

USAWC STRATEGY RESEARCH PROJECT

REGIONAL STRATEGIC APPRAISAL OF CENTRAL AMERICA

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# REPORT DOCUMENTATION PAGE

Form Approved OMB No.  
0704-0188

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1. REPORT DATE (DD-MM-YYYY) 07-04-2003	2. REPORT TYPE	3. DATES COVERED (FROM - TO) xx-xx-2002 to xx-xx-2003	
4. TITLE AND SUBTITLE Regional Strategic Appraisal of Central America Unclassified		5a. CONTRACT NUMBER	
		5b. GRANT NUMBER	
		5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S) Arevalo, Jose S. ; Author		5d. PROJECT NUMBER	
		5e. TASK NUMBER	
		5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME AND ADDRESS U.S. Army War College Carlisle Barracks Carlisle, PA17013-5050		8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME AND ADDRESS		10. SPONSOR/MONITOR'S ACRONYM(S)	
		11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT APUBLIC RELEASE			
13. SUPPLEMENTARY NOTES			
14. ABSTRACT See attached file.			
15. SUBJECT TERMS			
16. SECURITY CLASSIFICATION OF:		17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 39
a. REPORT Unclassified	b. ABSTRACT Unclassified	19. NAME OF RESPONSIBLE PERSON Rife, Dave RifeD@awc.carlisle.army.mil	
c. THIS PAGE Unclassified	19b. TELEPHONE NUMBER International Area Code Area Code Telephone Number DSN		
			Standard Form 298 (Rev. 8-98) Prescribed by ANSI Std Z39.18



## ABSTRACT

AUTHOR: LTC Jose Santos Arévalo

TITLE: Regional Strategic Appraisal of Central America

FORMAT: Strategy Research Project

DATE: 07 April 2003

PAGES: 39

CLASSIFICATION: Unclassified

Central America Countries share significant similarities in their history; recent political, economic, and military process; and challenges. With the sign of Guatemala Peace Accords in December 1996, all of Central America was at peace for the first time since the early 1960's. During the last ten years Central America has experimented significant economic, social and political progress. These advances are good sign of develop, but they are not enough to reach the welfare that these countries need. This study provides an appraisal of what is needed to keep in the way of the welfare and develop that Central America need and deserve, and some policy recommendations.



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## PREFACE

I owe the U.S. Army War College, the Commandant, the Staff, the Faculty, the people in the library, my seminar mates, etc. my sincerest thanks for their interest, time, support, encouragement and patience, in helping me to achieve this research. Special thanks to Col Joseph Núñez, my project advisor for his insight in the issue and all the support and patience that he gave me during the develop of this project; also my appreciation goes to Col Mark Montesclaros, who was the Faculty Instructor for the RSA Americas, an elective in which I received a lot of information and reasoning about the main issues in Latin America. Particular thanks to Col Harry Tomlin, my Faculty Advisor for all his academic and personal support, suggestions, encouragement, and supervision over my requirements; helping me to keep on track, and in time to achieve the academics requirements.



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## REGIONAL STRATEGIC APPRAISAL OF CENTRAL AMERICA

### INTRODUCTION TO CENTRAL AMERICA

Central America originally consisted of five states that gained their independence from Spain in 1821 and formed a single country, called Central America Federation, until 1838. They include Guatemala, Honduras, El Salvador, Nicaragua, and Costa Rica. The creation of Panama added a sixth country at the south of the Central America Isthmus. The Central America Isthmus, which joints North and South America with its narrow bridge, is now home to seven nations (including Belize since its independence in 1981) and 36 million people. Situated in the northern tropics, it is a comparatively small place, about the same size and shape of the adjoining states of Florida, Alabama, Mississippi, and Arkansas (see figure 1 Map of Central America).



FIGURE 1 MAP OF CENTRAL AMERICA

From the late 1970s to the early 1990s, revolutionary wars broke out in Nicaragua, El Salvador, and Guatemala. A revolutionary movement reached power in Nicaragua. At the same time, Central America suffered an acute economic crisis, caused in part by these wars; the crisis worsened as a result of sharp drops in the international price of coffee that occurred in the late 1970s and again in the late 1980s. In the early 1980s, the U.S. economic recession had a severe negative impact on these countries, which depended greatly on the U.S. economy.<sup>1</sup>

Since 1980, Central America has made serious steps in transforming their politics and economics. In the late 1970s, there were society-led transitions in Nicaragua and, in El Salvador: Social forces with guns, supported by communist countries, were trying to overpower the government. In the next decade, Nicaragua and El Salvador engaged in another regime transition that involved intensive negotiations between government and opposition, as well as violence and mobilization of social forces. During the 1980s there was a slow-moving, regime-led political transition shaped by the elite in Guatemala. Panama began with a similar kind of transition in the 1970s, but there was a turn to a society-led effort to overpower the military, culminating in a U.S. invasion in 1989.

For the first time in thirty years, the region generally experienced a positive decade. Central America is, in 2003, in a better economic, social, and political situation than in 1990, thanks to its efforts to achieve political, social, and economic stability, and the completion of democratic transitions. The importance of ending the decades of authoritarianism and armed conflict cannot be overestimated in terms of the region's ability to restart the path toward economic growth. In recent years, Central America has been the only region in the world capable of peacefully resolving long-standing civil wars through a combination of regional and national actions, avoiding the intervention of international political and military forces. Today, no social or political group justifies social inequality in the name of political stability or national security.<sup>2</sup>

An important part of the advances of the last 12 years was built on the foundation of the Esquipulas II Presidents Summit, which in 1987 established a program to pacify and democratize the region. Even though it took almost ten years to complete, Esquipulas II demonstrated that in strategic matters Central America can exist as a region. Its vision of peace helped in the democratic transitions of the region's countries, stimulated regional commerce interrupted by the wars, and promoted the emergence of a new round of regional integration as a way to stimulate human development.

The impulse of this new round of regional integration is comparable only to that of three decades ago, which was destroyed by the civil wars. Compared to the previous round, the

present one is based on a new strategy contained in ALIDES<sup>3</sup> (Alliance for the Sustainable Development) and includes new countries such as Belize and Panama; new social, environmental, and political topics; and the involvement of new institutions. Despite this, the integration process still faces challenges and has major weaknesses, even with greater civil society participation. Diverse visions of the region, and of the type of integration possible and necessary, coexist. This is an integration motivated not only by the necessity to show tangible results, but also by the imperative to struggle for priority in the face of a diversity of national challenges facing each Central American nation.

#### CHALLENGES TO CENTRAL AMERICA INTERESTS

At the beginning of the 21st Century, our main challenge is the consolidation of Central America as a region of peace, liberty, democracy, and development. It is the challenge of constituting a pluralistic community with high levels of human security, based on economic growth, social equity, environmental sustainability, robust ties of integration and cooperation, and regional security, in a diverse and complicated region with few natural resources, but with the faith in our most valuable resource: our people.

