GUATEMALA and HONDURAS

Treaty of Free Trade and Economic Integration (with annexes). Signed at Guatemala, on 22 August 1956

Official text: Spanish.

Registered by Guatemala on 25 March 1957.

et HONDURAS

Traité relatif au libre-échange et à l'intégration économique (avec annexes). Signé à Guatemala, le 22 août 1956

Texte officiel espagnol.

Enregistré par le Guatemala le 25 mars 1957.

[Translation — Traduction]

No. 3767. TREATY¹ OF FREE TRADE AND ECONOMIC INTEGRATION BETWEEN THE REPUBLICS OF GUATEMALA AND HONDURAS. SIGNED AT GUATEMALA, ON 22 AUGUST 1956

The Governments of the Republics of Guatemala and Honduras, desirous of strengthening the ties of origin and friendship which happily unite the two countries; and with the purpose of progressively integrating their economies, ensuring the expansion of their markets, promoting the production and exchange of goods and services, raising the levels of living and employment of their respective peoples, and so contributing to the establishment of the economic unity of the Central American Isthmus, have decided to enter into a Treaty of Free Trade and Economic Integration, to be implemented progressively, and to that end have respectively appointed the following plenipotentiaries:

Mr. Salvador A. Saravia, Minister of Economic Affairs and Labour, for the Republic of Guatemala; and

Mr. Pedro Pineda M., Under-Secretary for Economic Affairs and Finance, Head of Department, for the Republic of Honduras,

Who, having exchanged their respective full powers, found in good and due form, have agreed as follows:

CHAPTER I

Rules governing trade

Article I

The Contracting States announce their intention as soon as conditions allow of constituting a customs union between their respective territories, for which purpose they agree forthwith to adopt measures likely to accomplish this object.

Accordingly, the Signatory States hereby agree to establish a system of free trade, to be extended progressively, eliminating the undermentioned customs duties, taxes and requirements between their territories.

As a consequence, the natural products of and the goods manufactured in the Contracting States, shall, when exchanged between the two countries, be exempt from the payment of import and export duties and of all other taxes,

¹ Came into force on 28 December 1956 by the exchange of the instruments of ratification at Tegucigalpa, in accordance with article XXII.

surcharges and fees leviable on or payable by reason of import and export, whatever the purpose is to which they are applied.

The exemptions mentioned in this article do not extend to lighterage, wharfage, storage and handling charges for merchandise, or to any other charges legally payable for harbour, storage or transport services.

If any of these products or articles is subject to taxes, excise duties, or to any other domestic taxation whatsoever applicable to production, sale, distribution or consumption in either of the Signatory Countries, the said country may levy the same taxes on goods of the same nature imported from the other State.

It is understood that the free trade system established under this Treaty does not exempt trade from controls lawfully applicable in the territories of the Contracting States as health, security or police measures.

Article II

The following shall be excepted from the free trade system referred to in article I of this Treaty: articles and products whose import or export is prohibited by law or is subject to special controls or restrictions in either of the Contracting States for reasons of public security or decency, because of the existence of a State monopoly, except in the case of tobacco, or in order to protect national resources of artistic, historic or archaeological value.

Articles and products which for various reasons are not at present considered suitable for free exchange shall also be specifically excepted. Accordingly, those articles and products listed in the schedule (annex A)¹ to this Treaty shall be traded in freely. Nevertheless, by agreement between the two Contracting Parties, after the sectors concerned in both countries have been heard and subject to approval by the Joint Commission referred to below, the schedule (annex A) may be added to or reduced by a simple exchange of notes between the Ministries of Foreign Affairs.

Article III

Goods not mentioned in the schedule (annex A) to this Treaty shall, if they are items of trade between the two countries, enjoy all the advantages, privileges and exemptions that have been or may hereafter be granted to a third country under the most-favoured-nation clause.

This treatment shall not be extended to the benefits which have been or may be granted by one of the Contracting States, under similar agreements, to any other State formerly a member of the Central American Federation.

¹ See p. 84 of this volume.

If either of the Contracting States enters into or intends to enter into a treaty similar to this Treaty with one of the other States formerly members of the Central American Federation, it shall consult with the other signatory hereto for the purpose of considering the desirability of adjusting their mutual trade relations to the altered circumstances or, if possible, establishing in Central America a wider zone of free trade.

