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TRANSACTIONS AND COMMUNITY FORMATION: FIFTEEN YEARS OF GROWTH AND STAGNATION IN CENTRAL AMERICA*

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Integration and nationalism are perhaps the two most dominant forces in Central America today. Curiously coexisting, they are symbolized by on the one hand, the drive toward regional economic integration, spearheaded by the formation of the Central American Common Market (CACM), and on the other, the eruption of nationalistic passions, as was demonstrated by the outbreak of the 'Football War'. Today, as a result of this latter force, the CACM is deeply divided, with attempts at reconciliation making painfully slow progress. If we could put Central America on the proverbial couch, the doctor would probably formulate a diagnosis of schizophrenia. In reality, of course, all political communities have elements of discord within them, a neurosis or two. But in Central America the disease is more serious. As a result, the once predicted, and much hoped for, continuum between economic and political integration (Haas and Schmitter, 1964: 716)† has once again failed to appear.

How are we to explain Central America's difficulties? Recently, some excellent studies have attempted to answer this question (Schmitter, 1970; Wionczek, 1970). These attempts, however, have been primarily non-quantitative in nature, and what is being suggested here is that they might benefit from a quantitative investigation of the process of integration. One obvious reason for the relative absence of quantitative research on Central American integration is the paucity of data available to the researcher who seeks to develop indiees similar to those used in the measurement of the growth of integration in Europe. Working within the severe limitations of data availability, the purpose of this paper is to provide a quantitative longitudinal analysis of the

* Several people have read earlier versions of this paper and have made helpful commeuts. They include: James Caporaso, Keith Legg, Philippe Schmitter, Robert Walters and Alex Weilenman. Their assistance is deeply appreciated.

†For source references see bibliography at end.

integrative process in Central America in the hope that some of the reasons for the failure of regional integration may be revealed.

Certainly one of the most important concepts in the literature on European integration has been that of community formation (Deutsch, et al., 1957) and much effort has gone into the development of indicators for it. In essence, successful community formation is viewed as basic to the development of supranational integration. It can be hypothesized, therefore, that supranational integration not underwritten by successful community formation is a house built on a foundation of sand. In this article we will be making an inspection tour of Central America's foundations, and uncovering a number of serious cracks.

METHODOLOGY

How can trends in regional community formation be measured? Puchala (1970), among others, has convincingly demonstrated the value of transaction analysis in this regard, explaining that when transaction data indicate both 'internal intensification' (i.e. expansion in the volume of transactions between members of the emerging community) as well as 'external discontinuity' (i.e. a pulling away of the community from other areas), it can be said that a community is being formed. Community formation is not, however, a unidimensional phenomenon, but rather, consists of a number of facets, each of which should be measured by independent indicators. In this article we focus on two dimensions of the process of community formation: the economic and the cognitive, the latter having been variously been called the 'sense of community', 'we-feeling' or, perhaps more precisely, 'community awareness' (Merritt, 1966*b*).

Following the tradition established in numerous studies, the indicator of economic community used here is trade transactions or trade flows (Alker, Jr., and Puchala, 1968). Measuring community awareness, however, presents a more difficult and less well-researched problem. A landmark study which has come to grips with this problem is Richard L. Merritt's study (1966*b*) of the growth of community awareness in the American colonies. Merritt (1966*b*: 40) sought to discern, '. . . when the colonists began to think or at least speak of themselves as "Americans" rather than transplanted Englishmen', and when they turned their attention away from themselves and toward the other colonies. In order to solve the problem of finding an index for the growth of community awareness, Merritt turned to the colonial press. Through the technique of content analysis he developed an index of news flows. An investigation of library archives proved that it would be possible to follow Merritt's technique by analyzing

the content of the Central American press. Thus, in this paper trade flows and news flows will serve as indices of economic community and community awareness, respectively.

In social research there always arises the problem of matching the indicator with the concept being measured. Trade flows have often been used as an indicator of political integration, but this practice has been criticized on the ground that the indicator and concept are not isomorphic. Using trade flows as an indicator of economic community formation, however, probably brings concept and indicator into closer harmony, although it must be kept in mind that all of the dimensions of economic community are not subsumed within this single measure. It would be preferable, of course, to have data on a wide range of economic activities, and attitudinal data as well. There is no real substitute for a multiple indicator approach (Lindberg, 1970). The limitations in data availability, however, have made this impossible here.

