

# **Half Empty and Half Full: Central America's challenges and perspectives in the 21st century**

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Manuel Orozco and Landen Romei

## **Introduction**

The latest political crisis in Central America may signal a serious deterioration of a region that has faced continued waves of violence and poverty. But the complexities of these trends also pose opportunities to support political and economic change. The main problems the region faces today pertain to the pervasive pressure of global forces (such as competitiveness, organized crime, or deportations) on worn out political elites who lack enough political capital to deepen democracy and development. In the midst of these trends are important developments that provide alternatives on the ways to move forward.

The region's political stability has been shaken by current events that include political assassinations, fraud and a coup d'état. However, there is not an even process of regional decomposition, but rather disjointed and uncertain patterns. For the most part there are three major regional political challenges: they include abuse of authority, endemic crime and chronically poor economic development. Interestingly, there are positive changes taking shape, some of which do not correspond directly to the problems, others that are counteracting them and others rather suggestive of a longer trend shift. These changes include growing intolerance to corruption, modernizing economies through trade and migration, increased and continued participation of women in civil society leadership and growing numbers of better educated Central Americans. The region's challenge on one aspect consists of tackling solutions to the problems, and strengthening the positive developments. But on another aspect, involves enabling a correspondence between problems and the changes, for example, seeking to ensure that the benefits of trade, gender in civil society and transnationalism reach the population at large.

The political troubles faced by the region require greater inclusion of civil society in the current debates, as well as commitment to rules. But those problems associated with global forces need to be redressed globally. Organized crime in Central America is now embedded into a web of formal and informal societal relationships that go across borders.

### **1. Political and social problems**

There are multiple and complex political problems in the region. Overall three major trends are shaping them: varying forms in degree and intensity in the abuse of authority by elected and non-elected public officials, overwhelming criminal activity and chronic growth performance accompanied by continued poverty and inequality.

Judicial administration is inefficient, selective and subordinate to the influence of political leaders, thereby engendering the abuse of authority and political corruption. Leaders often gravitate towards political opportunism and do not sufficiently attend to social needs. The social fabric remains weak with high violent crimes, poor social organizing and restricted pluralism. The quality of social institutions, such as the media, is determined by market concentration, state control and a developing journalistic profession.

### *The past five years in Central America*

The wave of Central American peace agreements and political transitions, from the end of military rule in Honduras in 1982, the Arias Peace Plan in 1987, Nicaragua's peace negotiations from 1988-1990, El Salvador's from 1989-1991 and the signing of Peace Accords in Guatemala in 1996, marked an end to decades of war in the region and ushered in a new era of democratization and stability led by a democratizing cadre of political leaders. These peace agreements each represented a new national political formula with new bases of social and political capital.

Over the last five years, however, this transitional formula has been confronted by new global economic trends as well as by chronic social problems and persistent poverty that now test the staying power of Central America's aging "transition" leaders, who now see their political capital diminishing in the wake of these new forces. The region faces irregular or violent elections, as in the cases of Guatemala, El Salvador and Nicaragua, or resurfacing old guard political actors as in Nicaragua, Costa Rica, and the latest military coup in Honduras.

Although the electoral processes in the region are generally considered to be free and fair by international observers, problems have been observed. All seven Central American countries have held democratic presidential elections in the last five years, with upcoming presidential elections scheduled for November 2009 in Honduras and February 2010 in Costa Rica. In Honduras, Jose Manuel Zelaya Rosales of the Liberal Party (PL) defeated National Party (PN) candidate Porfirio Lobo Sosa to win the presidency in 2005. Elections in Costa Rica in 2006 brought former president Oscar Arias Sanchez (1986-1990) back to the presidency under a politically debilitated National Liberation Party (PLN). This year's elections in Panama saw the victory of conservative opposition party candidate Ricardo Martinelli, leader of Alliance for Change. These elections represented transfers of power between entrenched political parties, and in the case of Daniel Ortega and Oscar Arias, the return of familiar faces from the 1980s.

The political processes following these elections have been problematic in some countries. For example, with the return in 2006 of Daniel Ortega of the Sandinista National Liberation Front (FSLN) conflict with civil society and the opposition emerged as a result of arbitrary abuse of Ortega's presidential authority. Ortega's return is directly related to the intentions of the traditional political elites to control national power over the long term. The members of the two political parties, Daniel Ortega's Sandinistas and the Constitutionalist Liberal Party (PLC) of ex-President Arnaldo Aleman, negotiated a pact in 1999 to reform the Constitution with the objective of dividing control over the most important institutions among themselves. Taking advantage of that situation, Ortega has manipulated the internal divisions within the Liberal camp, and strengthened its control via intimidation of civil society and the media as well using street mobs to deter political protest and committing fraud in the municipal elections of November 2008.

The victory of Farabundo Marti National Liberation Front (FMLN) in El Salvador's presidential election this year represents both a nod to the past and a new chapter in Salvadoran politics that suggests a more mature democracy. FMLN candidate Mauricio Funes secured the

presidency this year, ending twenty years of rule by the Nationalist Republican Alliance (ARENA) and achieving what the FMLN could not as a guerilla movement during El Salvador's civil war. The FMLN had been gaining force as a political party since 2003, as dissatisfaction with the conservative ARENA party grew in the wake of rising insecurity in the country and limited changes in social policy. The period leading up to the Salvadoran elections were characterized by high levels of political polarization, as conservative factions worked together to try to prevent a FMLN victory and what they perceived as the spread of leftist regimes in the region. Political violence also marred the campaign, including several attacks by ARENA supports against FMLN campaigners and the killing of six FMLN party leaders and activists.<sup>1</sup> However, the first year under the Funes government has been seen as non-conflictive but challenged by continuing social problems, such as crime with a projected 4,400 homicides in 2009.

Guatemala's 2007 national elections were also marred by extremely high levels of political violence, but with different roots. More than 50 candidates, campaign aides and their relatives were killed during the course of the campaign, representing a 50 percent increase in killings as compared to the 2003 elections<sup>2</sup>. Experts report that these high levels of political violence were related to links between organized criminal networks who gave funding to political parties and candidates. National Unity for Hope (UNE) candidate Alvaro Colom secured the presidency during a runoff election against Patriotic Party candidate Otto Perez Molina. The major political crisis faced by Colom was the allegations of his participation in the political assassination of a leading individual of the Guatemalan elite. A prominent businessman and his daughter were killed in April of 2009, allegedly because he refused to participate in illicit activities associated to money laundering. Their lawyer was killed the next month and notably, left behind a video accusing Colom of his own assassination to keep him quiet. Though the gunmen have been caught and are now imprisoned, it is still unknown who gave them the order to shoot.

