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Guatemala, Honduras Take First Effective Step on Customs Union

by George Rodríguez

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Guatemala and Honduras have joined their customs systems, taking the first effective step toward the goal of a regional customs union that was first conceived over six decades ago and has been the focus of several initiatives.

The idea originally surfaced in 1951, during a regional summit meeting in San Salvador, the Salvadoran capital, when the Organización de Estados Centroamericanos (Organization of Central American States, ODECA) was created. Articles 16 and 18 of the ODECA agreement respectively referred to regional free trade and the creation of a Central American economic council. The council set the customs union goal in a meeting in August 1955, in Antigua, Guatemala.

The region's foreign affairs ministers soon after agreed that the council should "harmonize and coordinate work and studies aimed at the integration of Central American countries' economies, including tariff unification, and a possible customs union."

Within that framework, several bilateral trade agreements were signed between 1951 and 1957: El Salvador with Nicaragua, Guatemala, Costa Rica, and Honduras; Guatemala with Costa Rica and also with Honduras.

An El Salvador-Guatemala-Honduras summit meeting in January 1960 agreed on the need to promote industrial as well as trade development and committed to sign an economic integration accord. The goal was effectively achieved in February 1960, when the Tratado de Asociación Económica (Economic Association Treaty) was signed, again with a customs union and a free market as goals.

In December 1960, the Tratado General de Integración Económica Centroamericano (Central American Economic Integration General Agreement) was signed by El Salvador, Guatemala, Honduras, and Nicaragua, with Costa Rica adhering two years later.

In 1993, the Protocolo al Tratado General de Integración Económica Centroamericano (Central American Economic Integration General Protocol), known as the Protocolo de Guatemala, was signed in the Guatemalan capital by Guatemala, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

"States parties commit themselves to building a customs union among their territories, with the purpose of providing free transit of goods, regardless of their origin."

The customs union "will be gradually and progressively reached/attained on the basis of programs approved by consensus that will be established to that effect," it added. "The parties agree to establish a common customs service that will enforce uniform procedures, management systems, and standards."

In 2004, Guatemala and El Salvador took steps toward streamlining their customs operations, which was also considered a step toward creating a regional customs union ([NotiCen, March 25, 2004](#)).

In December 2007, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua signed a framework agreement for the establishment of a Central American customs union, which stated that since the region needed “to move forward to new stages in the integration process” it was essential to establish a union in accordance with the Guatemala Protocol.

Little success, until now

None of the initiatives actually succeeded, but now Guatemala and Honduras have taken the first concrete step, leaving the bilateral initiative open to the other neighbors in the isthmus, a possibility El Salvador and Nicaragua are aiming at, perhaps by the end of this year.

According to a joint statement from the Guatemalan and Honduran economy ministries quoted by Agence France Presse (AFP), the bilateral customs space covers just over 220,000 sq. km, or about 44% of Central America’s territory, and is home to around 24.1 million people, which is approximately 53% of the region’s population.

AFP also reported that the Comisión Económica para América Latina y el Caribe (Economic Commission for Latin America and the Caribbean, CEPAL) forecasts an increase in trade for both countries, with Guatemala’s exports to Honduras rising 1% percent of its gross domestic product and Honduran sales to the Guatemalan market seeing a 2.4% increase. Guatemala’s tax collection could see an increase of US\$23.1 million to US\$40.2 million, and Honduras’ revenue could go up anywhere from US\$20.8 million to \$US36.7 million, according to CEPAL.

Meeting at the Honduran western border town of Corinto on June 26, Honduran Presidents Juan Orlando Hernández and Guatemalan President Jimmy Morales said they were confident the initiative was setting the foundation for the region’s customs union.

The creation of the “first customs territory of the American continent” will push gross domestic product growth by offering a more attractive market for investors, Morales said.

“It’s something extremely special that, this Monday, a dream of almost 60 year is turning into reality,” he said at the recently created Puesto Fronterizo Integrado (Integrated Border Post) in Corinto, one of three boundary facilities included in the initiative.

Hernández added, “The process toward our countries’ deep integration does not end this Monday, it begins this Monday.”

Other countries invited

Experts from both countries, gathered in six work groups, held 19 rounds of technical talks in preparation for the union.

“This is the beginning of a path to greater economic integration between Guatemala and Honduras,” Hernández said as he called on El Salvador and Nicaragua to join the initiative.

The invitation came one day after Nicaraguan and Salvadoran economy officials, meeting in Guatemala City, had said their countries might do so by December.

"I've expressed the decision to adhere to the customs union established by Guatemala and Honduras," Salvadoran Economy Minister Tharsis Salomón López said in a press conference.

"It's not about creating a new integration agreement but about finalizing details to join the one created by Guatemala and Honduras."

His Nicaraguan counterpart, Orlando Solórzano, said technical teams were "working at a fast pace, and with a lot of enthusiasm to make the four countries' economic integration official."

El Salvador, Guatemala, Honduras, and Nicaragua make up the Convenio Centroamericano de Libre Movilidad (Central American Free Mobility Agreement, CA4), which allows for free movement of those countries' citizens within the area.

Joining his colleagues, Guatemalan Economy Minister Julio Dougherty said, "Adhesion by El Salvador and Nicaragua is imminent," and went on to add that Costa Rica and Panama would be invited, "in order to reach the integration we all want."

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