What about news flows? Are they a good indicator of community awareness? Merritt argues convincingly that news printed in newspapers about community affairs, in his case, intercolonial affairs, directs the readers' attention to the community and, consequently, results in the growth of community awareness (1963; 1966*a*; 1966*b*). It is empirically impossible, of course, to determine precisely how isomorphic any particular index is with the phenomenon being measured. Nevertheless, evidence does exist lending credence to the use of the press as an indicator of community awareness. In a study of the effect of newspapers on readership, John T. McNelly (1962) discovered that reading a news story about a previously unfamiliar topic results in an increased interest in the topic and, furthermore, in a propensity to read more articles on the same subject. In a more recent study, newspapers have been shown to be a particularly effective medium for the transmission of political values (Chaffee, Ward and Tipton, 1970). If this argument proves unconvincing, it is possible to shift attention from the readership to the editors. As Gabriel Almond points out (1960), editors are part of the 'communications elite', which in turn is one sector of the 'policy and opinion elite'. In Central America, where the means of mass communication are more limited than they are in more economically developed areas, Almond's dictum that, 'who mobilizes elites, mobilizes the public' (1960: 138), takes on even greater importance. If the editors sense a growth of community awareness, their readership may not be far behind. On the basis of Merritt's success and the evidence cited above, it may be concluded that news flows offer a promising technique for measuring community awareness.

Before proceeding to the data analysis, some brief mention must be made of the methods employed in the sampling and coding of the newspapers, since there are numerous ways in which content analysis has been employed in research (North, 1963; Budd, Thorp and Donohew, 1967). Because this project involved coding newspapers for six countries (including Panama) for a fifteen-year span, the amount of raw material to be coded was enormous. To reduce the magnitude of the task to manageable proportions three steps were taken. First, it was decided to use the technique of headline-and-lead scanning, and second, instead of reading the entire content of over thirty thousand issues of the six newspapers, a random sample of the issues was selected. And third, not all material in the paper was coded. Headline-and-lead scanning (Haskins, 1966) requires the coder to read first the headline and leadline ro look for suggestive references, in this case, references to any of the place names of the Central American Republics, the Common Market, other Latin American countries and the collectivity 'Central America'. If there is any suggestion in the headline and leadline that the article contains codable material, then the first paragraph of the article is read in a search for the material. The random sample technique used here followed the one suggested by Merritt (1966*b*: 169), by which a random sample of four issues of each newspaper for each year under study was selected. In pre-tests this sample proved to be as statistically accurate (Mann–Whitney U Test, $p \leqslant 0.05$) as a sample three times as large, thus making a larger sample unjustified in terms of research costs. The selection of the issues themselves was accomplished by using a table of random numbers. In order to assure an even distribution of the four issues over the year, the sample was stratified so that one issue was selected for each quarter year. This method guaranteed that all four issues of any given year would not come from any one three-month period, thereby ensuring that the sample would represent the entire year and not merely one portion of it.[1]

After initial examination of some of the newspapers was completed, it became apparent that it would be inadvisable to code them in their entirety. It was decided to code only news stories, which meant excluding editorials, the sports pages, society pages, public and legal notices, obituaries and advertisements, etc.[2] The major reason for

[1] Seleetion of the particular newspapers from among those printed in Central America was largely dependent on their availability in archives in the United States. The newspapers and their circulation in 1965 include: *El Diario de Centro América* (10,000) of Guatemala; *El Diario de Hoy* (44,000) of El Salvador; *La Prensa* (28,000) of Nicaragua; *La República* (20,000) of Costa Rica; and *La Estrella de Panama* (18,000) of Panama. For Honduras two newspapers, *El Día* (10,000) and *El Pueblo* (5,000), had to be used since there was no unbroken fifteen-year run of any single newspaper available.

