I. THE CENTRAL AMERICAN COMMON MARKET

A. The Legacy of the Past

In order to appreciate the measure of contemporary achievements in Central America, it is necessary to know the obstacles confronting the men who have dedicated themselves to the progress of their region through economic integration.

Perhaps the most debilitating feature in Central America has been the partition of the California-sized isthmus into five separate political entities.

Spain had ruled the region as a single unit. During the empire, Guatemala City was the seat of government as well as the center of cultural and economic life. There the Spanish Government founded such notable institutions as the University of San Carlos (1562) and the Academy of Sciences.

In 1824 the old Captaincy General of Guatemala achieved independence, becoming a federal republic with the name "United Provinces of Central America." Guatemala City, the ancient seat of Spanish government, became the capital of the fledgling country. At that time, the Province of Guatemala contained about 661,000 people, more than the other four component states combined.

Unhappily, the new nation was far from "united." The republic was rent by such divisive factors as unequal development between the center of government, which had long received special attention, and the outlying areas; an absence of communications, with a corresponding isolation and spirit of localism in the provinces; and political conflicts between those who defended a strong central government and those who backed local autonomy. These forces sparked almost incessant civil war for 13 years. In 1838 the federation dissolved, and Central America, in the words of the great Argentine, Sarmiento, made "a sovereign state of each village."

That fragmentation was to have deep economic repercussions upon the resulting five countries. Lacking broad national markets, during the 19th century the Central American economies grew to specialize in one or two commodities for export. The individual governments, eager to attract private foreign investments to develop their resources, promoted the process of production for export by offering special concessions, government subsidies, and other forms of preferential treatment. Roads and railways were then built to connect production areas with ports leading to foreign markets. Each country lived as if it were an island, dependent upon maritime transportation as the only effective channel of transportation. Overland conveyance was limited to foot travel or donkeys on jungle and mountain paths. Meanwhile, production for internal consumption remained primitive.

Thus, the prosperity of the Central American countries came to rest heavily upon a few export commodities—coffee, sugar, bananas, cattle, and lumber. But the vagaries of the world market brought a perpetual cycle of "boom or bust."

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