#### POLITICAL TRENDS/CHALLENGES/RISKS

Central America has made dramatic progress over the last 15 years, and particularly in the past decade. The Western Hemisphere has witnessed more than its share of political surprises, but perhaps none has been greater than Central America's multiple transitions (from war to peace, from military rule to civilian, freely and democratically elected, constitutional government). The region's move in this positive direction defied conventional prognoses, which anticipated prolonged conflict between insurgent groups and armed forces. In Central America, such conflicts ended amicably, in the three countries that experienced armed conflict – Nicaragua, Guatemala, and El Salvador. Formal peace has been achieved, efforts at national reconciliation are well underway.

The following developments further illustrate this change:<sup>4</sup> In the early 1980s, only Costa Rica was a functioning democracy. By the early 1990s, all seven Central American countries had elected presidents, and in each case a civilian president has voluntarily yielded power to another elected civilian. Electoral processes have nearly acquired a "life of their own." Central America has had a significant decline in human rights abuses. The weight and role of Central America's armed forces have been considerably reduced.

Another expression of Central America's political transformation is the opening up of opportunities for expanded political participation. The exclusion of certain groups – on the grounds of ideological, economic position, or ethnicity – was, after all, at least part of the explanation for the armed conflicts in the previous decades. Former guerrillas in Nicaragua, El Salvador, and Guatemala are now recognized as legitimate, vital actors in the political systems.

The results of Salvadoran legislative and municipal elections in March 1997 could very well alter the country's political landscape. The party made up of former guerrillas from the FARABUNDO MARTÍ LIBERATION FRONT (FMLN) doubled its representation in the parliament. And in March 2000, the FMLN won 35.14 % of the seats in the parliament; it also led a coalition that captured the mayoralty of San Salvador for two periods. The mayor is the second most powerful elected official in the country, and the most visible elected figure emerging from the left in Central America. Even though, Mayor Hector Silva has resigned to run a third term in the mayoralty during March 2003 elections.

In Guatemala's 1995 national elections, eight indigenous representatives were elected to the Congress, including one of its vice presidents. The country's majority population also increased its representation at the municipal level, winning the second largest city. Such developments are unprecedented, promising, and long overdue.

These and other encouraging changes are taking place chiefly because many Central American leaders are convinced of the immense costs and ineffectiveness of violence, and the benefits of preparing the ground for long-term democratic rule. Important figures from the political and business communities, media, church, armed forces, and non-governmental sector demonstrated tremendous vision. The Esquipulas Plan, a Central American initiative launched a decade ago, provided a coherent and far-reaching framework for moving towards peace. The changes were also substantially encouraged by a more hospitable international environment, reinforced by the end of the Cold War and the easing of ideological tensions. With the collapse of the Soviet Union, it became much easier for extra-regional powers, particularly the United States, to enthusiastically embrace a Central American peace agenda.

To seek constructive and effective solutions to growing problems is the first challenge. Central American leaders should employ the same energy and resolve they showed in obtaining peace in the early 1990s. Two tasks seem particularly central: first, to overcome the residue of past political battles to achieve full political reconciliation and, second, to strive for even greater cooperation with their neighbors in the isthmus. Though there has been some important progress on the latter task, it has been slow and uneven. Central American problems are not

effectively addressed in the context of continued national political polarization and regional fragmentation.

In previously divided countries (such as El Salvador, Nicaragua and Guatemala) there's a need to be renewed attention to building bridges and developing common ground across the political and social divides. Societies that are badly torn and strained have difficulty confronting tough problems. In Nicaragua, the "property issue," which goes back to the Sandinista policy of confiscating land holdings of those associated with the Somoza regime, remains sharp. This matter needs to be handled with great sensitivity by both the government and the opposition. Otherwise, the country risks aggravating political polarization, scaring off foreign investors, and throwing up new obstacles to social progress.

The second challenge is to develop stronger and more sustained ties among Central American countries.<sup>5</sup> It is increasingly clear that the region's complex policy agenda -- including reduction of poverty, trade, immigration, environment, crime, drug trafficking, natural disasters, and even education and health -- cannot be effectively addressed without greater cooperation among Central Americans. The past few years witnessed some heartening signs of such a trend, reflected, for example, in the broader peace process itself, the reactivation of the Central American Common Market in the early 1990s and the Central American Alliance for Sustainable Development (ALIDES), which commits the countries to economic growth with social equity and protection of natural resources. The biannual meetings of Central American presidents also offer a good opportunity for sustained exchange among the region's leaders. And the collective proposal made by Central American governments in March 1997, calling for a reciprocal free-trade agreement with the United States, underscores how far the region has advanced in joining forces to pursue common objectives. As a clear measure of their progress, both trade within Central America and exports continue to grow at rates of nearly 25% a year.

The third challenge is the strengthening of the Central America Parliament (PARLACEN). The participation of countries in the PARLACEN (an entity severely hampered by excessive bureaucratization) was not fully and equally expressed by all countries. Those countries forming the "Northern Triangle" (Guatemala, Honduras, and El Salvador) participate more actively from its beginning, while Nicaragua and Panama, joined recently. Belize and Costa Rica are still not members of the parliament.

The fourth challenge is the consolidation of democracy inside each country (no internal turmoil). Despite the fact that the region is considered democratic, countries such as Guatemala, El Salvador, and Nicaragua, still are in the transition process. The rule of law remains weak in most countries and political polarization is an obstacle to the building of

essential consensus. Public security is deteriorating due to the high levels of crime and impunity. There is a serious lack of confidence in the administration of justice.

Some of the risks are tied to the resurgence of bordering disputes. In this context, a potential destabilizing factor is the periodic outbreak of disagreements between the countries themselves over borders disputes, which leads to a cycle of antagonism and the cooling of relations. Another risk is the likely struggle for political leadership in the region, that could result in deep region fragmentation, and internal political polarization.

## ECONOMIC TRENDS/CHALLENGES/RISKS

Progress on the political front in Central America has not, however, been matched and sustained by similar advances in the region's economic and social situations. Although all of the countries have now succeeded in controlling inflation, achieving macroeconomic stability, expanding commercial ties, and registering positive growth rates, the region is still struggling. Even in El Salvador, which has been growing at an average annual rate of nearly 6% this decade, economic growth has still been too modest to make any serious dent in the poverty and social distress that spread through much of the country. In other Central American countries the conditions are even more acute. Levels of productive investment are persistently low and unemployment remains alarmingly high.

Observing the development achieved during the past three decades for the Central America countries, we can see that, between 1970 and 1999, gross domestic product (GDP) has more than doubled in the region (See Figure 2), growing from 14,580 to 34,020 million dollars (in 1990 constant value).<sup>6</sup>

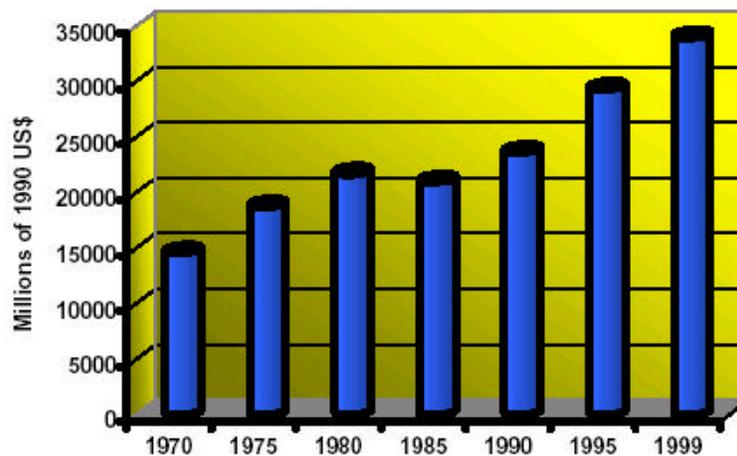


FIGURE 2 EVOLUTION OF REGIONAL GDP FROM 1970 TO 1999.