[2] The coding itself involved the following procedure. After the newspaper issue had been

doing so was that McNelly's experiment regarding the relationship between the material in the newspaper and awareness of that material, referred only to *news* stories, thereby leaving in doubt the effect that other material might have on the reader.

The time span chosen for analysis was determined by the availability of data. It was discovered that 1956 was the earliest year for which continuous runs of newspapers for all Central American countries were available. The year 1956 serves as a convenient base-point for the study since it begins the five-year period before the economic integration program was put into full swing by the signing of the General Treaty of Central American Economic Integration (December 1960).[3] This five-year period can, in turn, be compared with two succeeding ones (1961–65 and 1966–70), establishing a 'before-and-after' quasi-experimental study design.

COMMUNITY FORMATION IN THE CACM

Internal Intensification

Following the investigative model set up by Puchala, the data presented in this section examine internal intensification and external discontinuity iu Central Amcrica. How docs the growth of community awareness compare with the growth of economic community in the CACM? It is clear from Table I that trade has taken a dramatic upswing within the Common Market, moving from a little over thirteen million dollars yearly to nearly three hundred million in the fifteen-year period. The intraregional newspaper references, however, show no such dynamic increase; they tend to increase slowly after 1958, reaching their high point in the early 1960s, and falling off in the later years. That high point coincides with the flush of optimism present in Central America after the signing of the General Treaty in 1960. This trend, however, unlike that of trade, failed to continue, as the fall-off indicates.[4]

selected using the table of random numbers, each page was examined for articles dealing with the individual Central American nations, the region 'Central America' or 'the Isthmus' and finally the economic integration program and its institutions. Each time an article dealing with one of these categories was found, it was given a score of one. If more than one country was referred to in the headline, lead or first paragraph, then each country mentioned received a score of one; however, if a country was referred to more than once in the same article, it still received only a score of one.

[3] The ratification of the Treaty did not take place until June 1961, when it was accepted by El Salvador, Guatemala and Nicaragua, with Honduras ratifying in August 1961 and Costa Rica in July 1963. One might argue that the signing of the Multilateral Treaty on Central American Free Trade and Economic Integration represents a better demarcation between pre- and post-integration periods. This Treaty, however, was significantly more limited in scope than the General Treaty of 1960. Admittedly, the choice of December 1960 as a break-point is somewhat arbitrary but defensible. Details of the treaties are contained in Roger D. Hansen (1964).

[4] References to the CACM and the institutions related to it are not included in Table I, since our interest is focused on intraregional community built as a result of the iutegration program and

TABLE I

INTERNAL INTENSIFICATION IN THE CENTRAL AMERICAN COMMON MARKET*

Year	*Total yearly intraregional imports (in thousands of U.S. dollars)*	*Total yearly intraregional newspaper references‡*
1956	13,481	64
1957	16,555	67
1958	20,545	62
1959	28,861	77
1960	32,676	80
1961	36,806	103
1962	50,848	103
1963	72,098	128
1964	106,188	88
1965	135,503	88
1966	174,735	87
1967	213,958	52
1968	258,294	61
1969	249,014†	54
1970	297,402†	59
1956–60	112,118	350
1961–65	401,443	510
1966–70	1193,403†	310

* For sources of trade data for this and all other tables see: Permanent Secretariat of the General Treaty of Central American Economic Integration (SIECA), *Anuario estadístico centroamericano de comercio exterior, 1964*, Guatemala (1965); SIECA, *Carta Informativa*, No. 56 (June 12, 1966) and No. 113 (March 1971); Dirección de Estadistica y Censo de Panama, *Comercio exterior, 1965*, Vol. XXIV, Series K, No. 1, Panama City; Dirección de Estadística y Censo de Panama, *Estadística Panameña*, Vol. XVI, No. 2 (1967); SIECA, *Indicadores Económicos Centroamericanos*, Nos. 10–11 (October 1970); United Nations, *Yearbook of International Trade Trade Statistics* (1960–70).

† Preliminary figures.

‡ Includes references to each of the five natious.