The stability of the political environment took a significant step backwards in 2009 when the democratically elected president of Honduras, Manuel Zelaya, was deposed by a military-backed coup in June of this year. Zelaya was ousted on the eve of a non-binding referendum on whether to amend the Constitution, including an amendment that would allow him to run for reelection that was viewed by the political and economic elite as a part of an ongoing attempt by Zelaya to consolidate power and circumvent the political forces that have traditionally dominated Honduran political institutions. A de facto government, led by congressional president Roberto Micheletti, has been widely condemned by the international community and has been responsible for alarming political repression, censorship and violence in the months following the coup. While the de facto government has promised to carry on with and respect the results of presidential elections in November to seek Zelaya's replacement, it remains to be seen how developments in Honduras will play out.

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<sup>1</sup> North American Congress on Latin America. *The 2009 El Salvador Elections: Between Crisis and Change*. January 2009.

<sup>2</sup> Meyer, Maureen. *Elections in Guatemala: A WOLA Memo on the Upcoming Presidential Vote*. Washington Office on Latin America, August 29, 2007.

Political elites in these countries seem more focused on self-preservation and less on creating long-term solutions to the social, economic and security problems that plague the region. Meanwhile, Central American voters are losing confidence in political institutions and in the democratic process itself. Voter turnout continues to fall in many places; for example, the percentage of registered voters turning out for presidential elections in Honduras fell from 72.1 percent in 1997 to 55.1 percent in 2005.<sup>3</sup> Moreover, the majority of Central Americans in 2008 reported having little or no confidence in their governments.

### *Rule of Law*

With respect to human rights and developing civil society, much work remains to be done. The autonomy and effectiveness of Central American states are continuously compromised by the power of private interests or organized criminal networks, weak bureaucracies, and corrupt and ineffective judicial systems. Media outlets, which should act as independent watchdogs, are all too often dominated by political and business elites and thus fall victim to soft censorship and manipulation.

Overburdened, inefficient and often politicized judicial systems and police forces foster corruption and a culture of impunity in countries such as Guatemala, Honduras and El Salvador, threatening rule of law. It is estimated that only 3.8 percent of crimes in El Salvador result in a conviction, while only 7 percent of homicide cases in Guatemala end in a conviction.<sup>4</sup> Nicaragua stands out for having successfully professionalized its police force following the country's democratic transition. Public insecurity has resulted in hard-line or "iron fist" security approaches that are often politically motivated.

Guatemala investigated 32 cases of extrajudicial killings involving 185 police officers in 2008, in addition to investigating multiple cases of police complicity in narcotics trafficking. Moreover, 340 Guatemalan police officers were fired in 2008 for corruption. Extrajudicial killings are often associated with "iron fist" anti-gang policies that have fostered impunity for illegal profiling practices and police misconduct targeting alleged youth gang members. In El Salvador, "iron fist" measures have included house-to-house sweeps by military and police forces, often without warrants. In Honduras, the size of the police force has nearly doubled since 2005, but with little focus on preventative policing. There is concern that law enforcement institutions have been infiltrated by drug cartels, and in 2008 the office of Honduras's Human Rights Ombudsman announced that it had proof that at least three cartels had infiltrated the national police.<sup>5</sup>

Guatemala has experienced major scandals in recent years that highlight the fragility of its security establishment. One incident involved the 2007 murders of three Salvadoran congressmen, Eduardo D'Aubuisson, William Pichinte and Jose Ramon Gonzalez, and their

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<sup>3</sup> International Institute for Democracy and Electoral Assistance. <[http://www.idea.int/vt/graph\\_view.cfm?CountryCode=HN](http://www.idea.int/vt/graph_view.cfm?CountryCode=HN)>.

<sup>4</sup> Freedom House. *Freedom in the World Index*. 2009.

<sup>5</sup> U.S. Department of State Bureau of Democracy, Human Rights and Labor. *Country Reports on Human Rights Practices 2008: Honduras*. February 25, 2009.

driver as they travelled to a Central American Parliament meeting in Guatemala City in February of that year. Four Guatemalan police officers were charged with the murders, but were themselves killed while in custody in a maximum-security Guatemalan prison shortly after their arrests. Authorities initially blamed the killings on prison riots, but inmates claimed to have seen men in military clothing execute the four officers, and the head of Guatemala's prison system, the national police chief and Minister of the Interior all resigned during the month following the assassinations. Thirteen gang members were charged for the murders of the four suspects but were acquitted on July 10, 2008. Four days later, Juan Carlos Martinez, the public prosecutor who had investigated the case of the thirteen acquitted suspects, was murdered by unknown assailants. A motive for the murders of the Salvadoran congressmen remains unknown. More recently, the legitimacy of Guatemala's security establishment was again called into question when spy equipment was discovered in the offices of the president and vice president, as well as in the president's residence. The scandal suggests the complicity of top security officials and has been tied to a long-standing effort to destabilize the government by organized criminal forces, perhaps in tandem with military intelligence units.

Judicial systems across the region are operating above capacity with overcrowded prisons, high percentages of prisoners awaiting trial, lengthy pretrial detention times, and corrupt courts. El Salvador currently houses 18,000 inmates in a prison system that was designed to serve just 8,000; it is estimated that 50 percent of Salvadoran prisoners are awaiting trial. Several high-profile prison riots and deadly fires have called international attention to the state of Central American prison systems in recent years and in some cases left as many as 100 inmates dead. The performance of judges is compromised by partisan judicial institutions, corruption, and threats and acts of violence committed against judges in Guatemala, El Salvador, Honduras and Nicaragua. The judiciary in Nicaragua is dominated by FSLN and PLC appointees and is often susceptible to political influence and partisan behavior; the Honduran judiciary displays similar levels of partisanship.

Corruption is commonplace among political officials throughout the region, and Central American countries consistently rank poorly on Transparency International's annual Corruption Perceptions Index, which measures perceptions of corruption on a scale from zero to ten (with ten representing the lowest perception of corruption). Panama amended its constitution in 2004 to include a right to access information, and El Salvador and Honduras introduced transparency laws in 2006, followed by Nicaragua in 2007, and Guatemala in 2008. While the importance of these laws cannot be understated, enforcement continues to be a problem.

Another troubling trend across the region has been the emergence of parallel institutions, often led by elected officials, which rival government and serve the personal political or economic interests. These practices threaten the effectiveness and autonomy of Central American states, and range from vigilante groups and private security forces to alternative government procurement processes in Guatemala that circumvent transparency laws or parallel budgets and social programs in Honduras and Nicaragua. Both Honduras and Nicaragua have joined the Bolivarian Alternative for the Americas (ALBA), strengthening ties with Venezuela and taking

advantage of preferential prices for Venezuelan oil, generating revenues for the state of around \$350 million annually.

