

tries," signed on June 10, 1958. They culminated with two treaties signed in Managua on December 13, 1960, namely, the General Treaty of Economic Integration which included means to set up SIECA (Secretaría Permanente de Integración Económica Centroamericana), and the instrument to establish the Central American Bank for Economic Integration.

The Treaty on Integrated Industries, some thought, would provide monopoly privileges and thus would be unworkable. El Salvador and Costa Rica opposed it while Honduras and Nicaragua favored it. Guatemala apparently held its counsel. At this time it is operative in a manner that provides protection and incentives on one hand, to a single plant in a particular industry, but allows competition to challenge the established plant by a graduated system of incentives.¹ In 2 years the multilateral and bilateral treaty structure had run its course so that by 1960 the countries reached an impasse. This, a Central American authority said, was the only year in which the Ministers exchanged remarks in anger. "There was mistrust and frustration." But there was also common agreement that if Central America were to go into a Common Market "full blast," marginal industries would suffer and some means would be required to provide for modernization of plants and working capital and thus enable them to compete. Thus, the idea for the Central American Bank was conceived and its fruition came about with the aid of the United States about which more will be said later.

Dissension prevailed, three countries—Honduras, Guatemala and El Salvador—decided to join forces and quietly signed a Treaty of Economic Association on February 6, 1960. Nicaragua, shocked by this development, insisted on participation. The tripartite treaty, thus, accomplished the purpose of spurring Nicaragua and Costa Rica into entering the general treaty, which is now in force, and the way was opened for all five countries to enter on equal terms by the referred-to agreements in Managua in December 1960. Since Costa Rica had not yet ratified the 1958 treaties and thus was not an operating member, it reportedly was not taken aback as much as Nicaragua. The tripartite agreement of February went far to establish free trade by the adoption of a "negative list". This meant, in effect, that only items listed on that list were exempt from moving freely among the five countries. The negative list was composed mainly of primary products exported to the outside world—sugar, bananas, coffee, cotton, etc. It also included commodities like wheat since some countries exported and others imported the grain and a common level of protection was difficult to attain.

1960 ONWARD

The period following the general treaty signing of 1960 up to the present time has seen implementation of that treaty. "What you see in the Common Market today," said a participant, "is what was created in 1960 and 1961."

As reported in a SIECA publication in March 1963, ("Economic Integration of Central America and the Role of the Alliance for Progress,") the general treaty "is called a major step forward" for the following reasons:

"(1) The unique approach to trade liberalization, which freed almost all products specifically originating in the respective territories of the five states rather than freeing specific products and leaving all others under control. This had the effect of removing 95 percent of the articles traded intraregionally immediately after the general treaty became effective and the remaining 5 percent in no more than 5 years, or by 1966. (This timetable is being maintained in nearly every aspect.)

"(2) Recognition that freer trade was only an initial step toward economic integration. This led to the immediate development of institutions for the execution of regional economic policy: the Permanent Secretariat of the General Treaty for Central American Economic Integration (SIECA), the Central American Bank for Economic Integration, and the Central Exchange Clearinghouse."

At present, more than a score of official, quasi-official and private organizations are helping advance the integration movement (ROCAP publication "Central American Organizations Advancing Economic Integration in Central America and Panama").

The aforementioned SIECA publication pointed out further that the "Declaration of the Peoples of America," attendant to the Charter of Punta del Este which set up the Alliance for Progress, urged the Americas to "accelerate the integration of Latin America so as to stimulate the economic and social development of the continent" and said "this process has already begun through the General Treaty of Economic Integration of Central America and, in other countries, through the Latin American Free Trade Association."

¹ See sec. II, p. 21.