Perhaps a better indicator of community formation is references to the community as a whole, that is, to the entity 'Central America'. If the community is growing, then we would expect the vast expansion in Central American economic co-operation to spark some interest in 'Central America' as a political entity apart from the activities related to the integration program. It was anticipated, for example, that the newspapers would report information about the Central American 'bloc' in the United Nations, or about Central American educational, cultural or civic activities. Evidence of this expanded awareness does, in fact, appear in the data. It was discovered that from 1956–60 there were seventy-four references to 'Central America', while in the 1961–65 period that figure jumped to one hundred and five, but then fell somewhat in 1966–70, to eighty-one. Here again we find evidence of a growth in community awareness in the early 1960s, followed by a decline.[5] It may be concluded, therefore, that while economic community was characterized by growing internal intensification throughout the 1956–70 period, the growth in community awareness lost its momentum by 1964.

We may summarize this examination of internal intensification by noting that trends in community awareness have not paralleled those of economic community. Our evidence indicates an increase in interest in the CACM and in the entity 'Central America' in the early years, yet a lack of parallel expansion of awareness of the individual nations. Moreover, in the later period even the interest in the CACM and Central America fell off. This pattern stands in marked contrast to Merritt's findings about the growth of community in colonial America. In the latter case, there was an expansion of attention to the entity 'America' along with an ever-increasing interest in the individual colonies as they moved toward the Revolution of 1776. Our quantitative study of internal intensification has uncovered a pattern of schizophrenia in Central America's growth.

External Discontinuity

The phenomenon of external discontinuity is the second area of investigation in Puchala's model. The theory of economic integration predicts that 'trade diversion effects' will be produced by a successful

not the program itself. Even so it is interesting to note that references to the CACM and its institutions follow the trend reported in Table I. The total references in the pre-Treaty years 1956–60 stood at fifteen, rising to sixty-two in the 1961–65 period, but falling again in 1966–70 to forty-two, thus indicating a decline in the interest created in the early 1960s.

[5] A recent study by James C. Billick (1969), employing a content analysis of Costa Rican newspapers for the years 1956–67, corroborates the findings of the above section. Billick's study also serves to legitimize the methodology used here since, by focusing on one country alone, Billick was able to draw a newspaper sample eighteen times as large as the country samples used in this study, yet his conclusions (1969: 84) parallel the findings reported here.

common market arrangement, since goods manufactured within the market are more desirable (i.e. are of lower cost) to the union's members than are those produced outside of the union (Balassa, 1961). Alker and Puchala have shown, for example, that the European Economic Community has been undergoing a continuous 'confinement' (i.e. external discontinuity) as integration proceeds (Alker, Jr. and Puchala, 1968: 308–10). It may be hypothesized, then, that as Central America forms a closer community, it will draw away from other communities in the world.

In order to test this hypothesis, Alker and Puchala suggest the use of the Relative Acceptance, or RA, index. Detailed explanation of the index is not necessary here because by now its use has become commonplace in integration literature (Savage and Deutsch, 1960; Alker, Jr., 1962; Goodman, 1963, 1964).[6] Suffice it to say that the RA index,

TABLE II

EXTERNAL DISCONTINUITY: CENTRAL AMERICA'S RELATIVE TRADE WITH THE WORLD*

CACM imports from:	*Year*			
	1957	*1963*	*1965*	*1968*
CACM	17.13	61.23	85.92	134.79
Latin America	0.99	1.45	1.53	1.87
United Srates	4.64	4.03	3.96	3.52
Western Europe	−0.28	−0.30	−0.31	−0.48
Rest of world†	4.83	−0.79	−0.79	−0.80

* RAs are calculated using import figures.
† 'Rest of world' includes all countries not included in the areas listed above.

which measures 'preferences' in transaction partners, focuses on the deviations of transactions from expected values. More specifically, the index shows how much a nation's transactions with another nation deviate from what would be expected under the assumption (null model) that the magnitude of transactions between the two is determined by their share of the total transactions for the region under study. The RA statistic has a range of -1 to $+\infty$. An RA of -1 indicates that there are no transactions between the two given nations, whereas an RA of 0.0 signifies that the expected transactions are exactly equal to the actual transactions, that is, they are what is expected under the null model. An RA of $+1$, therefore, indicates that actual transactions are 100 per cent greater than expected.