In order to better appreciate the region's economic reality, it is necessary to examine variations that occurred in these figures within this period. In this regard, it must be taken into account that regional GDP grew at annual rates close to 6% during the first half of the 1970s. This rate became negative (reaching close to -1%) in the first half of the 1980s. In the second half of that decade, a growth of 2% was attained. Finally, the decade of the 1990s has been characterized by a renewed growth of close to 5%. (See Figure 3).

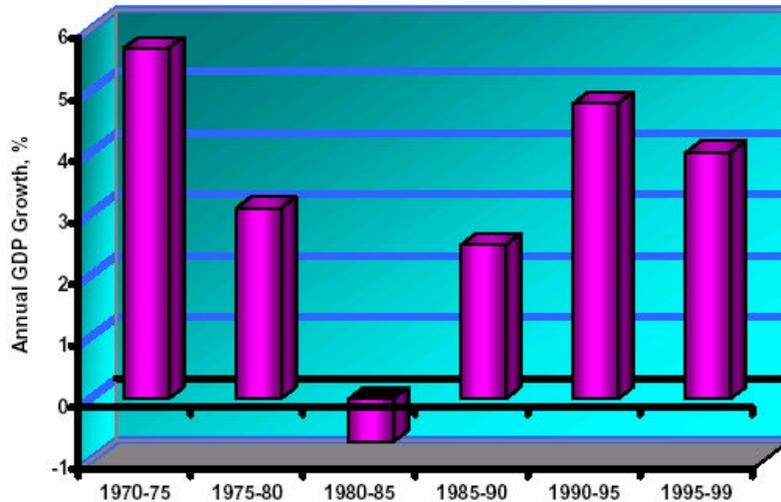


FIGURE 3 EVOLUTION OF THE GROWTH RATE OF REGIONAL GROSS DOMESTIC PRODUCT PER QUINQUENNIUMS, IN THE PERIOD BETWEEN 1970 AND 1999.

The noticeable reductions in growth of the regional economy between the period comprising the end of the 1970s and half of the following decade were directly influenced by the internal war conflicts that characterized the region, as well as by the international crisis that affected the entire Latin American region in the 1980s. The term "lost decade", assigned by ECLAC (Economic Commission for Latin America and the Caribbean) to refer to the 1980s for the whole Latin American and Caribbean region, acquired its own dimension in Central America due to its internal conflicts.

With the signing of the peace accords at the beginning of the 1990s, and with the pace to the consolidation of democracy, the region reinitiated its route of development, reaching annual economic growth rates close to 5%. (See Figure 3). It is worth mentioning that the average

growth rate of the most recent quinquennium was slightly lower than that of the preceding one. This was largely due to the negative impact of natural phenomena that affected the region as of 1997: the El Niño phenomenon and Hurricane Mitch. In addition, there was a decrease in international prices for some Central American exports to the world markets.

It is also necessary to understand the economic growth of the region in terms of *per capita* values, to obtain a better idea of the income of the population. In 1970, average per capita gross domestic product in the region was estimated at 960 Dollars (in constant 1990 value) per inhabitant. It increased to 1,082 Dollars ten years later.

Nevertheless, since then, a very important decline has taken place, as a result of the international and domestic crises, combined with population growth, and levels below those of 1970 were reached. This trend was reversed in the 1990's; however, the levels reached in 1980 have not yet been matched (See figure 4).

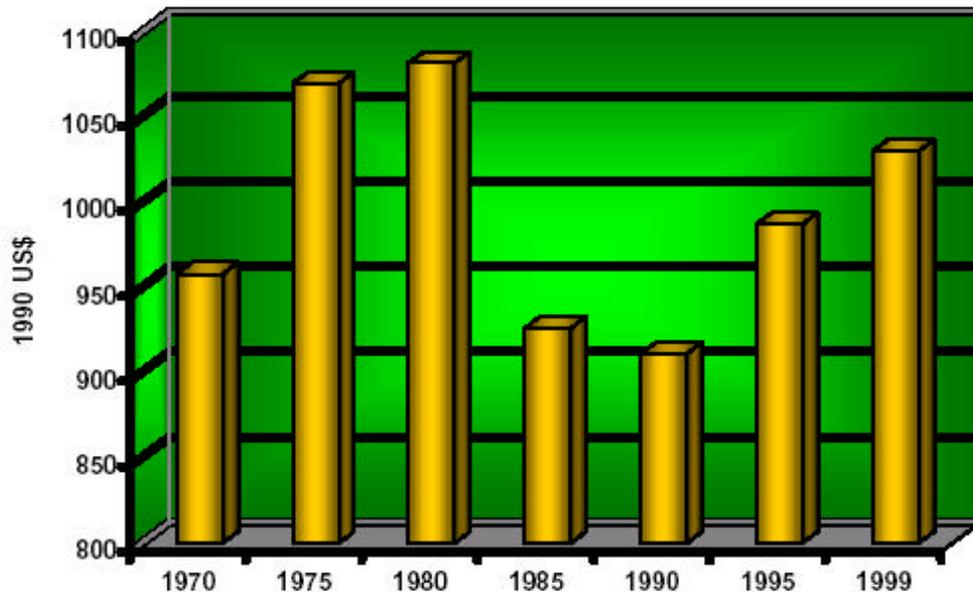


FIGURE 4 EVOLUTION OF THE REGION'S PER CAPITA GDP BETWEEN 1970 AND 1999.

It is worth mentioning, nonetheless, that there is a clear trend towards improved economic development in the region, as measured in terms of regional gross domestic product growth.

Furthermore, it must be recognized that the growth of regional GDP disguises the fact that development has not been sustained in some states. In other words, even when high average rates were achieved in some periods, growth has not been sustained over time, especially in some of the countries as Nicaragua and Honduras.

Central American governments have made significant efforts to achieve healthy macroeconomic policies, with relatively low fiscal deficits in relation to GDP, decreasing inflation rates, etc. Such efforts might have had some effect in the moderate recovery of the economies. (See Figure 5).

