 4. Insecticides industry

A study has also been completed and will be presented to the Committee's next session on the prospects for establishing an insecticides industry in Central America. This study has been carried out by an expert of the United Nations Technical Assistance Programme in collaboration with the Central American Research Institute for Industry (Instituto Centroamericano de Investigación y Tecnología Industrial - ICAITI) and the ECLA secretariat.

## D. DEVELOPMENT OF THE INDUSTRIAL INFRASTRUCTURE

### 1. Transport

The Transport Sub-Committee, set up at Tegucigalpa in June 1958, held its first session at Managua from 22 to 29 September 1958 when it approved documents on general specifications for the building of roads and bridges in Central America and Panama (E/CN.12/CCE/158/Add.1) and on standards for the design of bridges in Central America and Panama (E/CN.12/CCE/158/Add.2), together with a series of recommendations on road problems of a general nature and on road-planning (E/CN.12/CCE/158/Add.3). This session was the culmination of the studies undertaken over the past two years by an expert of the United Nations Technical Assistance Programme in collaboration with Central American road engineers.

In addition, two traffic agreements were signed at the Committee's fifth session in June 1958: the Central American Agreement on Road Traffic and the Central American Agreement on Uniform Road Signs and Signals. These agreements have since been ratified by several countries, some of which are already implementing them.

The secretariat has tried to keep up to date the information on transport facilities contained in the study on transport in Central America (E/CN.12/356) carried out some time ago by a United Nations technical assistance mission.

### /2. Electric

## 2. Electric power

An Electric Power Sub-Committee was set up at the Committee's fifth session in June 1958 in order to ensure the systematic study of electric power problems. At present one United Nations Technical Assistance Programme expert is working in the area in collaboration with the Governments and national institutions dealing with electric power. This Sub-Committee's first session is planned for June this year in order to review and adopt a work programme for the next few years.

A progress report on this subject will be presented at the Committee's sixth session.

## E. AGRICULTURAL DEVELOPMENT

### 1. Cotton

The report on the agricultural, technical and economic aspects of cotton growing in Central America (FAO/CAIS/52/1/Rev.1), completed at the beginning of 1958, has since been considered at a special meeting held by the Ministers of Agriculture of Central America, Panama and Mexico. Other Latin American countries producing cotton were also invited. Work is now being done in the various countries, with the help of FAO experts, in order to put into practice some of the recommendations contained in the report. A document has been prepared on possible measures which the Central American countries might adopt in order to ensure greater co-operation in connexion with some aspects of the cotton market.

### 2. Cereal supplies

Studies in this sector have succeeded in arousing the interest of the relevant institutions in the Central American countries and a specialized meeting is now being arranged for the uniform classification of cereals. A multi-national plan of action is also being considered concerning Inter-Central American trade in cereals and the co-ordination of stabilization and market regulation programmes.

### 3. Livestock

As a result of the study on the livestock and dairy industry, carried out by FAO under the Economic Integration Programme, another meeting of experts is being planned with a view to obtaining a uniform classification of meat for trade purposes.

### /4. Fisheries

#### 4. Fisheries

The study on the fishing industry has been completed. The relevant report, which will be submitted to the Committee in due course, contains some recommendations designed to improve the utilization of known resources, and dealing also with port and other facilities required for industrializing the fisheries.

#### 5. Other studies

The study on bananas has been completed and preliminary research has been carried out on the recent trends and probable development of the world cotton market.

### F. IMPROVED UTILIZATION OF RESOURCES

#### 1. Research and technological advice

The Central American Research Institute for Industry, with its headquarters in Guatemala, has continued its productive work. During 1958, 16 industrial projects were completed by private investors, development institutions and other agencies in Central America; 13 more are under study, and 29 consultations were held on technical matters.

#### 2. Training of personnel in the public sector

The Advanced School of Public Administration in Central America (ESAPAC) has continued its work without interruption. Its Board of Directors agreed, in September 1958, to change the curricula in order to facilitate the holding of seminars on specialized subjects in addition to the general course on administration. Work in this new field has already started with a seminar on census management, another on the administration of development legislation and a preliminary meeting on organization and methods. The school has also trained over 250 students to date from Government offices.

#### 3. Training of industrial personnel

The productivity and training programme, which was begun with the help of the International Labour Organisation, has continued to assist Central American industry in connexion with these problems. This year

/it will

it will embark on a new stage of more intensive training for labour in the textile industry, in accordance with resolution 60 (CCE) of the Committee.