[6] The RA index has sparked a debate regarding its interpretation and utility. See James Caporaso (1971).

The RA index of trade data presented in Table II substantiates the hypothesis of external discontinuity in the Central American case. Examining Table II, we find that Central America's trade (i.e. imports) with all areas of the world, with the exception of Latin America, has undergone a steady decline of relative acceptance: with the United States, from 4.64 times expected values to 3.52 times expected; with Western Europe, from 28 per cent less than expected to 48 per cent less than expected; and with the 'rest of the world' (i.e. areas not already mentioned above), from 4.83 times expected to 80 per cent *less* than expected. Thesc sharp fall-offs in trade should be compared with the dramatic increase in intra-regional trade which moved from 17.13 times greater than expected to 134.79 times greater than expected values. For those who prefer to examine the actual trade data for external discontinuity, these figures can be found in Table III, which reveals that imports from the rest of the world (i.e. non-Central America) as percentages of Central America's total imports has dropped from 97.1 per cent to 76 per cent in 1970.

It was indicated above that Central American trade RAs with Latin America did not suffer as they did in all other geographic areas (see Table II). While this is true when Central America's trade with all areas of the world is considered, it is not true of Central America's trade with Latin America alone. The RAs in Table III demonstrate that before the creation of the Market, trade between the Central American countries and Latin America was almost exactly what is expected under the null model (−0.01). Beginning in 1962, however, when the effects of the General Treaty were beginning to be felt, relative trade between Central America and Latin America began to fall off, so that by 1970 it was 44 per cent *less* than expected. As a consequence of this fall-off, relative trade within the CACM began a commensurate increase, from −0.08 to 0.30. The pattern revealed in these data is again one of external discontinuity.

Turning now to community awareness, our limited data fail to reveal external discontinuity. News flows from Latin America to Central America remained amazingly constant throughout the period (1956–60, 617 references; 1961–65, 622 references; and 1966–70, 621 references). Owing to time limitations, content analysis data on external discontinuity were collected only for Latin America and not for the rest of the world, so that the full scope of external discontinuity cannot be traced here.

Subregions in the CACM

One of the most serious problems facing nations planning to enter into a

TABLE III

EXTERNAL DISCONTINUITY: CENTRAL AMERICA AND THE WORLD

Year	*Central America's total world imports (in thousands of U.S. dollars)*	*Imports from the 'Rest of the world' as a percentage of Central America's total world imports**	*RAs of the CACM's Imports from Latin America†*	*RAs of the CACM's imports from itself†*
1956	468,570	97.1	−0.01	−0.08
1957	523,978	96.8	−0.02	0.00
1958	509,237	96.0	−0.02	0.01
1959	472,511	93.9	−0.01	−0.01
1960	514,141	93.6	−0.01	−0.01
1961	495,788	92.6	−0.02	0.01
1962	552,126	90.8	−0.14	0.27
1963	652,582	88.9	−0.26	0.35
1964	770,498	86.2	−0.30	0.28
1965	889,289	84.8	−0.33	0.24
1966	937,009	81.3	−0.42	0.42
1967	1,030,395	79.2	−0.44	0.37
1968	1,046,227	75.3	−0.42	0.32
1969	1,065,623‡	72.1	−0.44	0.34
1970	1,239,306‡	76.0	−0.44	0.30
1956–60	2,488,437	95.5		
1961–65	3,360,283	88.0		
1966–70	5,318,560‡	77.6		

* Total yearly intraregional imports used to calculate these figures are reported in Table I.

† The input matrix of trade data used in calculating these RAs includes the six countries of geographic Central America plus an artificial country called 'Latin America' which is made up of all countries in geographic South America, Mexico and the Caribbean.