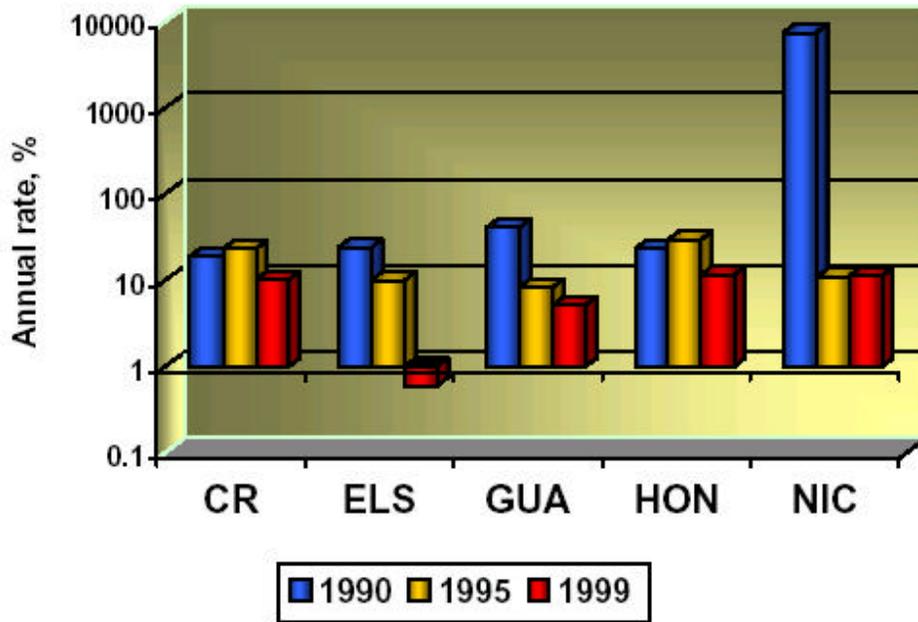


FIGURE 5 EVOLUTION OF THE ANNUAL RATE OF INFLATION IN THE COUNTRIES IN THE LAST 10 YEARS.

There are several challenges in the economic arena. First of all, the physical integration of the region's infrastructure,<sup>7</sup> requires emphasis to facilitate trade and growth of strong, internationally competitive regional industries. It is well known that one of the main problems in the region is the road infrastructure. The existing network does not adequately meet the needs of regional trade. A second challenge is the reduction of

external debt. Honduras, Nicaragua and Panama have pressing debt problems, which will require concerted efforts by both countries and creditors to resolve (see table 2). The third challenge is a labor force with insufficient basic skills. A fourth challenge is the productive use of the family remittances from emigrants, especially those living in the United States. Another challenge is the modernization of customs and borders post. A seventh challenge is the creation of new production patterns.

Country	Belize	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama	Total/ Average
GDP	\$ 790 million (2000)	\$ 25 billion (2000)	\$ 24 billion (2000)	\$ 46.2 billion (2000)	\$ 17 billion (2000)	\$ 13.1 billion (2000)	\$ 16.6 billion (2000)	\$ 142.69 / \$ 20.38 billion
GDP Real growth rate	4% (2000)	3 % (2000)	2.5 % (2000)	3 % (2000)	5 % (2000)	5 % (2000)	2.5 % (2000)	3.57 %
GDP Per Capita	\$ 3,200 (2000)	\$ 6,700 (2000)	\$ 4,000 (2000)	\$ 3,700 (2000)	\$ 2,700 (2000)	\$ 2,700 (2000)	\$ 6,000 (2000)	\$ 4,142.8
Inflation Rate <sup>s</sup>	2 % (2000)	11 % (2000)	2.5 % (2000)	6 % (2000)	11 % (2000)	11 % (2000)	1.8 % (2000)	6.47 %
Unemployment Rate	12.8 % (2000)	5.2 % (2000)	10 % (2000)	7.5 % (1999)	28 % (2000)	20 % (1999)	13 % (2000)	13.78 %
Exports	\$ 235.7 million (2000)	\$ 6.1 billion (2000)	\$ 2.8 billion (2000)	\$ 2.9 billion (2000)	\$ 2 billion (2000)	\$ 631 million (2000)	\$ 5.7 billion (2000)	\$ 2.91 billion
Imports	\$ 413 million (2000)	\$ 5.9 billion (2000)	\$ 4.6 billion (2000)	\$ 4.4 billion (2000)	\$ 2.8 billion (2000)	\$ 1.6 billion (2000)	\$ 6.9 billion (2000)	\$ 3.8 billion
External Debt	\$ 338 million (1998)	\$ 4.2 billion (2000)	\$ 4.1 billion (2000)	\$ 4.7 billion (2000)	\$ 5.4 billion (2000)	\$ 6.4 billion (2000)	\$ 7.56 billion (2000)	\$ 32.69 / \$ 4.67 billion
Total External Debt								\$ 32.698 billion

TABLE 1 ECONOMIC INDICATORS

SOURCE: [www.countries.com](http://www.countries.com)

#### SOCIAL TRENDS/CHALLENGES/RISKS

During the 1980s, the possibility of human and social development in Central America was impeded by the continuing turmoil in the region. Over this decade, the destruction and other expenses of the war caused a significant decline in per capita income and a reduction of public resources devoted to social programs in those countries most affected. All the main social indicators were falling as governments cut health and education budgets and adopted economic policies that adversely affected the whole society. Civil conflict and the economic crisis caused more than two million Central America to abandon their homes, with nearly 90 % fleeing to Mexico or the United States.

Central America made important economic and political advances during the last decade. With a combined Gross Domestic Product that exceeds US \$142.689 billion, a population of more than 36 million and half a million square kilometers of territory, the region offers excellent opportunities for investment in a wide variety of sectors. The development strategies that have been adopted by the countries of Central America reflect the great transformations that are taking place worldwide. Within the region itself, important advances have been made in terms of regional coordination and the strengthening of democracy and civil participation. This has created an improved business climate with stable economies and sustained growth, based on free market principles and local and foreign investment.

Despite these advances, almost half of the population - 18 million of Central America's 36 million inhabitants - continues living in poverty, a significant portion (49.66 %) lives in extreme poverty, earning less than one U.S. dollar per day. To overcome this situation, Central America needs the constant cooperation of the international community to strengthen and support the efforts initiated by the regional governments, because the efforts made for the governments are oriented to the macro economy of the countries, the microeconomic and the poorest inhabitants are not supported at all, leaving these people without the enough support to overcome and get out of the poverty. The cooperation from the international community could be focus in two major needs: the first, aid for the education of these people and the second in access to technology.

In the 1990s, poverty and extreme poverty trended downward in Central America, though the initial impetus gradually lost momentum, to the point where the trend reversed itself in some countries towards the end of the period (See table 4). The estimated percentage of the population living in poverty went down by nearly 5% between 1990 and 1997 (to 43.5%), but then rose by .3% (to 43.8%) in 1999. Indigence or extreme poverty fell from 22.5% in 1990 to 18.5% in 1999, which was only five tenths of a point lower than the 1997 rate. Overall, these figures show a clear reduction in poverty and extreme poverty over the first seven years of the decade, followed by a period of stalled progress in 1997–1999.

The poverty trends of the late 1990s continued in 2000–2002. For the region as a whole, progress in combating poverty remained at a standstill in those three years, with the different countries counterbalancing each other in terms of improvements and setbacks. At the regional level, rates of poverty and extreme poverty and rates of economic growth moved in opposite directions, as the former fell considerably in 2000 and rose sharply in 2001 and 2002.