The management of these funds has been questionable in both countries. While both Ortega and Zelaya pledged to use the windfall for social projects, many feel that increased monetary aid from Venezuela will only provide more opportunities for impunity and corruption, as Venezuela's Chavez has reportedly stated that he will not demand the same amount of financial transparency for aid money as other donors, such as the United States, do. In Nicaragua, the funds have been administered separately as a "parallel budget" that many observers say is used to promote FSLN interests. Also in Nicaragua, the Ortega administration began to implement the use of "citizen power councils" in 2007 to promote civic engagement and administer the government's Zero Hunger program. These councils have been compared to Cuba's Committees in the Defense of the Revolution, which are used for surveillance and political persecution at the neighborhood level. There are concerns that these councils blur the line between state institutions and political parties, as they are dominated by the FSLN, and that they infringe upon the autonomy of local elected leaders. These trends towards partisan, parallel institutions are troubling and could have negative ramifications on the development of democratic institutions in the future.

### ***Sluggish macroeconomic and social trends***

On the economic front, economic growth remains a continued unaccomplished task. Central America has confronted globalization by increasing its economic growth through foreign investment and trade. However, growth rates have remained low throughout the region and in the few cases that they have risen slightly; rates have generally not been sustained. In fifteen years average growth has been below 3 percent. The result has meant slow economic recovery in the region.

Tax collection in Central American has been difficult. Very little in the way of taxes is collected due often to tax evasion or a lack of effective procedures to uniformly collect monies. Guatemala has the lowest tax revenue in all of Latin America, representing a mere 12.33 percent of its GDP. Meanwhile, other countries in the region boast higher tax revenues, as in the case of Honduras and Nicaragua (see table 2). In Guatemala, the principal base for tax revenue is the value-added tax (49%), followed by income tax (23%), and industrial and primary products (11%). This is in contrast to the case of Nicaragua where the principal sources of revenue are income tax (32%) and tariffs (33%) rather than taxes on consumption (15%). Moreover, the allocation of government funds shows uneven policy priorities. Guatemala, for example, allocates the least amount of resources to education and health compared with other countries in the region. It is also important to note that all countries devote around a tenth of their resources to debt payments (particularly external debt payments).

Accompanied to poor social policies is the continuity of poverty and inequality. Currently, 50 percent of Central Americans are poor and 23 percent are extremely poor, that is they are living

on \$2 and \$1 per day, respectively.<sup>6</sup> Consider however that monthly cost of living in these countries ranges from US\$200 to US\$300, making it impossible for the majority of people to afford the most basic necessities. Monthly electricity costs alone are in the US\$30 range, food such as a dozen of eggs costs over US\$1.00. It is undeniable however that in all countries in the region poverty reduction remains imperative and requires cross-sectional attention, especially for minority ethnic groups that are most vulnerable and still have not benefited from their country's poverty reduction strategies in an appropriate and systematic manner.<sup>7</sup> But the prevalence of inequality is a reminder of the limited strength among political elites to make deeper reforms. For example, the concentration of wealth in the region increased from 51 to 56 percent among the wealthiest 20 percent of the population between 1970 and 2005. The region's inequality is at the same levels it was just prior to the civil wars that plagued these countries in the 80s.

Inequality is also reflected on the political condition of women. Although women represent half of the population, they only make up a small portion of the political positions of authority in Central America. In most countries less than 25 percent of legislators are women, less than 35 percent of ministers are women, and throughout the region, except for Costa Rica, less than 10 percent of mayors are women.

### ***Public Insecurity and Violence***

Crime is a principle threat to the institutional structures of Central America, and continues to inhibit economic, social and political development in the region. While countries such as Guatemala, Honduras and El Salvador have long experienced skyrocketing rates of violent crime, regional neighbors such as Costa Rica and Panama have more recently begun to experience growing crime rates in the past five years. El Salvador, Guatemala and Honduras have steadily experienced some of the highest homicide rates in the world, and murder rates elsewhere appear to be unaffected by government efforts to reign them in. Violent crime is concentrated in major metropolitan areas such as San Salvador in El Salvador, Tegucigalpa and San Pedro Sula in Honduras and Guatemala City in Guatemala. However, crime associated with drug trafficking has also increased in border regions throughout the region as cartels battle over turf for the shipment of illicit drugs through Central America and north to the United States. In recent years, communities on the border between Guatemala and Mexico, as well as between Honduras and Guatemala, have also become the scene of acts of violence and high homicide rates. These border areas are often remote and lack effective state presence.

Police forces across the region, with the exception of Nicaragua, tend to be ill-equipped to control crime and are prone to corruption and infiltration by organized criminal networks. As a result of weak state security apparatuses in Central American countries, private citizens have chosen to take security measures into their own hands, in the form of both a booming private security industry. It is estimated that private expenditures on security in Central America,

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<sup>6</sup> Comisión Económica para América Latina, *Panorama Social de América Latina*. Santiago de Chile, 2008.

<sup>7</sup> Feiring, Birgitte *Pueblos indígenas y pobreza: los casos de Bolivia, Guatemala, Honduras y Nicaragua*, Minority Rights Group International, Mayo de 2003.

including both home and business expenditures, is worth more than \$1.2 million annually.<sup>8</sup> A darker consequence of the lack of public security is the rise of vigilante groups who, acting within a climate of impunity and fear, participate in extrajudicial killings. For example, in Honduras the NGO Casa Alianza estimates that 3,943 people had been killed from 1998 to 2007 by vigilante groups that may have included members of the military or police.<sup>9</sup>

Crime and violence in Central America lie at the intersection between three major forces: youth gangs, organized criminal networks and interpersonal violence, especially violence against women. These forces are sometimes intertwined and are exacerbated by the proliferation of arms, the complicity of security institutions, and weak criminal justice institutions. The result is a climate of fear and insecurity that affects the lives of citizens of every Central American country, threatens the viability of public institutions and reaps huge economic costs including diverted foreign direct investment.

Youth gangs are a transnational phenomenon that emerged out of civil and military conflicts in El Salvador, Guatemala and Honduras, and developed during the 1980s in Los Angeles and other immigrant communities in the United States.<sup>10</sup> Some youth gangs, such as the *Mara Salvatrucha*, were originally linked to Salvadoran immigrants, and grew in size and strength throughout the Central American immigrant community in the United States. The arrest and deportation of Central American gang members eventually led to the spread of this gang phenomenon in Central America, as non-citizen convicts were returned to their countries of origin where they encountered very little support and resources for at-risk youth, combined with grinding poverty and little opportunity for gainful employment.<sup>11</sup> Gang members are young, in many cases only teenagers, and include both men and women. It is estimated that in Honduras, 5 percent of the entire male population aged 15-24 is a member of a gang.<sup>12</sup> A 2006 study conducted by USAID estimated that there were more than 300,000 gang members in Central America, with the highest concentration living in Honduras.<sup>13</sup> These gangs are often nurtured by the replenishment coming from the United States deportations. From 2005 to 2008, 260,000 Central Americans were deported, 50,000 of them were people with a criminal background—many of which were active gang members.