‡ Preliminary figures.

common market arrangement is the difficulty they encounter in extending previously established bilateral trading patterns to all the members of the new market. For successful community formation to occur, subregionalism must yield to regionalism. In order to investigate trends in subregionalism in the CACM, from a quantitative point of view, artificial constructs were created with the aid of the computer. After experimenting with numerous combinations, one set of subregions consistently stood out: the 'Northern Subregion' (Guatemala, El Salvador and Honduras) and the 'Southern Subregion' (Nicaragua and Costa Rica). Examining the data presented in Table IV, we find that both relative trade and relative news acceptance[7] between the subregions are negative. The trade data demonstrate, however, that while the pattern is most accentuated in the premarket years, it appears to be somewhat mitigated in the later years. The trend toward equalization indicates the effect of the Market agreements upon these subregional economic communities, that is, a breakdown in intra-market barriers to the free flow of trade. This, of course, is a primary function of a common market arrangement and appears to have been at least somewhat successful in the Central American case. Further evidence of the existence of subregions and their tendency to dissolve under the impact of the Common Market is shown upon examination of Latin America's trade with the CACM. Up to the end of 1970 there existed a pattern of external discontinuity in the Northern Subregion's relative trade with Latin America. Such discontinuity, however, was not characteristic of the Southern Subregion which maintained a consistently positive relative trade with Latin America. In 1964, however, with Costa Rica's entry into the CACM the previous year, the Southern Subregion broke away from Latin America and shifted its trade toward the CACM. Thus, external discontinuity now became a pattern for both subregions.

The data just presented demonstrate the capacity of the Market to reorient trading communities; yet it has been unable to effect a similar change in community awareness. Referring to Table IV, we find that between the subregions there is a consistently negative news flow. There is even some indication that the Northern Subregion's attention has shifted further away from the South in the years 1967–70. Again we must conclude that the growth of community awareness has not paralleled economic community in Central America.

[7] The RA index, which eliminates the effect of size on trade transactions, and therefore provides a measure of *relative* trade acceptance, does the same thing for newspapers by providing a measure of *relative* news acceptance. Eliminating the effect of size is essential if valid comparisons of content analysis data gathered from several different newspapers are to be made. The size of the newspapers (in terms of quantity of news reported) must be standardized. The use of the RA index for content analysis data is suggested by Merritt (1966*b*: 98–9).

TABLE IV
SUBREGIONS IN THE CACM

Year	*Northern Subregion's imports from the South**	*Northern Subregion's news references to the South**	*Southern Subregion's imports from the North**	*Southern Subregion's news references to the North**	*Northern Subregion's imports from Latin America†*	*Southern Subregion's imports from Latin America†*
1956	−0.37	0.04	−0.56	−0.18	−0.04	0.07
1957	−0.45	−0.01	−0.50	−0.18	−0.15	0.40
1958	−0.44	−0.00	−0.50	−0.34	−0.13	0.29
1959	−0.52	−0.14	−0.48	−0.31	−0.02	0.00
1960	−0.44	−0.14	−0.53	−0.27	−0.07	0.15
1961	−0.37	−0.03	−0.42	−0.30	−0.12	0.20
1962	−0.22	−0.02	−0.37	−0.27	−0.26	0.16
1963	−0.30	−0.10	−0.41	−0.21	−0.38	0.09
1964	−0.19	−0.09	−0.29	−0.73	−0.38	−0.03
1965	−0.26	−0.01	−0.27	−0.02	−0.45	−0.05
1966	−0.25	−0.00	−0.23	−0.07	−0.46	−0.32
1967	−0.32	−0.48	−0.20	−0.07	−0.48	−0.37
1968	−0.30	−0.25	−0.19	−0.01	−0.44	−0.38
1969	−0.27	−0.47	−0.18	−0.18	−0.48	−0.38
1970	−0.18	−0.45	−0.13	−0.11	−0.51	−0.34

* The input data matrices include only the six Central American countries.
† The input data matrices include the six countries of Central America and the artificial country 'Latin America'.