Article IV

Goods originating in the territory of the Contracting States and referred to in the schedule (annex A) to this Treaty, shall be exempt from all quantitative control measures in either State.

Nevertheless, until the final purposes of this Treaty are achieved, each Signatory State may continue or adopt, as a general measure without discrimination, quantitative control measures applicable to the goods marked with an asterisk in the annexed schedule, the nature of such control being specified in a marginal note against the item in the schedule. Such measures may be taken only in respect of: (a) exports, to prevent or remedy a shortage of food or other products essential to the economy of the exporting country; and (b) imports, in order to avoid serious disturbances of the general economic stability of the importing country.

When either of the Signatory States proposes to take any of the measures referred to in the previous paragraph, it shall proceed in such a manner as to reduce to a minimum the adverse effects on the economy of the other State, and also to allow within reason the completion of transactions which are pending and have been duly substantiated.

The State which adopts any of the control measures referred to above, shall duly transmit to the other Signatory State all relevant information, in order that both States may co-ordinate their respective actions.

Each of the Signatory States shall endeavour to rescind whatever quantitative control measures it has adopted, as soon as the circumstances which led to the adoption of these measures permit.

Notice of the adoption, modification or abolition of the quantitative control measures referred to in this article shall be given to the other State by a note from the Ministry of Foreign Affairs.

It is further understood that the goods included in the annexed schedule shall not be exempt from controls lawfully applicable in the territories of the Contracting States as health, security or police measures.

Article V

The Signatory States, having regard to the increasing development of certain industries in their respective countries, agree that various articles manufactured therein may in the future be traded in on a preferential-tariff basis.

The Joint Commission provided for in article XV shall make to the Signatory States such suggestions as it deems appropriate for this purpose.

Article VI

Goods exchanged under this Treaty shall be accompanied by a customs declaration form which shall contain the declaration of origin of the goods and bear the signature or fingerprint of the exporter. This form shall be checked and verified by the customs officers of both countries, as provided in Annex B^1 to this Treaty.

Article VII

The Contracting States, with a view to applying the principle of non-discrimination more extensively to their trade relations, agree that:

- (a) Neither of the Signatory States shall introduce internal dues, taxes or other charges applicable to goods imported from the territory of the other State, nor shall it enact or impose regulations governing the distribution or retail sale of the said goods, if the effect of such taxes or regulations would be, or in fact is, to place the goods in a discriminatory or disadvantageous position with respect to similar goods which are produced domestically or imported from any other country; and
- (b) If either of the Signatory States establishes or maintains a body or department or grants special privileges to a particular undertaking, with the object that the said body or undertaking should exclusively or principally, permanently or temporarily, engage in the production, export, import, sale or distribution of some commodity, the said State shall extend to the traders of the other State a just and equitable treatment with respect to purchases or sales made abroad by that body, department or undertaking. The organization in question shall act as a private commercial firm, and shall within reason offer traders of the other country an opportunity to compete in such purchase or sales transactions.

CHAPTER II

INTERNATIONAL TRANSIT

Article VIII

Each of the Contracting States shall maintain full freedom of transit through its territory for merchandise consigned to or originating in the other State.

Such transit shall be effected without deductions, discrimination or quantitative restrictions. In the event of congestion of freight traffic or in case of

¹ See p. 90 of this volume.

force majeure, each of the Signatory States shall arrange impartially for the movement of goods intended for the supply of its own population and for that of goods in transit to the other State.

Transit traffic shall be carried over the lawful routes recognized for the purpose and in conformity with the laws and customs regulations in force in the territory of transit.

Goods in transit shall be exempt from all duties, taxes, or fiscal, municipal or other charges, whatever the purpose for which these charges are levied, but shall be subject to the payment of the charges usually payable for services, and to security, health and police measures.

CHAPTER III

EXPORT SUBSIDIES AND UNFAIR COMPETITION

Article IX

Neither of the Signatory States shall grant, whether directly or indirectly, export subsidies in respect of goods intended for the territory of the other State, nor shall it establish or maintain systems the result of which would be the sale of such goods for export to the other State at prices lower than those at which such goods are sold at wholesale on the home market, allowance to be made for the differences in conditions and terms of sale and taxation, and for the other factors affecting price comparisons.

