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The External Trade of the CACM-Countries

by Bernhard Klinner, Berlin *

The Central-American Common Market (Mercado Común Centroamericano – MCC) was established in 1960 and its members are: Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. Purpose of this article is meant to be a reflection on these countries' development of their external trade during the period 1960–1972.

Based on their GNP¹, Costa Rica and Nicaragua, averaging 6.4 and, respectively, 6 p.c. growth over the last 13 years, showed the highest growth rates among this group of countries, followed by Guatemala at 5.5 p.c. and El Salvador and Honduras at 5.1 p.c. each. The two countries with the largest growth rates also have a relatively high degree of industrialization: in 1972, the share in the total GDP of industry, building and mining amounted to 25.1 p.c. in Costa Rica and 22.1 p.c. in Nicaragua, and in both these countries represented approximately 25 p.c. of their GDP.

The Community's external trade turnover of about US \$ 2.7 bn (Table 1) was in 1972 equal to a share of 0.36 p.c. in world trade². In 1966, since when the share has been falling, it had amounted to 0.48 p.c. It has to be borne in mind, too, that since 1955 world trade has more than quadrupled whereas total imports and exports of the CACM-countries have only a little more than trebled during the same period.

The per capita external trade turnover, working out with a combined population of the 5 countries of nearly 16 mn, at about US \$ 172 at present, is another important indicator; it compares with the 1972 figure for instance in the Federal Republic of Germany of US \$ 1,400 and in the People's Republic of China of US \$ 8 per capita of the population. All the same, though, it is a fact that the CACM-countries' external trade intensity is three-times that of the LDCs' average. It is, however, true to say that it amounts to only just about 30 p.c. of the level of the Western industrial countries.

Table 2 allows for additional comparisons. The figures shown reveal an increase by an average of 9.3 p.c. annually of total external trade turnovers since CACM's existence. But the growth of the intra-zonal trade (Table 2) was double as fast, at 21.5 p.c. annually, whereas total world trade² grew by 10.3 p.c. annually between 1960 and 1972.

Further light is thrown on the strong expansion of the intra-CACM trade by taking into consideration that the exchange of goods between the five CACM-countries during the 13-year period under discussion increased by 833 p.c., but world-wide imports and exports went up by only 222 p.c. during the same period.

Above the average of 9.3 p.c. annually was the growth of external trade turnover with third countries during 1960 to 1972 in the cases of Nicaragua (11.4 p.c.), Costa Rica (10.9 p.c.) and Honduras (9.5 p.c.). In trade with the remaining CACM-members the development in Costa Rica (37.7 p.c.), Nicaragua (31.1 p.c.) and Guatemala (23.3 p.c.) tends to be higher than the average value of 21.5 p.c. annually.

In evaluating the shares of the individual countries in the total of CACM external trade for the average during the period 1960 to 1972 Guatemala's share was 24.6 p.c., that of El Salvador 22.0 p.c., Costa Rica 20.5 p.c., Nicaragua 17.2 p.c. and Honduras 15.7 p.c. The intra-CACM trade turnover during the mentioned period amounted to an average of 19.4 p.c. of the Organisation's total foreign trade. The share was considerably higher in the cases of El Salvador (29.6 p.c.) and Guatemala (26.2 p.c.). In the other three countries, the respective shares were below average: at the bottom of the list was Honduras with only 12.4 p.c. on an average during the last 13 years, Nicaragua's share in intra-CACM trade was 14.9 p.c. and Costa Rica's 16.8 p.c.

The member states of CACM effect almost two-thirds of their external trade turnover with the countries on the American continent. There have in recent years been no great tendency changes in respect of the trade directions. The trade with North America amounted to 34.0 p.c. in 1972

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¹ At 1971 prices.

² Excluding the Eastern Bloc states.

(39 p.c. in 1966), the share of CACM-trade was 22.5 p.c. (19.4) that of the EEC³ was 17.2 p.c. (19.4) and of Asia 10.2 p.c. (9.7) of total imports and exports. The share in the exchange of goods with EFTA-countries⁴ amounted to only 5.5 p.c. (5.8), that of the LAFTA-group of countries⁵ 4.8 p.c. (2.9) and that of the remaining American countries⁶ to 3.1 p.c. (2.4).