In the Millennium Summit,<sup>9</sup> the General Assembly, meeting with all the Heads of State and Government belonging to the United Nations, met to reaffirm the countries' commitment to

the Organization and to its principles, deeming them to be essential elements of a better future. At this historic event, leaders from all over the world undertook to participate actively in meeting the new development goals established for the coming decades, as summarized in the Millennium Declaration. The goals and commitments set forth in the Millennium Declaration are based on certain values that are considered to be essential to international relations, such as freedom, equality, solidarity, tolerance, respect for nature and shared responsibility. In this context, the duties of the global community include seeking solutions to problems relating to world peace and disarmament, development and poverty eradication, protection of the environment, human rights and democracy, protection of the vulnerable, special attention to the needs of Africa and strengthening of the United Nations. Central America countries have a lot to gain from the goals of this Declaration, as they could be included in some programs, for instance, they could be eligible to be supported by programs like protection to the environment, development and poverty eradication.

The fact that the countries decided to meet certain shared development objectives and explicitly set new goals makes the Millennium Declaration a truly historic document. Prominent among those goals are certain social development targets for 2015: to halve the number of poor people and the number of people who do not have access to drinking water; to ensure that boys and girls everywhere have equal access to education and that they all complete a full course of primary schooling; to reduce maternal mortality by three quarters and under-five child mortality by two thirds; and to halt and begin to reduce the spread of acquired immunodeficiency syndrome (AIDS). These objectives and goals must be pursued by the Central American countries.

An aspect that has caused deterioration in Central Americans' living conditions are hurricanes, earthquakes and other natural disasters, making it necessary to reformulate development priorities to transform the area and mitigate vulnerability factors to reduce this deterioration caused by these phenomena. The countries of the sub region doesn't have the enough resources or reserves to face these disasters, in their budget they don't include funds to deal with this kind of situation, until recent years, their parliaments and executives are thinking about it, but not solid policies are still implemented.

Poverty is the main challenge in Central America, which has numerous ramifications that hinder the welfare and personal security of the Central American people. Rapidly rising rates of disease, crime, assaults and kidnappings have a high social and economic cost on the region. In response to this situation, the governments of Central America are committed to meeting the international development targets set forth at the 2000 United Nations Millennium Summit. One

of these targets is to reduce by one half the proportion of people living in extreme poverty by 2015. This is an enormous challenge, which requires joint efforts of national, departmental and local governments; civil society and, especially, the direct beneficiaries of poverty reduction programs. It will also require the valuable support of donor nations and nongovernmental development organizations, in addition to the dedication of the private sector. Only in this way will the region achieve a true social transformation, which makes development possible and helps the poor to move beyond the extreme poverty conditions in which they live today.

Country	Period	Belize	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama	Total/Average
Population (millions)	2001	.256	3.77	6.23	12.97	6.40	4.92	2.84	36.01
Total Population Growth Rates <sup>10</sup>	2000-2005	1.9	2.0	1.8	2.6	2.5	2.6	1.4	2.1
Natality Rates, by 5 year periods <sup>11</sup>	2000-2005	25.2	21.9	25.3	34.2	30.0	32.2	20.3	23.4
Mortality Rates, by 5 years periods <sup>12</sup>	2000-2005	4.3	4.0	5.9	6.8	5.1	5.2	5.1	5.2
Global Fertility Rates, by 5 yrs. p. <sup>13</sup>	2000-2005	2.9	2.7	2.9	4.4	3.7	3.8	2.4	3.2
Illiteracy Population aged 5 yrs. and over <sup>14</sup>	2000	NA	4.4	21.3	31.3	27.8	35.7	8.1	21.43
Average Number of Pupil by Teacher <sup>15, 16</sup>	--	24 (1985)	20 (1999)	32 (1996)	34 (1997)	36 (1990)	34 (2000)	26 (2000)	29.43
Average Number of Pupil by Teacher <sup>2</sup> <sup>17</sup>	--	13 (1994)	13 (1999)	16 (1996)	16 (1996)	25 (1985)	26 (2000)	17 (1999)	18
Infant Mortality Rates, by 5 yrs. p. <sup>18</sup>	2000-2005	26.0	10.9	26.4	41.2	31.2	38.9	18.6	27.6
Average Number of Inhabitants per Physicians	--	2,022 (1990)	1,181 (1999)	2,487 (1995)	1,748 (1980)	2,945 (1980)	2,512 (2000)	769 (2000)	1,952
Hospital Beds per Thousand Inhabitants	--	3.1 (1990)	1.5 (1999)	0.8 (1996)	0.7 (1994)	1.0 (1990)	1.0 (2000)	2.6 (2000)	1.53
Population with access to drinking water <sup>19</sup>	1995	NA	100	53	67	77	62	84	73.83
Poor households <sup>20</sup>	--	NA	20 (1997)	48 (1997)	63 (1989)	74 (1997)	66 (1997)	27 (1997)	49.66

TABLE 2 SOCIAL INDICATORS

## MILITARY TRENDS/CHALLENGES/RISKS

Central America's militaries have largely dominated social and political life since the second half of the 19th century. At that time in the five countries that were independent (except Belize and Panama), political and economic elites were pursuing "nation-building" projects, seeking to create European-style states. Their efforts included the founding of armies to defend their states' sovereignty and territorial integrity from frequent internal and external threats. With little resistance from almost constantly divided elites, weak political and government institutions, and nonexistent civil societies, several of these new forces expanded quickly beyond their original mission. Supported by powerful, usually wealthy civilians, armies came to consider themselves the personification of national spirit, the arbiters of political power and the often cruel enforcers of their view of the social good. This self-image was accompanied by growing corruption, abuse of human rights, impunity, and an utter lack of professionalism. Modeled on and aided by the armies of Western Europe and the United States, Central America's military institutions came to bear little resemblance to them.<sup>21</sup>

As their power expanded in the 20th century, armed forces took complete control of the state. Dictators could not rule without them; frequently, the dictators themselves were officers. Civil-military relations in twentieth-century Central America were marked by antagonism, corruption, and repression. Only Costa Rica's civilians found a solution: that country's armed forces were abolished in 1948.

The Cold War provided armies with both a mission to justify their dominance and—through massive United States aid—the means with which to stress it. Under the U.S.-inspired national-security doctrine, Central America's armed forces, were seen as a safeguard against Soviet, and later Soviet-Cuban, totalitarianism. The U.S. military aid and cooperation, which were intensified following the Sandinistas' 1979 victory in Nicaragua, turned the region's militaries into well-equipped anti-Communist institutions often with unquestioned control over their societies. Between 1950 and 1990, the U.S. gave to its Central American allies about US\$ 2.4 billion in military aid, while the Soviet Union provided Nicaragua's army with several hundred million dollars in assistance during the 1980s<sup>22</sup>.