Any practice which is employed in one of the Signatory States for the purpose of fixing or discriminating between prices and which, in the other State, leads to selling prices for a particular commodity below those which would result from the normal operation of the market in the exporting country, shall be deemed to be an indirect export subsidy.

Any tax exemptions granted by either of the Signatory States for the purpose of developing the production of certain goods in its territory shall not, however, be deemed to be an export subsidy.

Similarly, exemption from domestic production, sales or consumption taxes chargeable in the exporting State on goods exported to the territory of the other State shall not be deemed to be an export subsidy.

Article X

The export of goods from either of the Signatory States to the territory of the other State at prices lower than their normal value, in a manner which causes or is likely to cause prejudice to an industry established in the territory of the other State, or which would defer the establishment of a national industry, is a practice which is incompatible with the purposes of this Treaty, and hence shall be avoided by both States by all the legal means at their disposal.

Goods will be deemed to have been exported at prices lower than their normal value if the price of the said goods is lower than the wholesale price in the home market of the exporting country.

In each case allowance shall be made for existing differences affecting conditions and terms of sale and taxation and for other differences influencing the comparison between prices.

Article XI

In order to eliminate the effects of the direct or indirect export subsidies which may result in either of the Signatory States from the application of general, non-discriminatory measures, and in order to counteract the effects of the aforesaid practices of unfair competition, the State concerned may establish compensatory customs duties to the amount required to cover the artificial difference in price occasioned by the said subsidies or practices, in which case the other Contracting State shall be notified in advance.

CHAPTER IV TRANSPORT

Article XII

The Signatory States shall endeavour to construct and maintain roads to facilitate and increase the traffic between their territories. For the purpose of this Treaty, the Governments shall confer together concerning connecting points on the lines of communication at the frontier and undertake to set up as quickly as possible customs offices at points on the frontier where this is warranted by the commercial traffic.

They shall also endeavour to standardize transport charges between their respective territories and to make uniform the relevant statutory provisions and regulations, and shall facilitate the transit of commercial vehicles from one country to the other.

Article XIII

Ships and aircraft, whether commercial or private, of either of the Contracting States shall receive the same treatment at ports and airports open to international traffic in the other State as that extended to the ships and aircraft of the latter. The same treatment shall be extended to passengers, crew and freight.

Road vehicles registered in either of the Signatory States shall, in the territory of the other State, receive the same treatment as that extended to vehicles registered in the latter.

The provisions of this article shall be interpreted as being without prejudice to compliance with the registration and control formalities applied by each country to the admission, stay or departure of ships, aircraft and vehicles in pursuance of health, security or police measures and for the protection of public and fiscal interests.

CHAPTER V

INVESTMENTS

Article XIV

Each of the Contracting States shall accord fair treatment to investments of capital by nationals of the other State and shall in consequence abstain from adopting discriminatory measures capable of prejudicing any rights lawfully acquired by such nationals.

Each of the Contracting States shall, subject to the provisions of its Constitution, extend to nationals of the other State, with respect to investments of capital and to the right to organize and manage productive mercantile or financial enterprises and to participate therein, the same treatment as is accorded to its own nationals.

The inhabitants of each State shall have the same civil rights and responsibilities in the other State as the nationals of that State.

CHAPTER VI

ECONOMIC CO-OPERATION

Article XV

The Signatory States hereby agree to set up a Joint Trade Commission, consisting of an equal number of representatives of each Party, which shall meet whenever it is considered desirable and in any case not less frequently than once a year.

The Commission may travel freely in either of the Contracting States in order to study the matters within its competence on the spot, and the authorities of both States shall provide it with all the information and facilities required for the fulfilment of its functions.