TABLE V

PANAMA AND THE CACM

Year	*RAs of Northern Subregion's imports from Panama**	*RAs of Northern Subregion's news references to Panama**	*RAs of Southern Subregion's imports from Panama**	*RAs of Southern Subregion's news references to Panama**	*RAs of Panama's imports from Central America**	*RAs of Central America's imports from Panama†*	*RAs of Panama's imports from Latin America†*	*RAs of Latin America's imports from Panama†*
1956	−0.63	−0.76	2.09	2.30	−0.26	0.68	0.12	−0.95
1957	−0.59	−0.36	1.19	1.27	−0.39	0.31	0.48	−0.65
1958	−0.53	−1.00	2.13	5.22	−0.38	0.06	0.90	−0.62
1959	−0.64	−0.21	1.63	0.61	−0.35	0.18	0.29	−0.63
1960	−0.67	−0.13	2.78	0.44	−0.32	0.18	0.33	−0.81
1961	−0.85	−0.37	3.57	2.35	−0.49	0.13	0.51	−0.77
1962	−0.75	−0.63	3.77	2.17	−0.88	−0.35	0.87	1.80
1963	−0.63	−0.13	3.60	0.38	−0.93	−0.07	0.96	0.91
1964	−0.52	−0.52	2.61	2.72	−0.93	−0.10	1.33	1.79
1965	−0.48	−0.14	1.58	0.46	−0.94	0.01	1.65	−0.17
1966	−0.54	0.16	1.36	−1.00	−0.95	−0.33	1.36	2.40
1967	−0.44	−0.21	0.93	1.21	−0.92	−0.36	1.57	2.93
1968	−0.49	−0.40	0.91	1.91	−0.90	−0.26	1.58	2.55
1969	−0.46	0.24	0.85	−1.00	−0.87	−0.26	1.53	1.93
1970	−0.34	−0.33	0.55	1.00	−0.85	−0.29	1.68	2.60

* The input data matrices include only the six countries of Central America.
† The input data matrices include the six countries of Central America and the artificial country 'Latin America'.

Panama and the CACM

Panama, once part of Colombia, has traditionally been thought of as falling outside Central America despite the fact that geographically it is part of the Isthmus. Yet, Panama has often expressed an interest in joining the CACM, although without ever having achieved this goal (Cochrane, 1969: 74–81; Cochrane, 1965; May 1965). Because Panama has expressed this interest in attaining either full or associate status, a complete set of trade and content analysis data was collected for it.

How integrated is Panama with the CACM in terms of both economic community and community awareness? A nation-by-nation analysis reveals that Panama has been more attentive to the Southern Subregion than to the Northern. This can be seen in Table V, where the nations are again grouped into subregions. A shift in this pattern occurs, however, in the post-1965 period, for the Northern Subregion has slightly improved her trade position with Panama since 1965 while the Southern Subregion's position has declined. Furthermore, news RAs after 1965 deviate from their prior, consistently negative values for the Northern Subregion and consistently positive values for the Southern Subregion, establishing an uncertain, fluctuating pattern. Thus, overall, there has been a trend toward a general equalization of the CACM's dealings with Panama as the latter has been forced to deal with the five nations as a single market. Interestingly, here again, we find another indication of the breakdown of the pre-market subregions.

The evidence above does not answer what is perhaps the central question, namely, 'Is Panama drawing away from or closer to the CACM?' The data in Table V provide an answer to this question, which is that Panama is moving away from the community. The trade RAs of Panama's imports from Central America have moved from 26 per cent less than expected to 85 per cent less than expected. At the same time, Central America's imports from Panama dropped from 68 per cent greater than expected to 29 per cent *less* than expected. Perhaps, however, it is not so much that Panama is moving away, but rather, that the CACM, as it is forming a closer trading community, is diverting Panama from itself. If this is so, then Panama has found a place to turn to, as the data in Table V demonstrate. Panama's relative imports from Latin America and Latin America's relative imports from Panama have seen a steady rise, paralleling Panama's declining relative trade with the CACM.

As to the question of how Panama and the CACM have fared in terms of community awareness, news flow data reveal that in the period 1956–60, the ratio between Panama's references to Latin America and its total coded references stood at 89 : 11. For the period

1961–65, however, the ratio dropped to 70 : 30, indicating some increased attention to Central America. This drop was only temporary, however, since in the 1966–70 period the ratio rose to 91 : 9. This interest in Latin America stands in marked contrast to her interest in Central America, as is indicated by the ratio of her news devoted to Latin America as a proportion of total references, which stayed consistently at the 50 : 50 mark.