With the two superpowers providing the justification and the materiel, the region endured a decade of bloody civil wars in El Salvador, Guatemala and Nicaragua. The results were shocking: deaths during the 1980s numbered at least 200,000, 2 million were displaced, and citizens of every country but Belize and Costa Rica—even those not at war—suffered systematic murder at the hands of government security forces or insurrectional forces.

Peace finally began to take root in 1986; the presidents of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua signed an accord in Guatemala City in August 1987 (known as "Esquipulas II") committing their countries to democratization and negotiated peace. As the Cold War drew to a close on the world stage, so did Central America's hot wars. Nicaragua's contra rebels laid down their arms, following elections in 1990. El Salvador's government and rebels signed a peace accord in 1992, making theirs the first civil war in the hemisphere this century to end by a peace agreement. After nearly a decade of talks, Guatemala's government and rebels finalized an agreement in December 1996. Democracy came to Panama as well, after a controversial U.S. invasion to remove a former cold-war ally, Gen. Manuel Antonio Noriega, this event also set the stage for the dissolution of Panama's armed forces.

In Nicaragua, from 1990 to the present, the army has shrunk from 96,000 to around 11,000 troops, and the budget from \$244 to \$26 million (FY98). A civilian-led defense ministry has also been established. In recent elections in El Salvador (March 1997), Nicaragua (October 1996) and Guatemala (November 1995) the armed forces adhered to professional standards and norms and did not interfere with the process. Civilian-led governments in Nicaragua, Honduras, El Salvador, and Guatemala deserve credit for taking brave steps to cleanse and cut back their armed forces.

Regional military spending has dropped dramatically during the past 10 years. In 1985, Central American countries allocated a total of \$1.187 billion for defense, which fell to \$412.3 million at the end of 1994, or 1.53% of the region's GNP. This absolute reduction by two-thirds is very significant, yet the proportional figure is even more meaningful, for it places the military expenditure of the region far below the average in developing countries (3.8%), at less than half of the world average (3.3%), and even substantially lower than the average in the Scandinavian countries, universally recognized as exemplary for their prioritization of social welfare.<sup>23</sup>

Besides the trends mentioned above, the six trends mentioned in the monograph written by Colonel Joseph R. Núñez, are applicable to the environment that Central America Armed Forces have to face. Those trends are: The movement toward a Free Trade of the Americas; The Americas remain as a "Zone of Peace;" The security dilemma from Canada to Chile is largely internal or domestic, and intensified by transnational non-state actors; Democracy will endure and strengthen throughout the Western Hemisphere; The Hemispheric security initiatives require the leadership of the United States, or they will not come to fruition; and finally, the terrorist attacks of September 11 motivated the U.S. to address its vulnerability.<sup>24</sup>

During the last decade Central American militaries turned toward new threats. Different heads of Central American Armed Forces have expressed concern about social issues like poverty and inequality; rising common crime; the presence of international organized criminals and narcotraffickers; the persistence of ethnic divisions; environmental deterioration; public institutions' lack of credibility and effectiveness; and lack of response from other government institutions during crises, like natural disasters, strikes, etc. Even with all of these justifications to support the armed forces, each year they face reductions in their budgets, as well as an increase in subsidiary missions.

To face these new threats in the region, the Resolution that established the Conference of Central American Armed Forces (CFAC) of 1997; stated:

In keeping with the principles set forth by the Presidents of the Republics of El Salvador, Guatemala, Honduras and Nicaragua in their capacity as Supreme Commanders of their respective armed forces, and in accordance with the constitutional role performed by the armed forces in the region and as an integral part of society, must continue activities to foster confidence, transparency and mutual co-operation; Reaffirm the wish to further strengthen the good relations, confidence and exchange of knowledge between the military institutions of Central America with the purpose of strengthening democratic systems and the rule of law and consolidating the culture of peace and non-violence; Recognize the spirit of integration and the strengthening of democratic processes in the countries of Central America, which have resulted in the consolidation of peace in the region, reconciliation in the bosom of our societies and joint solutions for our various situations in regard to security and development; Reaffirm our responsibility as representatives of military institutions to promote measures that will guarantee the democratic security of our region's inhabitants and give effect to individual freedoms and human rights; Consider it necessary to support the principles upholding the culture of peace and nonviolence, human rights and international humanitarian law, which will enable us to attain the objectives of our work in respect of humanitarian operations, peacekeeping and the constitutional defense of each country's national sovereignty.<sup>25</sup>

One of the projects of the CFAC is the creation, equipment and training of one Humanitarian Rescue Unit,<sup>26</sup> to support the countries of the region during natural disasters; this unit could be the foundation of the "First Special Service Force (FSSF)" mentioned by Col Núñez in his monograph:

These units represent the beginning phase of the new security cooperation architecture, which is to say that more forces can be added to the security structure or even to each force.... If States within Central America, the Andean Ridge of South America, and the Caribbean want to form an FSSF, they should

be encouraged to do so. A long-term goal is to have all states within the Americas represented.<sup>27</sup>

One of the challenges of the early 21st Century will be to consolidate and strengthen the democratic forces that have made dramatic advances throughout the last decade to consolidate the peace in the sub region. Forging a constructive alliance between civilian governments and the military constitutes a critical part of that challenge. The role of the military forces facing the challenges in response to such actual or potential security challenges as environmental destruction, corruption, poverty, ethnic divisions, came with the risk of increasing human rights violations.

Continued growth of democratic institutions is vital to Central American security. There is a concern over the fragility of their national systems for governing and the danger that public disillusionment might lead again to internal violence and the possible restoration of authoritarian regimes. While divided as to the extent to which civilian or military leaders and their respective institutions have been responsible for this fragility and disillusionment, there is a general agreement that this detrimental environment poses a potential risk to both groups and to the state. There is also broad consensus that civilian understanding of and involvement in developing and overseeing security policies are essential.

In responding to an increase in crime and its associated violence, including narcotics trafficking, there is a wide recognition that the severity of this threat, combined with the paucity of available resources, requires some level of military involvement. In principle, there is a risk in dealing with this kind of issues, due to the military are no prepared and there are no legal base for its participation, there is a broad acceptance of the need to separate military and police functions and to modernize and enhance the administration of justice in all its aspects.

## POLICY RECOMMENDATIONS

### **Economic.**

Economic growth and human development are two of a kind. To achieve either, policy makers must address both. Human development cannot be achieved without significant investment. Economic growth is essential to ensure human development, and so forth. However, in these recommendation our focus will be the economic growth in Central America , which are no necessary in priority.

First, progress must be made in opening up to trade and investment in the subregion. Nevertheless, to attain it, Central America must reach first an effective and lasting stabilization.

This latter objective depends fundamentally on prudent fiscal and monetary policies. One of the most important reforms in this regard is the reduction of the public deficit. While, if human development objectives are to be preserved, expenditures cuts must fall on areas other than investment in people (health, education, housing, social security, etc.). In countries where the tax burden is low, an important contribution to the needed reductions in the deficit will have to come from tax reform.