Another threat is narcotrafficking. Central America is strategically located between the world's biggest supplier of cocaine and the biggest consumer, the United States. It is estimated that about 88 percent of the cocaine destined for the United States passes through the Central America/Mexico corridor, with Guatemala and Belize being major points of transit.<sup>14</sup> Because of

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<sup>8</sup> Acevedo, Carlos. *Los costos economicos de la violencia en Centroamerica*. Consejo Nacional de Seguridad Publica, Honduras, 2008.

<sup>9</sup> U.S. Department of State Bureau of Democracy, Human Rights and Labor. *Country Reports on Human Rights Practices 2008: Honduras*. February 25, 2009.

<sup>10</sup> Washington Office on Latin America. *Central American Gang-Related Asylum: A Resource Guide*. May 2008.

<sup>11</sup> Washington Office on Latin America. *Central American Gang-Related Asylum: A Resource Guide*. May 2008.

<sup>12</sup> United Nations Office on Drugs and Crime. *Crime and Development in Central America: Caught in the Crossfire*. May 2007.

<sup>13</sup> USAID. *Central America and Mexico Gang Assessment*. 2006.

<sup>14</sup> United Nations Office on Drugs and Crime. *Crime and Development in Central America: Caught in the Crossfire*. May 2007.

the region's position as a point of transit for drugs entering, Central America has seen a rise in organized criminal activity and infiltration by drug cartels and other organized criminal networks. Not to be confused with youth gangs, these networks are highly organized business operations but increasingly integrate members of youth gangs and local drug cartels into their activities. With Mexican President Calderón's war on drug cartels, Mexican warlords and wars have spilled into Central America and fighting between cartels has become commonplace in border areas in Guatemala and Honduras as groups battle over strategic territory for drug shipments. Many transnational drug cartels have been building up drug transportation networks throughout the region and in many cases recruit local gangs as intermediaries between Mexican and Colombian groups. These cartels contract gangs for protection or special work, paying them with drugs, a practice that has created increasing domestic drug problems in these countries. Trafficking continues despite limited interdiction efforts.

These illicit routes to the United States are not limited to the transport of drugs; Central American countries are source, transit and destination countries for the trafficking of men, women and children for the purposes of labor and sexual exploitation. According to the US State Department's 2009 Trafficking in Persons Report, all seven Central American countries fail to comply with minimum international standards to combat human trafficking, with Belize, Guatemala and Nicaragua falling on the report's watch list for lack of enforcement of anti-trafficking measures. Countries in the region are taking strides to fight human trafficking, and in 2009 Costa Rica passed legislation to punish all forms of trafficking and expand services to victims. Also this year, Guatemala strengthened its anti-trafficking laws and implemented a new prosecutorial unit dedicated to fighting human trafficking and illegal adoptions. In 2008, Panama also strengthened its anti-trafficking legislation.<sup>15</sup>

Violence also occurs at home. Interpersonal crime, particularly violence against women and children, is widespread in Central America and many countries have failed to take sufficient steps to protect victims and provide victim services. In Guatemala, the share of women among murder victims has increased from 4.5 percent in 2002 to 12.1 percent in 2005.<sup>16</sup> In Guatemala, it is estimated that 1,600 women were murdered during that period.<sup>17</sup> Honduras reports an average of 14,000 domestic violence complaints annually, and it is estimated that 1,114 women were murdered by their husbands or partners between 2002 and 2008.<sup>18</sup> In April 2008, Guatemala passed a law against femicide, making it punishable by up to 50 years in prison, and recognizing and increasing penalties for a range of gender-related crimes. Gender-related violence occurs against a backdrop of marginalization of women, whereby women experience limited levels of civic participation but higher levels of poverty and discrimination. Few cases of domestic violence are investigated or reach the courts, and laws prohibiting gender-based discrimination are often not enforced.

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<sup>15</sup> US Department of State. *Trafficking in Persons Report 2009*. June 2009.

<sup>16</sup> United Nations Office on Drugs and Crime. *Crime and Development in Central America: Caught in the Crossfire*. May 2007.

<sup>17</sup> Bermudez, Manuel. *Guatemala: Violence Against Women Unchecked and Unpunished*. IPS, November 25, 2005.

<sup>18</sup> United Nations Development Program. *ONU afirma que la violencia contra las mujeres deprime la economía del país*. <[http://www.undp.un.hn/Dia\\_NO\\_violencia\\_contra\\_mujer.htm](http://www.undp.un.hn/Dia_NO_violencia_contra_mujer.htm)>.

### *The upsurge of natural disasters*

Vulnerability to earthquakes, hurricanes, floods and droughts is accentuated by the institutional inability to confront disasters. The region is exposed to a countless number of natural disasters that affect the stability of its countries, and the result is the destruction of physical infrastructure and human life in Central America. In particular, Guatemala is among the top five countries in the world most affected by natural disasters, with 40.8 percent of the population exposed to five or more threats simultaneously. Thus, in cooperative planning it is impossible to ignore the possibility of such disasters. Since 1998 the region has experienced hurricanes, volcanic eruptions, earthquakes, droughts and flooding that have left thousands of families homeless and without resources with which to recuperate. In 2008 alone, 3 hurricanes hit Central America, causing extensive damage, but the largest most recent disaster is the case of Hurricane Stan in 2005. In Guatemala, the hurricane affected over 470,000 lives, damaged or destroyed nearly 35,000 homes, and negatively impacted the infrastructure of numerous villages – a monetary value of approximately \$983 million. In particular, the agricultural sector and rural areas were greatly hit by the disaster.<sup>19</sup> It is therefore imperative to consider the environmental impact on the region as well.

## **2. Making the region a better place**

In many respects, Central Americans are changing for the better. The current state of Central America does not mean democratic set-backs; rather it suggests the presence of complex interplays between traditional elites and the pervasiveness of global forces and emerging forces contesting power. Among these dynamics we observe intolerance to abuses to political authority, continued presence of women leaders of civil society groups, growing cohort of people with a tertiary education, migrant transnationalism contributing to sustain economic growth, and trade diversification with modernization.

### ***Political Participation***

Within the political context, it is revealing to note the growing intolerance of the abuse of authority. The most visible and public examples of this intolerance are the incarceration of ex-President Arnoldo Aleman, the investigations of several civil employees of the Alfonso Portillo administration -- including an investigation of the ex-President himself --, the capture of Honduran elected officials guilty of drug-trafficking, and the five year sentence against former president of Costa Rica, Rafael Angel Calderon Fournier.

Of notable significance, the United Nations' High Commission for Human Rights in Guatemala was approved as a result of a political debate over the future of human rights in the country and despite the fragility of the offices of the Ombudsmen of Human Rights (PDH), they have managed to establish an important role for themselves -- particularly in consideration of the

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<sup>19</sup> [http://www.redcross.org/news/ds/profiles/disaster\\_profilei-stan.html](http://www.redcross.org/news/ds/profiles/disaster_profilei-stan.html)

weakness of the judicial system in the region. These offices have promoted important work regarding the access to the justice system on behalf of vulnerable groups in society.