Article XVI

The Joint Trade Commission shall have the following functions:

- (a) To analyse and collate statistics and other data relating to trade between the two States;
- (b) To study, at the request of either or both Governments, all matters relating to this Treaty and to propose measures to be adopted for settling problems arising from its application; and
- (c) To study the production and the trade of both States, and to recommend additions to, removals from, and modifications of the annexed schedule and also procedures conducive to: 1) the unification of tariffs and customs regulations applicable to free trade articles or their raw materials; 2) the estab-

lishment of the same fiscal regime for articles subject to monopolies and for goods subject to production, sales or consumption taxes; 3) the preparation of agreements for the purpose of avoiding double taxation in the matter of direct taxes; 4) the use of the metric and decimal system in all matters relating to weights and measures; and 5) customs union and economic integration, co-ordinated with the customs union and economic integration of the countries formerly members of the Central American Federation, whose policies are directed toward this end.

Article XVII

The competent authorities of the two countries shall collect, compile and publish statistical data referring to import, export and transit operations carried on under this Treaty, in conformity with rules to be agreed upon between the Joint Trade Commission and the statistical organs of the Signatory States.

Article XVIII

The central banks of the Signatory States shall co-operate closely with a view to avoiding currency speculation which might affect exchange rates and to maintaining the convertibility of the currencies of both countries on a basis which under normal circumstances shall guarantee freedom, uniformity and stability in the matter of monetary exchange.

If one of the Signatory States has introduced or should hereafter introduce restrictions on international monetary transfers, it shall take the necessary measures to ensure that such restrictions do not result in discrimination against the other State.

Article XIX

The competent authorities of the two States shall co-ordinate their activities with a view to protecting forest reserves and water resources and preventing forest fires and soil erosion in the frontier regions of their respective territories.

CHAPTER VII

GENERAL PROVISIONS

Article XX

Since the present Treaty is specifically Central American in character and is designed to lay the foundations for a customs union between the contracting countries and for the progressive integration of their economies, the Signatory States hereby agree that, before signing or ratifying multilateral agreements relating to trade or to customs concessions, and before deciding to join any

international body established for such purposes or negotiating arrangements within the framework of such bodies, they will consult with each other with a view to adopting a common attitude if possible.

Similarly, the Contracting States will endeavour to adopt identical attitudes at inter-American or international conferences or meetings concerned with

economic questions.

The Signatory States agree to retain the "Central American Exception Clause" in any commercial treaties which they may enter into on the basis of "most-favoured-nation" treatment with countries other than those constituting the Central American Isthmus.

Article XXI

The Signatory States agree to settle amicably, in the spirit of this Treaty, any disputes which may arise concerning the interpretation or application of any of its clauses. If they fail to reach agreement, the controversy shall be settled by arbitration. In such cases, each party shall appoint an arbitrator and the two arbitrators shall then appoint a third. Any award of the arbitral court shall require the concurring votes of at least two of its members.

Article XXII

The period of validity of this Treaty shall be one year from the date of the exchange of instruments of ratification and it shall continue in force indefinitely unless denounced by one of the Signatory States subject to at least six months' notice in advance.

Article XXIII

This Treaty shall be ratified by both Contracting States, and the instruments of ratification shall be exchanged at Guatemala City or at Tegucigalpa.

IN WITNESS WHEREOF the undersigned plenipotentiaries hereby sign and seal this Treaty, in two original copies, both equally authentic, in Guatemala City, on 22 August 1956.

For Guatemala:

(Signed) Salvador A. SARAVIA Minister of Economic Affairs and Labour

For Honduras:

(Signed) Pedro PINEDA MADRID Under-Secretary of Economic Affairs and Finance Head of Department

ANNEX A

SCHEDULE OF GOODS FOR FREE TRADE BETWEEN GUATEMALA AND HONDURAS

GENERAL NOTES:

- (a) To qualify for the benefits of the Treaty, the goods mentioned in this schedule must originate in Guatemala or Honduras and must be natural products of, or must have been manufactured in, the said countries.
- (b) Items marked with an asterisk (*) may be subjected to quantitative control measures.
- (c) When this schedule refers to products or articles as "not specified" or "unspecified", this expression should be taken to mean goods not specifically mentioned in the schedule itself.