## G. SOCIAL PROBLEMS

### 1. Housing

The Housing, Building and Planning Sub-Committee, set up during the Committee's last session, met for the first time at San José, Costa Rica, from 28 to 31 October. A work programme comprising three main aspects was adopted for 1958-59: (a) a study of the situation of the building materials industries and of the regulations on physical planning; (b) research into building costs and studies designed to promote the standardization of building materials and equipment; and (c) a study of the demand for building materials and of the possibilities of meeting it from Central American sources.

A programme has already been launched to take advantage of available experience through the exchange of technical information and research work.

### 2. Population questions

The first study on this subject deals with human resources in Central America in 1950-1980 and their relationships with some aspects of economic development (TAA/LAT/22) and was completed by the United Nations technical assistance expert during 1958. It contains an analysis of the main population problems in Central America and presents an evaluation of future population trends in Central America, which will be very valuable in connexion with the integrated development of the region. Arrangements have been made during this year to ensure that this research will be continued, with particular reference to the labour force and its adaptability to development requirements, its mobility as between rural and urban occupations, its capacity to absorb modern techniques and its attitudes to consumption and saving. This study has been undertaken in accordance with resolution 73 (CCE) of the Committee, adopted during its fifth session at Tegucigalpa.

### 3. Study on the middle class

Also in accordance with resolution 73 (CCE), a study was recently begun on the development of the middle class in Central America and its

/influence on

influence on demand, saving and private enterprise, with a view to recommending measures to stimulate the upgrading of the lower classes towards the level of the middle class and to train the latter to contribute more towards the economic development of the Central American countries. A preliminary report on this subject will be presented to the Committee at its sixth session.

## H. INTEGRATION OF SUPPLEMENTARY ACTIVITIES

### 1. Statistics

During the month of May 1958 the Central American Statistical Co-ordination Sub-Committee held its fourth session, preceded by a session on the Working Group on Agricultural Statistics. As a result of these two sessions, a minimum programme was adopted for agricultural statistics, and some guiding principles were laid down for continuous statistical series and for the Agricultural Census of 1960. Experts of FAO are working in Central America, under the regional Technical Assistance programme, on this matter, as well as on forest statistics. The Sub-Committee also agreed to convene a further session of the Working Group on Industrial Statistics during the third quarter of 1959, in order to learn of the results of the industrial censuses carried out recently in Costa Rica, El Salvador and Guatemala. The Sub-Committee further approved recommendations relating to foreign trade and population and fiscal matters. A supplement to the Central American Statistical Compendium is being prepared, for publication this year.

### 2. Weights and measures

Ways and means of putting into practice the recommendations set forth in the study on this subject prepared by a technical assistance expert are currently being studied. This work will be carried out with the help of a new expert provided by the United Nations.

### 3. Customs regulations

The revised draft of the Customs Code, completed in 1958, will be distributed for the next session of the Trade Sub-Committee in June.

## I. CO-OPERATION OF THE SECRETARIAT WITH OTHER INTERNATIONAL ORGANIZATIONS

The secretariat has continued to collaborate effectively with the Regional Representative of the Technical Assistance Board and with the Latin America Office of the United Nations Technical Assistance Programme, as well as with the specialized agencies, in particular the International Labour Organisation, the Food and Agriculture Organization and the United Nations Educational, Scientific and Cultural Organization. Co-operation between the Pan American Union and its Inter-American Housing and Planning Center (CINVA) and the secretariat, in relation to some aspects of the Economic Integration Programme, has been intensified recently as a result of the creation of the Housing, Building and Planning Sub-Committee.

The systematic co-operation begun in connexion with the new Sub-Committee's work programme is additional to the joint activities which were already taking place, as regards the work of the Statistical Co-ordination Sub-Committee, between the Inter-American Statistical Institute (IASI) and the secretariat.

Co-operation has also been established with other international organizations in the region, such as the Central American University Higher Council - with which some work in the social field has been started - the meetings of the Central Banks, the International Regional Organization for Agricultural Health (OIRSA) and others which work in the Central American area.

Special mention should be made of the relations with the Organization of Central American States (ODECA) which will now enter upon a period of much closer co-operation as a result of the signing of the common market agreements. These agreements make the secretariat of ODECA responsible for carrying out the secretariat functions of the Central American Trade Commission (of the Multilateral Treaty) and of the Central American Industrial Integration Commission (of the Regime for Integration Industries). Talks have been held concerning a meeting of businessmen which might be sponsored jointly by the Organization of Central American States and the Central American Economic Co-operation Committee.