An impressive indication of the effect that the CACM is having on changing old trading relationships is the fall-off in trade between Panama and her immediate neighbor to the north, Costa Rica. In a study conducted by Bruce Russett, which used 1954 trade data, it was found that Panama was Costa Rica's closest trading partner, so much so that Russett (1968 : 343) considered Costa Rica to be part of an international region made up of Panama, Costa Rica, Colombia and Ecuador. Up until 1963 Costa Rica's imports from Panama produced RAs much greater than expected (2.09–3.14), just as Russett had found earlier. Yet, with Costa Rica's entrance into the CACM in 1963, relative trade between the two immediately took a nosedive (to 0.03).

SUMMARY AND CONCLUSIONS

Summarizing the major findings for the period 1956–70, three conclusions stand out. First, there is a strong economic community steadily forming within the Central American Common Market in terms of both internal intensification and external discontinuity. Secondly, the economic effects of the Market have been powerful enough to be able to override traditional subregional trading groups in Central America. Thirdly, while there is an indication that there was some growth of community awareness in the early 1960s, this trend has not been maintaiued.

Successful integration, as is pointed out by Puchala, requires a solid base of community formation aloug with progress in supranational integration of the functionalist type. In Central America this base is only partially preseut. The data indicate that integration has moved along well in the formation of an economic community, but that community awareness has made little headway. Thus, a pattern of growth and staguation has beeu established. Perhaps Schmitter (1970: 39) describes it best when he states: 'New issue areas become "collectivized" or "regionalized" aud transactiou rates increase impressively, but there is no transcendence, no fundamental redefinition or [*sic*] norms and goals, no development of a supranatioual political process; no emergence of a new and wider sense of community loyalty.'

There has been a long-standing tradition for people of the Isthmus to think of themselves as Central Americans since, culturally, linguistically, historically and geographically there is much which binds them together. Yet, despite what might be called a genuine current of 'we-feeling' for Central America, there has been a powerful counter-current of nationalism which has served to hold back the tide of regional economic integration and to drive the nations apart. As Thomas L. Karnes (1961: 3), documenting the long history of unsuccessful attempts at union in the Isthmus, notes: 'For one hundred thirty-five years these little states have tried to unite, federate, or confederate under numerous forms of government and have failed unconditionally, even though they apparently possess more bonds of similarity than any other small group of nations in the world.' The new excitement created by the Central American Common Market and the plethora of institutional arrangements which have sprung out of it once again rekindled the idea of Central American union in the 1960s, thereby accounting for the growth of community awareness which has been demonstrated by the data presented here. At the same time, however, this renewed interest in union was soon checked by a strong dose of pragmatism gained from unpleasant experiences and from the realities of an ever-more demanding integration program. The early optimism was quickly eroded by confrontation with harsh reality. The growth of a rejuvenated 'we-feeling' was halted soon after it began. As Schmitter notes (1970: 43): 'The integration process in Central America has yet to demonstrate any significant penetration into popular consciousness or expectations.'

The prognosis to be made from the results of this study closely parallel the recent finding of Wionczek and Schmitter who are both quite pessimistic now about the possibility of economic integration 'spilling over' into the political sphere. As Wionczek (1970: 50) so aptly puts it, the brilliant take-off of the CACM has been followed by a crash-landing with the outbreak of the 'Football War'. The hoped-for continuum between economic and political integration postulated by the spill-over theorists in the early stages of integration research, is apparently absent in the Central American case. The rise in trade transactions witnessed in Central America, it has been found in this study, has not been paralleled by the growth of community awareness. At best, the growth of trade has served to reduce the impact of the North–South subregionalism, but the rivalry between El Salvador and Honduras may create a new pattern of subregionalism within the CACM.

This study has also demonstrated the necessity for considering more than one index of integration if deeper insights are to be gained. The

two indicators presented here are, of course, insufficient to obtain a full picture of the complex process of integration. Nevertheless, the indicator of community awareness has served as a check on the unbridled optimism which takes hold of the researcher who examines the trade data alone. Transaction analysis has a long way to go before it can be as handy a tool for predicting integration as the barometer is for predicting rain. Yet, if this study is any guide, transactions can reveal a good deal about the 'weather'.

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