SCHEDULE A

* Cattle

Sheep

* Pigs

Poultry, live

Goats, donkeys, horses and mules

Subject to export control

Subject to export control

Subject to export control

Subject to export control

Game birds

* Beef

Mutton and lamb

* Pork

Poultry, dead

Fresh meat, chilled or frozen

Pig meat, chilled or frozen

Meats other than pork, dried, salted, smoked or simply cooked, without other preparation, not canned

Sausages of all kinds

Butter and cheese whey, skim milk, sour milk and cream and similar products

Natural butter from milk of all kinds and natural butter products in any form or packaging

Cheese and curd, of all kinds
Edible eggs in the shell
Eggs, not in the shell
Bees' honey and other syrups
Fish, including live fish and the flesh and edible roes

of fish, fresh, chilled or frozen

¹ See p. 66 of this volume.

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Fish (including flesh of fish in its natural state) Aquarium fish

Fish, including the flesh and edible roes of fish, dried, salted, smoked or pickled, but not further prepared

Crustacea and molluscs, fresh, chilled, frozen, salted, dried, smoked, pickled, or simply cooked

Crustacea and molluscs, fresh (salted, smoked, pickled or simply cooked)

* Wheat and spelt

* Rice

* Barley, unmilled

* Maize, unmilled

* Millet

Fresh fruit

Canned fruit and fruit preparations

Fresh and dried vegetables

Potatoes

* Kidney beans

Chick peas

Peas and lentils

Onions and garlic

Cornstarch or fine corn flour

Coffee beans for sowing

* Cocoa

Fresh salad greens

Spices and vegetable products for flavouring

* Brans, pollards, sharps and other by-products from the preparation of cereals and cereal products

Oil-seed, cake and meal and other vegetable oil residues

Meat meal (including tankage) and fish meal

Animal foods, mixed with chemical and biological products, such as bone meal, dried blood and similar products

Food wastes and prepared animal feed

* Raw tabacco, including refuse

* Raw hides and skins Groundnuts (peanuts) green, shelled or unshelled

Subject to export control Subject to export control Subject to export control Subject to export control Subject to export control

Subject to export control

Subject to export control

Subject to export control

Minimum annual quota of 10,000 quintals, subject to export and import control when the minimum quota is reached
Subject to export control

Copra

Palm kernels

Sov beans

Flax seed

* Cottonseed

Castorseed

Raw rubber

* Salt

Subject to export control

Subject to export and import control

Pulpwood (wastes)

Poles, piles, posts and other wood products

Railway sleepers (ties), sawn or not

Wood, sawn, planed, tongued or similarly worked

* Paper waste and old paper

* Mechanical or chemical pulp of wood, straw, fibre and rags

Hydrogenated oils and fats

Beeswax

Other waxes, animal or vegetable, not specified elsewhere

Turpentine products

Oil or spirit of turpentine

Sulphate of turpentine; pinewood oil and other terpenic products of the distillation or other treatment of coniferous woods; pine oil and crude terpineol

Dyeing extracts of vegetable or animal origin, including all vegetable or animal dyes, but excluding indigo, not specified elsewhere

Tanning extracts, except synthetic tanning substances

Oak bark extract

Sumac extract

Vegetable extracts for tanning, not specified elsewhere

Essential oil of goosefoot

Other natural essential oils, including resinoids, not specified elsewhere

Waxes and polishes for cleaning, polishing and preserving footwear and leather articles

Starches and feculae

Wood tar

Colophony

Chalk, in sticks, for writing or drawing

* Cassava starch

Organic and inorganic fertilizers Wood barks for tanning or dyeing Subject to export control Subject to export control

Subject to export control

Medicinal plants, cuttings, leaves, flowers and seeds

* Veneered wood

Wooden tool handles

Knit goods of pure wool or containing not less than 50 per cent wool (sweaters and pullovers)

Woollen capes

Woollen blankets

Footwear of woven fabric with rubber soles, and rubber boots

Boards, tiles, pipes and similar articles of asbestos cement

Rubber tyres and tubes

Rubber treads for tyres

Refined petroleum products
Petroleum and its by-products
Hats and other articles of reed
Absorbent cotton and its derivatives

* Sugar

Baking powders
Flavored gelatine desserts
Dessert puddings
Boxes and other articles of paperboard, corrugated or

not
Packing containers of paperboard, coloured or not,
paraffin-impregnated or not

Building material made chiefly of plastics

Displays and decorations, luminous or not, principally made of plastics Paperboard, plain or corrugated, waterproofed or not

ANNEX B CUSTOMS PROCEDURE

Article I

The goods to be traded in freely under the Treaty of Free Trade and Economic Integration between Guatemala and Honduras¹ shall be cleared by the customs authorities at the point of consignment and at the point of destination in both countries, subject to observance of the customs requirements and formalities of both countries and to the production of the customs declaration form mentioned in article VII of the Treaty. This form shall serve as a certificate of origin, an import or export application and permit, and a corresponding customs certificate.