More than half of total external trade of CACM-countries is done with only three countries: with the USA in 1972 32.8 p.c. (1966: 37.9 p.c.), the Federal Republic of Germany 10.2 p.c. (11.8) and Japan 9.4 p.c. (8.4).

According to SIECA the balance of trade of CACM-countries among each other is even. Deficits foremostly as the result of the exchange of goods with the LAFTA-countries, the USA, Canada and the EFTA-countries as well as Japan have to be taken in their stride. There are surpluses for the CACM-community predominantly from the trade with EEC-countries.

At a growth rate of 831 p.c. (annual average 21.5 p.c.), the intra-zonal imports have, comparing 1972 with 1960, increased considerably faster than CACM's total imports, which have gone up by 170 p.c. (annual average 8.9 p.c.). The share of imports from the CACM-bloc in total imports during the period 1960–1972 was highest in the case of El Salvador with an average growth of 23.6 p.c.

³ EEC: Federal Republic of Germany, Belgium-Luxemburg, France, the Netherlands, Italy (6 countries).

⁴ EFTA: Austria, Denmark, Norway, Portugal, Great Britain, Sweden, Switzerland, Iceland (8 countries), but in the above context including Finland.

⁵ Latin American Free Trade Association: Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela (11 countries).

⁶ Data: SIECA and own evaluations.

followed by Honduras (18.4 p.c.) and Guatemala (16.6 p.c.); the average share amounted to 18.5 p.c.

On the export side, the CACM-countries stepped up their exports to other member states in the region by 835 p.c. (annual average 21.4 p.c.) during 1960–1972, the increase thus having been faster than the five countries' total exports at 202 p.c. (9.8 p.c. p.a.). The average share of internal CACM-exports in its total exports during the 13 years under review works out at 20.5 p.c. For El Salvador the respective figure was above average, at 28.8 p.c., which was also the case of Guatemala (25.3 p.c.). Although total external trade of the Community runs at a small deficit, the intra-CACM trade is nearly in balance (Table 3). Larger deficits are shown only by Costa Rica and Honduras whereas in the other three countries there are varying surpluses.

One of the main difficulties for the Community stems from the fact that, during the existence of the Organisation, one did not succeed in achieving a well-balanced development of all partner-states in the domestic and the external fields. It appears, though, that a new beginning in the direction towards rectifying this imbalance between the orbits of domestic and external development was made at the end of July 1973 during the Managua Conference of the CACM-Ministers of Economics. A plan for action in 1973–1975 was passed at this Conference under which the process of foreign trade integration is again to be activated more strongly. It is also envisaged that the industrial and agricultural policies of the Community are in future to be increasingly synchronised. The final aim of these endeavours is the setting up of a new General Agreement about the "Central-American Economic and Social Com-

Table 1
CACM-Countries: Development of the External Trade

Items	1955	1960	1966	1967	1968	1969	1970	1971	1972 ^a
Import (mn \$)	413.2	514.1	937.0	1,030.4	1,046.2	1,065.8	1,234.0	1,305.3	1,388.0
Export (mn \$)	413.0	440.1	836.9	856.5	951.3	971.8	1,096.0	1,110.6	1,328.1
Import + export (mn \$)	826.2	954.2	1,773.9	1,886.9	1,997.5	2,037.6	2,332.0	2,415.9	2,716.1
Balance (mn \$)	- 0.2	- 74.0	- 100.1	- 173.9	- 94.9	- 94.0	- 136.0	- 194.7	- 59.9
Export in p.c. to import	99.9	85.6	89.3	83.1	90.9	91.2	89.0	85.1	95.7
Growth rate (change against previous year)									
Import (p.c.)	9.5	8.8	5.4	10.0	1.5	1.9	15.8	5.8	6.3
Export (p.c.)	2.6	2.0	9.9	2.3	11.1	2.2	13.0	1.1	19.6
Import + export (p.c.)	6.0	5.6	7.5	6.4	2.0	2.0	14.5	3.6	12.4
Value Index (1950 = 100)									
Import	100	124	227	249	253	258	299	316	336
Export	100	107	203	207	230	235	266	269	322
Import + export	100	115	215	228	242	247	282	292	329
For comparison:									
Value Index world trade ^b									
Import + export	100	134	215	226	252	287	330	368	431
Share of CACM-countries in world trade									
Import + export (p.c.)	0.48	0.41	0.48	0.48	0.46	0.41	0.41	0.38	0.36

^a Preliminary. ^b Excluding the East-bloc-Countries.

