

This remarkable ability by the Central Americans has resulted in the virtual elimination of tariff barriers among themselves and an increase of internal trade among them to more than four times what it was 5 years ago. There is continued dependence on exports of the traditional staples of coffee, bananas, cotton, cattle, and sugar but a marked difference in the character of their imports as industrialization gains stronger roots in once almost totally agricultural lands. Central America in area is roughly the size of California and has a population of about 12 million that is rising at a rate close to, if not, the highest in the world.

Seeking firsthand knowledge on the CACM has led to the examination of numerous governmental, quasi-governmental and private reports and publications and to many interviews, often at great length with extremely busy persons, both those in the Central American organizations, the national governments in those countries and U.S. Government officials directly concerned with the integration movement.

For purposes of convenience this report is divided into three sections. These are devoted to (1) the genesis and progress of the Common Market and the economic integration movement together with an indication of their future course; (2) a summary of the trade, internal and external, of the five member countries; (3) a review of the U.S. contributions to the CACM and the movement.

Attached to the report is a five-page compendium "Summary of Central American Economic Data" whose statistics include on foreign and intraregional trade, population, education, health, agriculture, transportation, electric power production, financial assistance from the United States and international organizations.

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SECTION I. GENESIS AND PROGRESS OF THE CENTRAL AMERICAN COMMON MARKET AND THE INTEGRATION MOVEMENT

In considering the preparation of a report on the genesis and progress of the Central American Common Market and the economic integration movement, it appeared appropriate to accept the view of a Central American authority who had pioneered in the movement from its beginning. He divided the history of the movement into three periods—1951-58, 1958-60, and 1960 onward to the present. This report is therefore based on that division of three periods and, in large part, on the recollections of Central Americans who had participated as pioneers in the movement.

PERIOD 1951-58

In the years immediately following World War II when Central America retained wartime prosperity by continued high production to meet the world demand for their traditional commodities—coffee, sugar, bananas, cattle, and lumber—a few among them wondered whether they were not again at the height of the economic cycle that followed World War I. Would Central America, they felt, again plunge into deep economic depression as it did in the 1920's and 1930's when its products commanded lower prices than even the low production costs of which their fincas were capable? Was there a way out of this economic rollercoaster of prosperity in wartime and misery in peacetime?

Luckily for Central America the Economic Ministers of Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica were at the time farsighted men who discussed among themselves means to establish economic stability. Three of them, incidentally, had trained in economics in the United States—Manuel Noriega Morales, of Guatemala, and Jorge Sol, of El Salvador, at Harvard, and Alfredo Volio, of Costa Rica, at the University of Maryland. A fourth, Enrique Delgado, of Nicaragua, received part of his training at Georgetown University while serving at the International Monetary Fund. Marco Antonio Batres, of Honduras, was a lawyer who had for years been connected with the Honduran economy.

As the five groped for solution in informal talks in twosomes and threesomes with others of like mind in the area, they communicated informally with officials of the Economic Commission for Latin America of the United Nations (ECLA) of which Dr. Raul Prebisch, the Argentine economist, was then secretary-general, and Jose Antonio Mayobre was its field representative. ECLA officials observed also that Central America should develop "within"—that is, establish larger internal markets and new industries—as well as look to the outside world for their means of livelihood. They saw that Central America had two factors in its favor: (1) the smallness of the five countries, each one unfeasible as a national market,