Second, the tax or fiscal reform mentioned before, must ensure that the low tax countries increase their fiscal effort. To accomplish this goal, the return on capital (interest, dividends, and capital gains) should be taxed. If this return is untaxed, it places an unfair burden on the rest of the society, typically the poorest groups. Also, the tax system needs to adjust to changes in the structure of production. If they do not, tax revenues will rise more slowly than the GDP, forcing governments to raise tax rates or introduce new taxes, both of which are very unpopular.

Third, encouraging export growth is important. This could be attained, in part, with moderate but persistent export incentives (of course, with the limits of international agreements, as those of the World Trade Organization). Another tool is the promotion of non-traditional exports, which could vary within the countries in the subregion, such as ornament flowers, cigars, fruits as pineapple, mangoes, etc.

Fourth, the micro-enterprise and small entrepreneur sector are vital sources of economic growth that need urgent attention. Both training programs and the rationalization of micro finance are needed to make best use of the significant resources already devoted to this sector.

Fifth, The develop of a Regional Highway Network, known as the central American logistic corridor by some analysts, to aid in the intra and extra regional movement of people and goods. The Central America Logistical Corridor was devised for this purpose. It was conceived as a means of developing the region's road and port infrastructure, as well as an incentive for the integration of Central America and the consolidation of its role as a strategic link between the Americas.<sup>28</sup> Another vital issue that aids in this effort is port infrastructure, and the need to offer some port activities to concessionaires, so that cargo traffic on the main roads will be reduced. One more component of the project consists of bringing about the necessary modernization of the border posts through the operation of virtual customs houses, the use of some way of electronic information exchange, the development and operation of inland cargo terminals, and the establishment of companies to provide logistical services in the region.

Sixth, the Central America countries need to reform their education and training systems, developing teaching strategies. The national institutions need to satisfy the private sector

demands, identifying and measuring minimum basic skills for each level and sector of the industry. Supporting this way assist both the economic sector and the social sector.

And seventh, seek a productive use of the remittances, both by the governments and by the population who receive this benefit, and try to reduce the cost of send this money. “One of the reasons that prices have remained high is a lack of competition in the money transfer business,” said Sheila C. Bair, then Assistant Treasury Secretary for Financial Institutions, at a Multilateral Investment Fund regional conference in 2002<sup>29</sup>. The Central American financial system must play a more active role in this issue. They must seek a major coverage in regions, and countries with more indices of migrants, and must promote investment from this community in their country home. By reducing the cost of the amount remitted, would free up more money for some of the poorest households in Central America.

### **Political/Diplomatic.**

This topic will be addressed in two directions, one on the domestic policies and the other on the foreign or common Central American policies. Recommendations about internal or domestic policies, within the Central America States, are as follows. First, one of the initial need is to establish an effective mechanism between the interests of the civil society and political institutions to increase opportunities for participation and strengthen democratic legitimacy, linkages must be built between political parties and the diverse organized expressions of civil society.<sup>30</sup>

Second, an increase on resources devoted to the administration of justice and public security must be made.<sup>31</sup> A high priority must be assigned to strengthening the rule of law and enhancing public security. It is important that long-term strategies in this line of work be formulated, debated, and implemented. In this same domain, strengthening accountability is also a major need for reforming the judicial systems, which continue to be characterized by slowness, inefficiency and highly unequal patterns of access and outcomes. As improvements in the investigative and prosecutorial aspects of justice systems proceed under current reform efforts, larger and better funded public defense offices are especially important if poor citizens are to enjoy adequate legal representation.

Third, police professionalization, compensation, and independence from the military, among other changes, ought to be further institutionalized, with attention to more long-term considerations such as recruitment and education.<sup>32</sup> Particular attention should be paid to strengthening police accountability mechanisms, based on both internal review and external oversight. These reforms are essential to reduce corruption.

The fourth recommendation is an expansion of citizenship that must be both broader (dedicating continued attention to groups that have been traditionally discriminated against, such as women and indigenous populations) and deeper (moving from formal guarantees of civil and political rights to the active involvement of citizens in the exercise of those rights).<sup>33</sup> Societies where citizens face obstacles or are insufficiently motivated to participate as citizens are societies that are vulnerable to the curtailment of rights and development setbacks when confronted with sudden challenges.

A common policies by Central American countries, I would like to mention as follow: First, Central America must function as an effective region, to increase its competitiveness in the face of the challenges from globalization. Therefore, I recommend a deepening of the regional integration, governments must give priority to the integration process. Their domestic agendas have largely resulted in the abandonment of the regional integration framework, and the fragmentation of the common goals. Second, Central America must establish a regional negotiating mechanism, to coordinate their position in international negotiations in order to speak to with one voice, toward the same objective. Third, coordinate efforts to seek cooperation of the United States, Canada, Mexico and others countries in adopting a flexible and sensitive immigration law as possible, with primacy given to humanitarian considerations, to avoid a mass deportation of Central American citizens. Fourth, Central America must seek border harmony. The regional integration must prevail over other interests, and instruments for the peaceful resolution of transboundary conflicts must be implemented.

### **Social.**

Education, health and housing are critical areas for human and social development, which has a major impact on productivity and future economic growth.<sup>34</sup> That is why my first recommendation in this area is to increase public expenditure.

On the matter of health, at the present and for the near future, attention to communicable diseases and other health problems affecting children is important for much of the sub-region, along with the containment and treatment of the HIV virus and the persistent deficiencies of pre- and post-natal maternal care.<sup>35</sup> Moreover, in the medium to long run, the needs of another group, the elderly, will assume major importance.

In the education arena, it is not only essential to eliminate the illiteracy, but rather Central America must assign greater budgetary priority to primary and secondary education.<sup>36</sup> We need to educate individuals who can successfully adapt to rapidly changing conditions of employment and organization. Such policy need not imply a diminution of overall resources available to

institutions of higher learning. The growth of the knowledge economy requires increasingly skilled, entrepreneurial and resourceful people. Educated workers are more likely to have these skills, and in turns act as a magnet for foreign investment. That is why the education of all the population is a way to develop social dignity.

And finally, natural disasters (including earthquakes, floods, volcanic eruptions, hurricanes, etc) kill thousands of people every year in Central America and degrade the living conditions of the people in the region. Consequently, is urgent to adopt policies that emphasize disaster prevention and mitigation, as well as post disaster recovery.

## **Defense**

First of all, Central America needs to realize that international criminal activity demands greater cooperation within the region and from external sources. A better understanding of linkage between narcotics trafficking and other illegal activities is needed in order to avoid placing prime responsibility for dealing with crime in the hands of the Central American military.

Secondly, the intervention by the Central America Armed Forces in internal or domestic security must be under the supremacy of the civil authority in the conduction of the operations.<sup>37</sup> In the same order, must be a law that rule and coordinate the action by the Armed Forces to face any internal security issue, this law should be realistic and accord with the real country situations.