Sources: Secretaría Permanente del Tratado General de Integración Económica Centroamericana (SIECA), Guatemala; United Nations; own evaluations.

munity". Two phases are set out towards this aim: In the first phase it is intended, by the end of April 1974, to have concluded a study into the fields of industry, agriculture, free trade and common external tariffs as well as of questions of a uniform taxation system and common social policy and, furthermore, to submit to the five governments, by the end of July 1974, recommendations for coordinated measures. The second phase of negotiations is to bring an investigation into aspects of a new institutional framework for the economic integration.

The solution of so far unsolved political questions between El Salvador and Honduras, hostile to each other ever since the so-called football-war of July, 1969, is preconditional to the reaching of these aims. A consequence of the grievances between those two countries has been the near enough complete running-dry of the exchange of goods between them since 1970. El Salvador has managed to make good for the discontinuance of its trade relations with Honduras inasmuch as its share in total CACM external trade as well as intra-CACM trade during 1970–1972 increased from 18.9 to 20.3 p.c. and, respectively, from 23.0 to 27.4 p.c. To the contrary, however, the share of Tegucigalpa went down sharply in the same period from 16.7 to 14.1 and, respectively, from 12.5 to 4.6 p.c. (see Table 2). As a result of bilateral negotiations begun in mid-September 1973 between El Salvador and Honduras in Mexico it can now be expected that both countries will early in 1974 bury their more than four-year-old quarrel.

Towards the middle of 1972 CACM suffered a further blow by Costa Rica's measures for a reduction of the imports from the other partner states. The explanation was the necessity of reducing the country's alarmingly increased trade deficit (1971: US \$ 29.6 mn and 1972 27.5 mn from intra-CACM trade alone). Following the arrangements reached by San José with the other governments of the common market countries, it is supposed that during the first half of 1974 Costa Rica will again be fully integrated in the Community.

The possibility of other countries joining CACM has in the past been discussed at SIECA in Guatemala City as well as, for instance, by the governments of Panama and Mexico. As an example, El Salvador and Guatemala have taken up negotiations with Panama in order to extend their existing bilateral agreements. As things are, Panama's entry into CACM is made difficult on account of its economical and social structure being different to that of the CACM-countries. There is Mexico's strong economic potential as a likely stumblingblock for Mexico joining CACM, but Mexico has offered the five CACM-members cer-

Table 2
Shares of Member Countries in CACM's External Trade and in the Intra-zonal External Trade