In each country the PDH has managed to call attention to problems that would otherwise go unnoticed by the judicial system and by public opinion. The importance of this attention is particularly apparent in the case of Honduras regarding the treatment and criminalization of gangs, a tactic that has not resolved the social problem of gangs yet is a common government practice. The Honduran PDH has advocated for a more just treatment of gangs and has called for attention to the matter in order to prevent the generalized persecution of youth and children. Another important example is women's police stations and the PDH in Nicaragua. In both cases they have managed to call attention to the particular needs of women who confront the justice system. Also, the Nicaraguan PDH has placed important emphasis on the coordination of the Costa Rican PDH to address the threats to Nicaraguan immigrants' human rights and the challenges to accessing the judicial system in Costa Rica. Presently, the PDH continues to be an important outlet where immigrants may turn for a more favorable response to their precarious situation.

### *Civil society*

Civil society organizations continue to grow and express themselves despite problems with self-sustainability or political pressure. Perhaps the most important characteristic of these organizations is their capacity to advance the social agendas of national interest. But another important advance within a Central American pluralistic society is how more than 40 percent of leading Central American NGOs are headed by women—a statistic that is significantly different than political institutions where the percentages of female representation are much lower. More importantly this statistic has remain high for the past ten years.

### ***Economic and human transnationalism***

Central America has sought to integrate into the world economy through four dynamics: nontraditional exports, the maquiladora phenomenon,<sup>20</sup> immigration, and tourism. As it has diversified in these four areas, Central America has ceased to be an exclusively agro-exporting region or a so-called after-dinner economy – that is, an exporter of coffee, sugar, and rum. In most countries of the region, one quarter of GDP depends on these three of these factors, which have had a multiplying effect on other areas (see table 7).

A closer look at migration reveals important trends. Migration has attempted to ameliorate the social problems of many of these countries, particularly through the transmission of remittances. Transnational ties have been formed between the emigrant population and hometown communities throughout the process of migration. Often these linkages are manifested in the sending of remittances, travel, phone calls, buying home country goods, and belonging to hometown associations (HTAs).

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<sup>20</sup> Establishing offshore plants (e.g. in Mexico) that carry out part or all phases of an industrial process for the parent company (e.g. located in the United States). This phenomenon often reduces the costs of production – costs of labor, energy, water, and raw materials.

The impact of emigrant remittances has had such dramatic impacts on Central American economies that in many cases the amount of money remitted is greater than any other external or internal economic indicators. At least one in ten Central Americans receives remittances, which exceed a volume of \$12,000 million annually.

The impact of remittances in the region is observed in several contexts. First, remittances contribute to poverty reduction and particularly to the reduction of extreme poverty as some 40 percent of remittances are sent to rural areas and roughly 65 percent of money remitted is sent to women. Remittances also result in significant macro-economic impacts, as the growing volume of remittances in many cases is greater than foreign direct investment or official development assistance, and remittances demonstrate a remarkable counter-cyclical power relative to economic recessions. Expansions within financial markets have also resulted from increased remittance transactions, as more remittance senders and recipients are using formal banking mechanisms to transmit funds. In addition to remittance transfers, there are four other important transnational activities: tourism, transportation, telecommunications and nostalgic trade. These activities make up the “5Ts,” which promote economic development in the region.<sup>21</sup>

### *Free trade*

Central American efforts to form a free trade agreement with the United States have slowly opened opportunities for growth. Trade results since 2005 show uncertain trends. First growth has not varied prior to the trade agreement; flows of exports from Central America have grown at modest 3 percent growth. Second, with the exception of Nicaragua, the region experiences a trade deficit with the U.S., as imports of U.S. goods entered the Central American market. Such trend is not negative in itself provided that the imports are not unfairly affecting local products.

However, increased trade imbalances have sparked widespread protests in several Central American countries due to concerns over trade deficits, the favoring of large export-oriented producers in specific sectors, or rising unemployment.

But evaluating the impacts of DR-CAFTA at three years of its implementation can be premature. Additional data is needed to illustrate whether or not the trade agreement represents a success or failure for the region. Strengthening free trade is another area of critical importance. The legacy of the Caribbean Basin Initiative (CBI) in Central America, for example, has been an important one. Between 1989 and 2008 U.S. imports of Central American goods rose from 2.3 billion to 15 billion, and reflected a 30 percent growth between 2000 and 2008. The growth in non-traditional exports has been significant, and materialized an important economic transformation: the region’s industrial exports benefited more under the CBI. The table below shows how manufacture of textiles and garments is a key source of export revenue for these countries.

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<sup>21</sup> Orozco, M., et al. “Transnational Engagement, Remittances and their Relationship to Development in Latin America and the Caribbean.” July, 2005. ISIM, Georgetown University.

### *Education*

The number of people with tertiary education is growing and enabling the supply for a professional workforce in the region. The process is slow and education needs fundamental attention. The global economy demands people with education levels above secondary education. The rate of completion of primary school for those who enter grade one is highest in Costa Rica at 90 percent and lowest in Nicaragua at 50 percent.<sup>22</sup>

### **3. Options in times of recession and change**

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<sup>22</sup> CepalStat, Education, 2005.

## Appendix

**Table 1: Respondents with “a lot” or “some” confidence in their government**

Country	%
Costa Rica	35
El Salvador	51
Guatemala	28
Honduras	25
Nicaragua	35
Panama	25
Latin America	44

Source: Latinobarometro 2008.

**Table 2: Tax revenue as a percent of GDP (2007)**

Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua
15.23	15.00	12.33	17.52	22.06

Source: CEPAL Stat, 2009

**Table 3: Four categories of the national budget (%)**

	Guatemala	Honduras	Nicaragua
Education	15%	33%	15%
Health	7%	14%	15%
Defense	3%	3%	2%
Public debt	14%	9%	10%

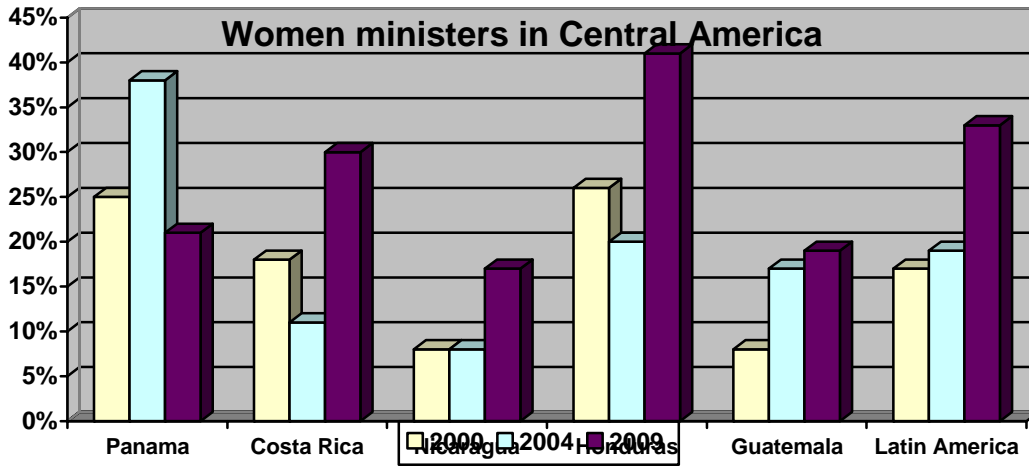
Source: Ministry of Finance for each country for 2009.