Third, if is necessary to consider what kind of model the Armed Forces must adopt to deal with the internal security issues.<sup>38</sup> It is important point out that due to the regional cooperation and integration in military matters, the internal problems will prevail over the external. With this focus, it is prudent to consider three lines of action: First, the professionalization of all levels of the military, given the evils of drugs, organized crime, and natural disasters, requires highly qualified personnel. Second is the equipment that this unit might need, which could cause a change in some equipment priorities, such as resources of communications, interception systems, rescue equipment, etc. Finally, some structural modifications in organization must be considered, focus on small and flexible units, to facilitate a rapidly adjustment to deal with counterinsurgency, terrorism, counter trafficking, disaster relief, etc. Nevertheless, all these measures must not eliminate the Armed Forces' conventional capabilities to response to the main missions, as to maintain the territorial integrity and national sovereignty.

My final recommendation is that the Central America Armed Forces need to participate in the build of the New Security Cooperation Architecture of the Americas proposed by Col Nún~ez. They could form the Central American FSSF, with this participation the military from

the region will gain experience, share doctrine, training, and cooperate to relieve problems in the region or abroad. One of the main tasks for this participation is to develop an interoperability system among Central American Armed Forces, coordinated with the U.S. Armed Forces, which can assist the region in these matters.

#### CONCLUSION.

Although the picture presented in this paper is one of a complicated, unpredictable and diverse situation, it is hard to avoid the conclusion that although traditional military threats have disappeared, regional security cooperation is necessary to help protect the people of the region from the many challenges to peace and stability that they now face, and are likely to face in the expected future. The consolidation of Central America as a region of peace, liberty, democracy, and development, as mentioned before, is the main challenge for the countries in the sub-region. We need to invest more in our most valuable resource, the Central American people, and seek regional integration. Together we can be stronger, healthier, and non stable.

Word count=8,081

## ENDNOTES

<sup>1</sup> Dominguez and Lindenberg, Democratic Transition in Central America, (University Press of Florida, 1997).

<sup>2</sup> Costa Rica, The State of the Region, State of the Region Synopsis, General Assessment, 1999; available from <<http://www. www.estadonacion.or.cr>>. Internet accessed 20 September 2002.

<sup>3</sup> The Alliance is a regional strategy of coordination and agreement of interests, initiatives of development, responsibilities and harmonization of rights. Its implementation leans in the institucionalidad and it does not replace the mechanisms or existing instruments of regional integration, but that complements them, supports and fortifies, intraregional and extraregionally, in special in its process turning the sustainable development the strategy and central policy of the States and the region as a whole. By means of the Alliance the commitments contracted by the States for the new process of sustainable development in the isthmus are reiterated and extended already.

<sup>4</sup> Prepared Testimony Submitted by Michael Shifter, Program Director and Senior Fellow, Inter-American Dialogue, Washington, DC, Prepared for Hearing of the Subcommittee on the Western Hemisphere, House Committee on International Relations, June 25, 1997; available from <[http://www.house.gov/international\\_relations/105th?wh/wsw6252.htm](http://www.house.gov/international_relations/105th?wh/wsw6252.htm)>. Internet accessed 20 October 2002.

<sup>5</sup> Ibid.

<sup>6</sup> CEPAL, Producto Interno Bruto de los países centroamericanos, 1970 a 1999, Mexico City, Mach 2000.

<sup>7</sup> Agosin, Bloom and Gitli, Globalization, Liberalization, and Sustainable Human Development in Central America, February, 2000.

<sup>8</sup> Consumer prices

<sup>9</sup> Is the name given to the session of the United Nations General Assembly held in New York in December 2000.

<sup>10</sup> Average annual rates per 100 inhabitants.

<sup>11</sup> Gross birth rates per thousand inhabitants.

<sup>12</sup> Rate per thousand inhabitants

<sup>13</sup> Number of children to each woman.

<sup>14</sup> Percentage of the population aged 15 years and over, both sexes.

<sup>15</sup> In first level of education, public education only.

<sup>16</sup> last year information available.

<sup>17</sup> In second level of education, public education only

<sup>18</sup> Per thousand live births

<sup>19</sup> Refers to persons having hook-ups in the home or ready access, average urban and rural (%).

<sup>20</sup> Percentage of total households (urban and rural), having incomes amounting to less than twice the cost of a basic food basket

<sup>21</sup> Curry, W. Frick, report of "Altered States: Post-Cold War U.S. Security Interests in Central America" available from <<http://www.us.net/cip/altered.txt>>; Internet accessed 15 October 2002.

<sup>22</sup> For more information see Altered States: Post-Cold War U.S. Security Interest in Central America by W. Frick Curry, Center for International Policy, December, 1995.

<sup>23</sup> Zamora, Kevin Casas, Military Expenditure in Central America: Which way now?, Program Officer, Center for Peace and Reconciliation of the Arias Foundation for Peace and Human Progress, Inforpress Central America Report, No 2, December 1995; "; available from <<http://www.us.net/cip/dialogue/9512in02htm>>. Internet accessed 20 January 2003.

<sup>24</sup> Núñez, Joseph, A 21<sup>st</sup> Century Security Architecture for The Americas: Multilateral Cooperation, Liberal Peace, and Soft Power, Strategic Studies Institute, Introduction and Significant Trends, USAWC, August 2002.

<sup>25</sup> Declaration of The Second Central American Military Forum for The Culture of Peace And Non-Violence, Guatemala City, Guatemala, 17 April, 1998.

<sup>26</sup> For more information see Vasquez, Olmedo A., Col Guatemala Army, "La Conferencia de las Fuerzas Armadas Centroamericanas 'CFAC': Un Instrumento de Integracion y Seguridad Regional," Center for Hemispheric Defense Studies, REDES 2001, Panel for Strategic Studies, May 22-25, 2001, Washington, DC.

<sup>27</sup> Núñez, Joseph, A 21<sup>st</sup> Century Security Architecture for The Americas: Multilateral Cooperation, Liberal Peace, and Soft Power, Strategic Studies Institute, Putting It All Together: The New Hemispheric Security Architecture, USAWC, August 2002.

<sup>28</sup> Declaration of Tuxtla, 25 August 2000; available from <<http://www.unesco.org/ccp/uk/declarations/military2.pdf>>. Internet accessed 20 September 2002.

<sup>29</sup> A report produced in cooperation between The Pew Hispanic Center and The Multilateral Investment Fund, *Billions in Motion: Latino Immigrants, Remittances and Banking*, 2002.

<sup>30</sup> Bulmer-Tomas, Victor, and Douglas Kincaid, "Central America 2020: Towards a New Regional Development Model", Hamburg: Institut für Iberoamerika-Kunde 2000; available from <[http://www.rrz.uni-hamburg.de/IK/za2020/final\\_eng.pdf](http://www.rrz.uni-hamburg.de/IK/za2020/final_eng.pdf)>; Internet accessed 12 November 2002.

<sup>31</sup> *Ibid.*, 81.

<sup>32</sup> *Ibid.*, 78

<sup>33</sup> *Ibid.*, 84.

<sup>34</sup> *Ibid.*, 69.

<sup>35</sup> *Ibid.*, 69.

<sup>36</sup> *Ibid.*, 69

<sup>37</sup> Ortiz, Roman, *El Futuro de la Violencia Antiestatal en Latino America*, Observatorio de Seguridad y Defensa en America Latina (OSAL), Instituto Universitario Ortega y Gasset.

<sup>38</sup> *Ibid.*

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