No. 3767

Subject to import control

Subject to export and import control

¹ See p. 66 of this volume.

Article II

The declaration of origin contained in the said customs form shall be checked by the central customs office or by the customs authorities at the point of shipment in the exporting country and verified by the registering customs authorities of the importing country.

In any case where a customs officer is called upon to check or verify a declaration of origin and has doubts concerning its authenticity, he shall refer the case to the competent central customs office for a ruling.

Article III

The said customs form shall be prepared in quadruplicate, in conformity with the following model:

(a) For shipment in Guatemala:

CUSTOMS FORM REQUIRED IN PURSUANCE OF THE TREATY OF FREE TRADE BETWEEN
GUATEMALA AND HONDURAS

| | (Name and address) | |
|--------------------------------|--------------------|--|
| Vendor ————— Consignee ———— | (Name and address) | |
| J | ation ———— | |
| | | |
| Place of shipment — | | |

| Distinguishing marks | Distinguishing numbers | Number and type of packages | We in kilog | ight rammes | Trade name of goods | Value |
|-------------------------|------------------------|--------------------------------|----------------|----------------|---------------------|--------------------|
| | | | Gross | Net | or goods | in quetzals f.o.b. |
| | | | | | | |
| | | | | | | |
| | | | | | | |
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| | | | | : | : | |
| <u>-</u> | | <u> </u> | | l | 1 | <u> </u> |
| Totals | | | | | | |
| | | | | | | , |

| The | undersigned | exporter | hereby | DECLARES: | that | the | goods | specified | above | originated | in |
|----------|----------------|-------------|---------|--------------|---------|------|---------|------------|--------|------------|----|
| Guatemal | la and that th | ie value an | d the o | ther particu | lars st | ated | in this | s form are | correc | t. | |

Exporter

The undersigned hereby CERTIFIES: That to the best of his knowledge the goods specified in this customs form originated in Guatemala.

(Signature and seal of the Director-General of Customs or Chief Customs Officer at the point of shipment)

Note: The original is to be delivered to the person concerned for production to the customs authority at the point of destination; one copy will be retained by the person concerned, and the other two copies will be retained by the customs authority of the country of origin which authorizes the export of the goods.

(b) For despatch from Honduras:

Customs form required in pursuance of the Treaty of Free Trade between Honduras and Guatemala

(Name and address)

| vendor ——— | | (Name | and add | ress) | | |
|-------------------------|------------------------|-----------------------------|----------------|----------------|------------------------|--------------------------------|
| Consignee | | | | | | |
| Customs office | of destination - | | | | ******************* | |
| Place of shipme | nt | | | | | |
| Means of transp | ort — | | | | | |
| Distinguishing marks | Distinguishing numbers | Number and type of packages | We in kilog | ight rammes | Trade name of goods | Value in lempiras f.o.b. |
| | | | Gross | Net | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | İ | | | | | |
| | | | | | | |
| Totals | | | | | | |
| | | | | i | _ | |

The undersigned exporter hereby DECLARES: that the goods specified above originated in Honduras and that the value and the other particulars stated in this form are correct.

(Signature or fingerprint of exporter)

The undersigned hereby CERTIFIES: that to the best of his knowledge the goods specified in this customs form originated in Honduras.

(Signature and seal of the Director-General of Customs or Chief Customs Officer at the point of shipment)

Note: The original is to be delivered to the person concerned for production to the customs authority at the point of destination; one copy will be retained by the person concerned, and the other two copies will be retained by the customs authority of the country of origin which authorizes the export of the goods.

These models may be modified by agreement between the competent authorities of both countries, subject to consultation with the Joint Trade Commission referred to in article XV of the Treaty or at the suggestion of the said Commission.

Article IV

The Signatory States agree to adopt the necessary measures to simplify and shorten customs formalities affecting trade between their territories and to facilitate compliance with these formalities by the public.