**Table 4: Poverty and Distribution of wealth in Central America (%)**

	Poverty (\$2/day)	Extreme Poverty (\$1/day)	Wealthiest 20%		Poorest 50%	
			1970s	2005	1970s	2005
Costa Rica	18.6	17.8	50.7	51.8	20.8	18.9
El Salvador	47.5	41.2	64.8	53.4	12.4	17.4
Guatemala	54.8	42.0	28.9	57.8	17.3	16.0
Honduras	68.9	56.9	51.3	59.7	23.5	13.7
Nicaragua	61.9	54.4	60.0	56.9	15.0	17.0
Panama	29.0	18.7		58.2		14.5
Central America (39,978,250)	50.0	22.9		58.1		15.2
People in poverty...	20,248,732	9,161,480				

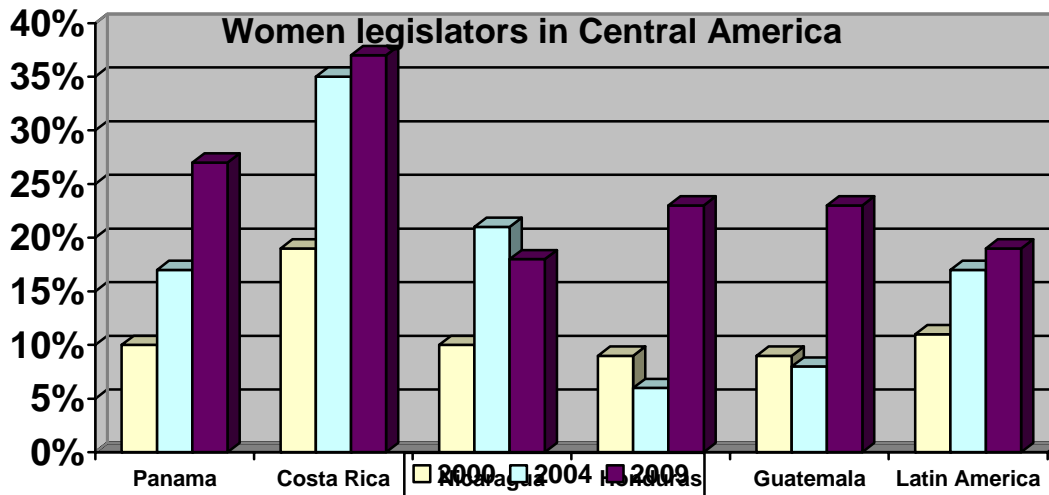
Source: Cepal statistics 2009. Note 2006 for Guatemala. Source on poverty: Panorama Social de América Latina, CEPAL, 2008. Year of figures is 2007 for Costa Rica, Honduras and Panama, 2005 Nicaragua, 2006 Guatemala 2004 El Salvador

**Graph 1: Women ministers in Central America**



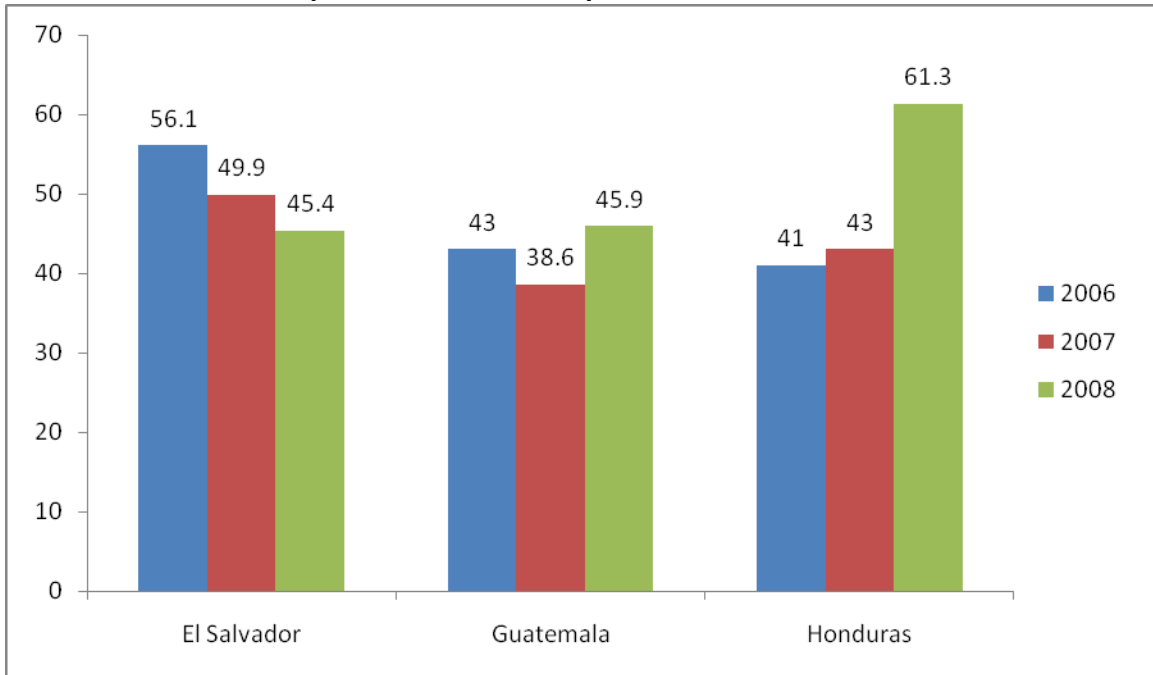
Source: Ministers: <http://www.cepal.org/oig/decisiones/> 2009, 2000 Information: "Women and Power in the Americas: A Report Card", IAD, 2001.