Country	1960	1966	1972 *	growth and, respectively, annual average 1960–1972
Costa Rica				
External trade turnover (import + export) (mn \$)	196.2	314.0	659.7	355.0
Change against previous year (p.c.)		8.3	13.0	10.9
Share in total CACM external trade (p.c.)	20.6	17.7	24.3	20.5
External trade turnover with CACM-countries (mn \$)	5.4	48.4	131.1	56.5
Change against previous year (p.c.)		47.1	5.9	37.7
Share in intra-CACM external trade turnover (p.c.)	8.3	14.0	21.5	16.8
El Salvador				
External trade turnover (import + export) (mn \$)	239.2	406.9	552.5	379.9
Change against previous year (p.c.)		5.0	16.1	7.5
Share in total CACM external trade (p.c.)	25.1	23.1	20.3	22.0
External trade turnover with CACM-countries (mn \$)	26.2	110.6	167.4	99.5
Change against previous year (p.c.)		26.0	15.8	17.7
Share in intra-CACM external trade turnover (p.c.)	40.1	32.1	27.4	29.6
Guatemala				
External trade turnover (import + export) (mn \$)	250.6	433.7	651.5	424.7
Change against previous year (p.c.)		4.7	11.1	8.6
Share in total CACM external trade (p.c.)	26.3	24.4	24.0	24.6
External trade turnover with CACM-countries (mn \$)	14.9	84.6	167.7	88.1
Change against previous year (p.c.)		26.1	5.9	23.3
Share in intra-CACM external trade turnover (p.c.)	22.8	24.5	27.5	26.2
Honduras				
External trade turnover (import + export) (mn \$)	133.7	293.2	384.0	271.6
Change against previous year (p.c.)		18.3	3.1	9.5
Share in total CACM external trade (p.c.)	14.0	16.5	14.1	15.7
External trade turnover with CACM-countries (mn \$)	12.7	53.6	28.2	41.7
Change against previous year (p.c.)		16.5	28.8	13.6
Share in intra-CACM external trade turnover (p.c.)	19.4	15.5	4.6	12.4
Nicaragua				
External trade turnover (import + export) (mn \$)	134.6	324.1	468.4	297.0
Change against previous year (p.c.)		4.8	17.8	11.4
Share in total CACM external trade (p.c.)	14.1	18.3	17.2	17.2
External trade turnover with CACM-countries (mn \$)	6.2	47.9	115.7	50.2
Change against previous year (p.c.)		41.7	14.6	31.1
Share in intra-CACM external trade turnover (p.c.)	9.5	13.9	19.0	14.9
External trade turnover of CACM-countries total (mn \$)	954.2	1,773.9	2,716.1	1,728.2
Change against previous year (p.c.)		7.5	12.4	9.3
Intra-CACM external trade turnover total (mn \$)	65.4	345.0	610.1	336.0
Change against previous year (p.c.)		28.9	11.0	21.5
Share (p.c.) ¹	6.9	19.4	22.5	19.4
For comparison:				
World trade (excl. Eastern Bloc)				
Change against previous year (p.c.)		9.7	16.9	10.3

* Preliminary.

¹ Share of Intra-CACM external trade turnover in the total external trade turnover of the CACM-countries.

Note: Discrepancies of the sums due to round figures.

Source: SIECA; own evaluations.

Table 3
Balances of the External Trade Balance of the
CACM-Countries¹
(mn \$)

Country	1960	1966	1971	1972 *
Costa Rica total	- 24.6	- 43.0	- 116.8	- 91.7
of this CACM-countries	- 1.6	+ 2.0	- 29.6	- 27.5
El Salvador total	- 5.6	- 31.1	- 19.0	+ 4.9
of this CACM-countries	+ 1.7	+ 6.6	+ 17.4	+ 18.6
Guatemala total	- 25.2	+ 18.5	- 20.2	+ 3.5
of this CACM-countries	- 0.3	+ 17.0	+ 25.6	+ 30.1
Honduras total	- 9.9	- 5.0	- 15.5	- 8.2
of this CACM-countries	+ 2.1	- 14.6	- 10.5	- 16.6
Nicaragua total	- 8.8	- 39.7	- 23.2	+ 31.6
of this CACM-countries	+ 0.6	- 15.5	- 6.2	- 3.1
CACM external trade total	- 74.0	- 100.1	- 194.7	- 59.9
of this CACM-countries	0	- 4.4	- 3.3	+ 1.5

¹ Discrepancies of the sums due to round figures. * Preliminary.
Source: SIECA.

tain customs advantages; furthermore it contributes indirectly to the further development of the CACM-states by the granting of credits, technical aid and intensified investments.

Continued efforts towards integration within CACM will, last but not least, depend on whether

it will be possible to remove the obstacles of the quarrel between El Salvador and Honduras, on the one hand, and between Costa Rica and the rest of the member states, on the other hand. Furthermore, it will be necessary to give priority to the exports of goods not hitherto exported to third countries. Ways and means should be found, too, for the advantages of integration to be more equally and fairer distributed among the various partner states. In this context, it must be seen to that the freedom of movement of labour is guaranteed within the entire region. Also, a reform of CACM's institutions is called for because of the present deciding organs having no status of their own; they are in fact bodies staffed by Government representatives meeting according to necessity.

Not without justification, SIECA largely makes factors from without responsible for the meagre dynamism of CACM (higher import prices, lower export prices, international monetary crisis, higher rates of interest for credits taken up abroad, etc.). Finally, it might perhaps come to an agreement of a new order acceptable to all CACM-countries only with the help of an Independent Commission of Experts — such as for instance the UN Economic Commission for Latin America (ECLA).

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