and hopeful lessons for other nonindustrial regions. Of course, the circumstances from which the Central American experience evolved are not duplicated precisely in other areas of the world. Nevertheless, the Central American experiment does provide tangible evidence of the benefits attainable by underdeveloped countries in other regions through cooperative efforts.

C. Observations on Central American Economic Integration

I will not attempt to summarize the detailed account of the development of the Central American integration movement presented in the appendix, but will offer some personal observations.

I was much impressed by the caliber of the men whose vision, persistence, and dedication are largely responsible for the creation of the Central American Common Market. Moreover, the results of their labors are palpable. The integration movement has generated within the region a certain self-confidence and optimism, vital factors without which economic development and social progress cannot be achieved.

The region is now vibrant with change, growth. Indeed, the nations of the isthmus are rapidly shedding those characteristics associated with the derisive term "banana republics."

Although the idea for economic cooperation germinated in the early 1950's, the Central American Common Market (CACM) in its present form dates from the signing of the General Treaty for Central American Economic Integration in December 1960. The treaty was not fully ratified until 1963 when Costa Rica finally joined, but the CACM began to operate in June 1961. Hence, the CACM has been operative for only 5 years.

Those 5 years have brought remarkable innovations. Under the terms of the agreement, the five participating countries have abolished tariffs on 95 percent of all imports originating in the area, while applying common tariffs to 98 percent of all imports from external sources. As a result, intraregional trade has more than quadrupled, from \$32.7 million in 1960 to \$142.2 million in 1965. Significantly, this dynamic growth derived fundamentally from a great expansion of trade in industrial products, now estimated at more than 70 percent of the total.

Existence of the Common Market proved to be a strong incentive for investment. As economic cooperation among the five nations became a habit and the resulting benefits began to be felt in each, internal political stability improved and political hostilities in the region cooled. A peaceful population of over 12 million, growing at perhaps the highest rate in the world, forms an attractive market, with rising expectations based on an increasingly high rate of development. Foreign investment figures for the period reveal a growing confidence in the region's future. Whereas direct private capital investment from abroad was \$17.1 million in 1960, it jumped to \$57.9 million in 1963, and leaped to \$130 million last year.

Increases in the gross national products of the five Central American countries have been heartening. Last year they ranged from 5 to 8 percent for four of the five nations. Even in the fifth, Costa Rica, a 4 percent increase in GNP was achieved despite substantial damage to its agriculture by the eruption of the Irazú volcano. Thus,