**Graph 2: Women legislators in Central America**



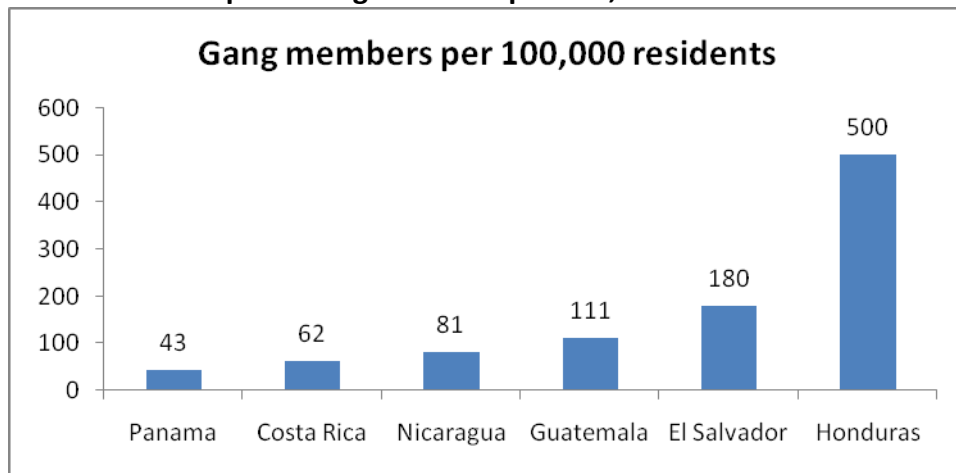
Source: 2004 & 2009 Deputies Information: Senators and Representatives: <http://www.ipu.org/wmn-e/classif.htm> (July 31, 2009);

**Graph 3: Homicide Rate per 100,000 Inhabitants**



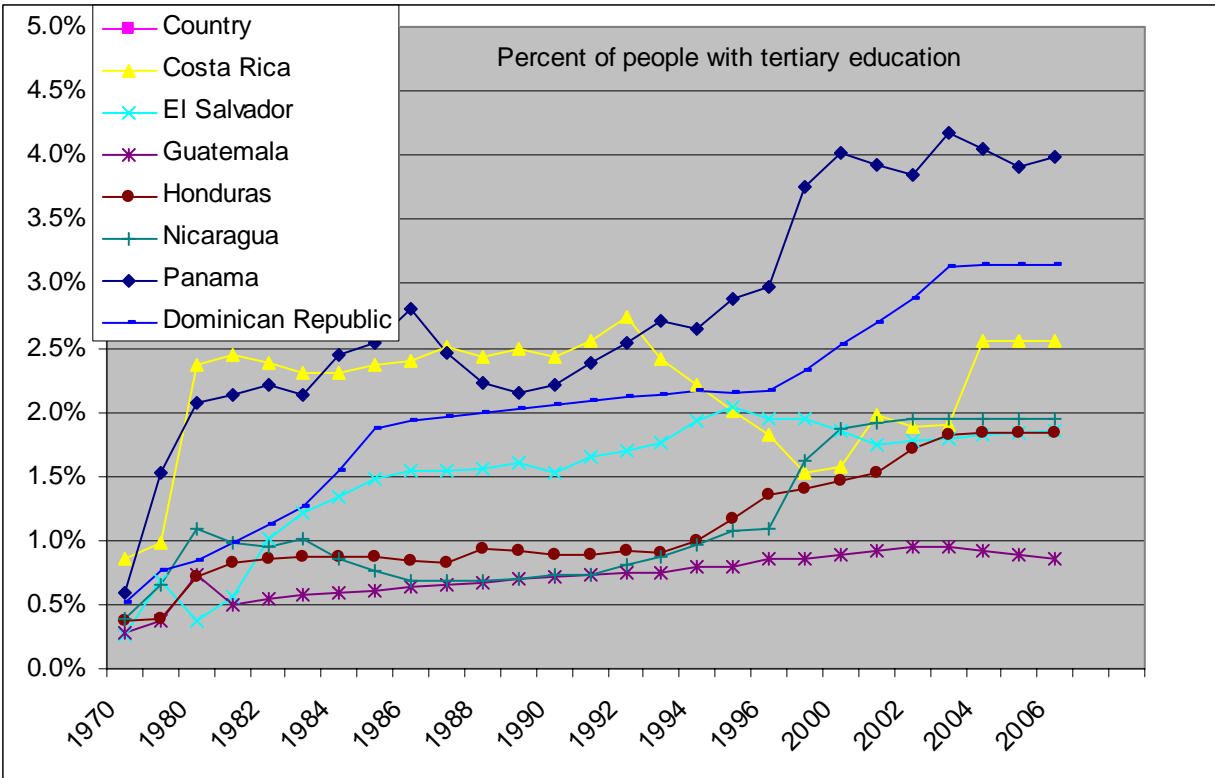
Source: Freedom House, 2008, 2009

**Graph 4: Gang members per 100,000 residents**



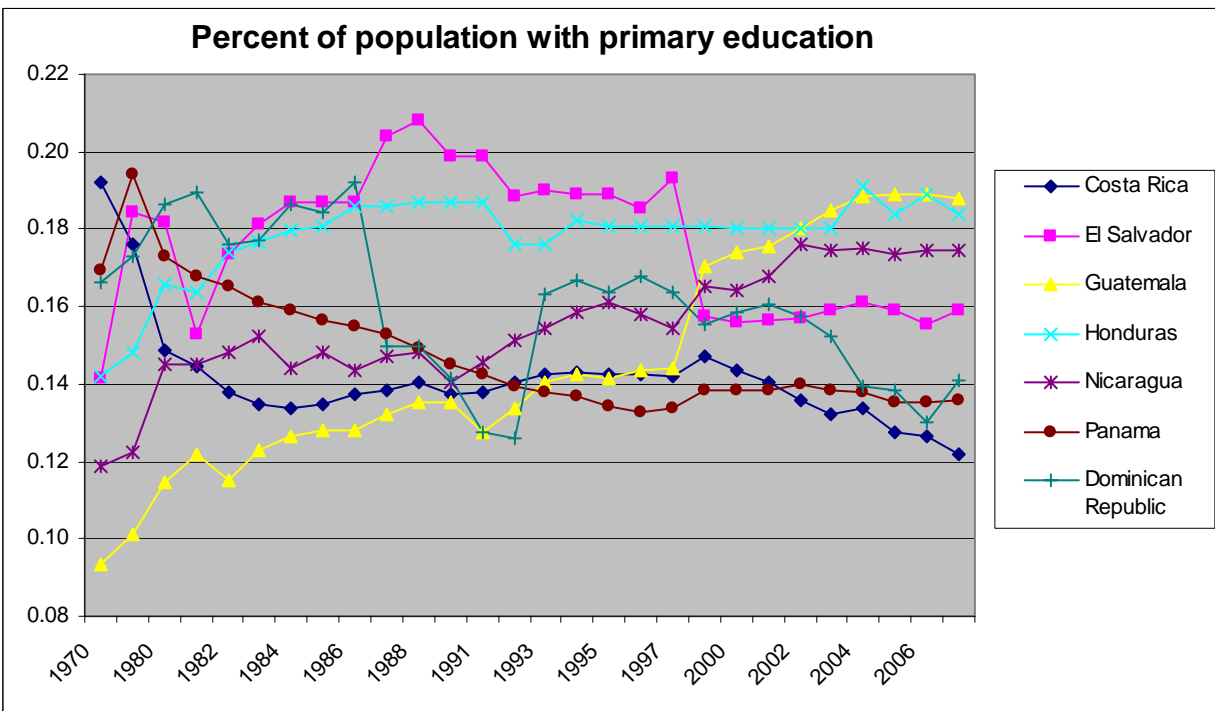
Source: USAID 2006

**Graph 5: Percent of population with tertiary education**



Source: CEPAL Stats, 2006

**Graph 6: Percent of population with primary education**



Source: CEPAL Stats, 2007

**Table 5: Natural disasters in selected Central American countries, 1999-2009 (%)**

	Earthquake	Flood	Hurricane	Volcano	Drought	Landslide	Dengue outbreak
Costa Rica	11.8	70.6	11.8	0.0	0.0	5.9	0.0
Dominican Republic	7.7	61.5	30.8	0.0	0.0	0.0	0.0
El Salvador	16.7	38.9	22.2	5.6	5.6	0.0	11.1
Guatemala	4.0	32.0	24.0	8.0	4.0	20.0	8.0
Honduras	14.3	35.7	21.4	0.0	21.4	0.0	7.1
Nicaragua	5.0	45.0	30.0	0.0	10.0	10.0	0.0
Panama	9.1	72.7	4.5	0.0	0.0	9.1	4.5
Region	9.3	50.4	20.2	2.3	5.4	7.8	4.7

Source: <http://www.glidenumber.net/glide/public/search/search.jsp?nStart=>

**Table 6: Composition, by sex, of the leaders of civil society organizations in Central America (Exact figures and percentages, 2009)**

Country	2001	2009
Belize	47	51
Costa Rica	52	51
El Salvador	40	37
Guatemala	37	40
Honduras	38	42
Nicaragua	40	37
Panama	43	47
Total	43	44

Source: Author's tabulation based on an analysis of almost 300 NGOs in Central America in September, 2009; more than 1,000 NGOs in Central America in November, 2001.

**Table 7: Central America in the global economy, 2008, in millions US\$**

Sector	Guatemala	El Salvador	Honduras	Nicaragua	Costa Rica	Dominican Republic	Region
Remittances	4,315.00	3,788.00	2,707.00	1,056.00	624	3,148.00	15,638
Merchandise Exports (not including maquiladora)	5,375.93	2,620.62	2,639.10	1,487.11	9,312.48	2,404.51	23,840
Maquiladora	1,683.94	1,928.10	3,344.90	1,152.60	1,683.94	4,544.80	14,338
Official Development Assistance*	551.71	243.2	1,677.11	2,034.72	129.24	247.13	4,883
Income from Tourism	^1,275.60	733.9	630.9	276.2	2,160.60	^3,792.20	8,869
GDP	34,020.00	22,110.00	14,220.00	6,360.00	29,490.00	45,630.00	151,830

\*Loans and grants from all sources. ^Information from 2007. Source: Central Bank of each country

**Table 7: United States Trade Balance with Central America (in US\$ millions)**

	1992	1995	2000	2004	2005	2006	2008	2009
Costa Rica	-54.5	-106.6	-1078.3	-27.4	183.3	288.1	1,741.8	48
El Salvador	358.2	298.2	-152.8	-184.5	-134.5	300.6	234.0	142
Guatemala	124	119.8	-706.8	-602.7	-302	418	1,255.5	375
Honduras	28.7	-162.3	-506.1	-561.6	-495.4	-24.6	805.0	78
Nicaragua	116.2	11	-208.3	-397.9	-555.3	-770.8	-609.3	-501

Source: U.S. Census Bureau, Foreign Trade Division, Data Dissemination Branch, Washington, D.C. 2009 covers January-July 2009.

**Table 8: U.S. Imports of Central American Goods, (as percent of total imports, 2008)**

Product	D.R.	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua
Textiles and Garments	23	8	70	41	67	55
Coffee, tea, spices	1	5	5	11	3	8
Total	25	13	76	52	70	63

Source: US International Trade Commission, Interactive Tariff and Trade Data Web, 2008.

**Table 9: Remittances to Central America in 2008 (US\$)**

Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Central America
624,000,000	3,788,000,000	4,315,000,000	2,707,000,000	1,056,000,000	12,490,000,000

Source: central bank of respective country

**Table 10: Number of Deportations by Region and Country: 2003 to 2008**

	2003	2004	2005	2006	2007	2008	2008 Criminal Removal <sup>1</sup> (%)
Caribbean	7,637	8,544	8,067	6,515	6,763	7,361	59%
Central America	23,144	27,686	40,773	62,298	79,060	7,9823	18%
North America	156,814	177,401	170,629	188,151	210,259	248,176	29%
South America	9,990	13,618	14,535	12,103	11,988	11,704	23%
<b>U.S. Total</b>	<b>211,098</b>	<b>240,665</b>	<b>246,431</b>	<b>280,974</b>	<b>319,382</b>	<b>358,886</b>	<b>27%</b>
Costa Rica	514	599	676	795	655	687	19%
Cuba	76	465	730	124	76	63	54%
Dominican Republic	3,472	3,760	3,210	3,107	2,990	3,258	65%
El Salvador	5,561	7,269	8,305	11,050	20,045	20,031	24%
Guatemala	7,726	9,729	14,522	20,527	25,898	27,594	15%
Honduras	8,182	8,752	15,572	27,060	29,737	28,851	17%
Mexico	155,812	175,865	169,031	186,726	208,996	246,851	29%
Nicaragua	820	947	1,292	2,446	2,307	2,250	22%

<sup>1</sup> Refers to persons removed based on a criminal charge or those with a criminal conviction.

Source: U.S. Department of Homeland Security. Deportable Alien Control System (DACS), July 2008, Enforcement Case Tracking System (ENFORCE), October 2007.

**Table 11: Central American Trade Balance with the United States (in US\$ millions)**

	<b>1985</b>	<b>1990</b>	<b>1995</b>	<b>2000</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>*2009</b>
Costa Rica	-79.6	-18.7	-106.6	1,078.30	183.3	288.2	638.9	1,741.80	-88
El Salvador	49.9	316.1	298.2	-152.8	-134.5	295.3	269.6	234	147.9
Guatemala	-4.4	-30.7	119.8	-706.8	-302	409.1	1,039.00	1,255.50	434.6
Honduras	-67.5	73.2	-162.3	-506.1	-495.4	-30.4	549.3	805	57.3
Nicaragua			11	-208.3	-555.3	-774.4	-713.5	-609.3	-576.4
Panama	264.2	634.8	1,082.50	1,305.20	1,835.00	2,281.40	3,304.00	4,508.20	2,424.80
<b>Regional Total</b>	<b>162.6</b>	<b>974.7</b>	<b>1242.6</b>	<b>-1347.1</b>	<b>531.1</b>	<b>2469.2</b>	<b>5087.3</b>	<b>7935.2</b>	<b>2400.2</b>

\*Through August 2009; Source: U.S. Census Bureau, Foreign Trade Division, Data Dissemination Branch, Washington, D.C.