

DETERMINING THE EFFECTIVENESS OF CONDITIONALITIES FOR  
INTERNATIONAL DEVELOPMENT BY ANALYZING  
DR-CAFTA AND THE ALLIANCE FOR  
PROSPERITY IN THE NORTHERN  
TRIANGLE

by

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## **DEDICATION**

This thesis is dedicated to:

My parents and my siblings, I am so lucky to have your continuous love, encouragement, and support.

My best friend Eli, thank you for your accountability, and for being a part of every step of this journey with me.

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## LIST OF ABBREVIATIONS

<b>Abbreviation</b>	<b>Description</b>
DR-CAFTA	Central American Free Trade Agreement-Dominican Republic
NAFTA	North American Free Trade Agreement
GDP	Gross Domestic Product
USAID	United States Agency for International Development
REPSA	Reforestadora de Palmas de El Petén, S. A.
GNP	Gross National Product
IADB	Inter-American Development Bank
IMF	International Monetary Fund
COHA	Council on Hemispheric Affairs
UFCO	United Fruit Company
NGO	Non-Governmental Organization
CIA	Central Intelligence Agency
COVID-19	Coronavirus Disease 2019
AFL/CIO	American Federation of Labor and Congress of Industrial Organizations
ITUC	International Trade Union Confederation
USD	United States Dollar
ILO	International Labor Organization

## **ABSTRACT**

This study observes the irregular patterns of the migration crisis from Guatemala, El Salvador, and Honduras in the Northern Triangle. The exodus stemmed from years of chronic violence, vast inequality, environmental degradation, poor infrastructure, corruption, and public health issues in the region. The United States government has worked with the Northern Triangle countries to improve the overall welfare through trade agreements and aid programs such as the Central American Free Trade Agreement-Dominican Republic (DR-CAFTA) and the Alliance for Prosperity. United States aid and collaboration with the Northern Triangle region dates back to the early twentieth century, and yet the region is still in crisis. A common tool used to ensure success of trade agreements and aid packages between developed and underdeveloped is conditionalities. For the purpose of this thesis, conditionalities are defined as the conditions tied to trade agreements, provisional loans, debt relief, or foreign aid, to a sovereign government.

Conditionalities have been used over the past century in the Northern Triangle in programs such as the Alliance for Progress in 1961. The continuation of poor development, despite past decades of United States involvement in the region, calls to question if conditionalities are a functional tool for sustainable growth. The objective of this thesis is to determine the effectiveness of conditionalities through analyzing the success of DR-CAFTA and the Alliance for Prosperity. I do this by using qualitative methodology through a thematic analysis of primary and secondary sources to interpret possible trends and meanings of the data presented.

Based on the data in this thesis, such as immigration consistently increasing the years following the passage of the DR-CAFTA and the Alliance for Prosperity, I conclude that conditionalities were not an effective method for accomplishing the advertised goals to improve Guatemala, El Salvador, and Honduras.

# I. INTRODUCTION

## Describing the Study

The Northern Triangle (Honduras, Guatemala, and El Salvador) is a key focus in the migrant crisis due to the large number of unaccompanied minor children that are trying to escape the countries. These children had been experiencing some of the highest levels of violent crime globally.<sup>1</sup> Immigration from the Northern Triangle to the United States of America among women and children increased to over 13% in 2014 when crime and threats of sexual assault and rape became more prevalent.<sup>2</sup> Migrants continue to flee the volatile region in vast numbers, an estimated 311,000 people left the region every year from 2014 to 2020. The Northern Triangle region is amongst the poorest in the Western Hemisphere. Guatemala, Honduras, and El Salvador rank in the bottom six in Gross Domestic Production (GDP) in the Latin American and Caribbean countries.<sup>3</sup> Despite efforts of international aid and involvement from the United States dating back to the early twentieth century, the region is still in deep turmoil. Other alarming safety concerns are the lack of preparedness for natural disasters in Central America that have led to over 50,000 deaths and the displacement of over 10 million people. Internal violence in conjunction with natural disasters takes a significant toll on the society's social and economic infrastructure.<sup>4</sup>

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<sup>1</sup> Intentional Homicide Victims | dataUNODC. United Nations Office on Drugs and Crime. Table of "Intentional homicide victims, counts and rates per 100,000 population". Years from 2000-2016.

<sup>2</sup> Nazario, Sonia. "The Children of the Drug Wars: A Refugee Crisis, Not an Immigration Crisis." The New York Times. July 11, 2014. Accessed March 20, 2017.

<sup>3</sup> Cheatham, Amelia. "Central America's Turbulent Northern Triangle." Council on Foreign Relations. July 1, 2021.

<sup>4</sup> Rooney, Matthew. "Central America Prosperity Project: Background Paper." Bush Center. September 4, 2018.

To temper the problems that Guatemala, Honduras, and El Salvador are facing, DR-CAFTA and the Alliance for Prosperity were created. President George W. Bush signed DR-CAFTA into law in 2005, with the expectation that the agreement would increase trade with the United States. The intent of increased trade was to create more jobs, since more manufactured goods being exported across borders would necessitate more workers. The Alliance for Prosperity was designed in 2015 to stimulate the economies and increase the safety of the Northern Triangle countries through opening borders to international corporations, enforcing neoliberal policies, and increasing security. These goals were meant to incentivize individuals and families to stay in their respective countries, to help control the migration crisis. Both of these agreements came with steep conditionalities that tried to guarantee the objectives of the programs were met.

Developmental progress has often been stagnated in the Northern Triangle, making sustainable growth unattainable. These countries are characterized by a non-diverse job market and rampant poverty. This alarming crisis brings to question agreements and aid projects in the past, and what type of response will follow. To find answers to the problems that the Northern Triangle region is confronted with, I inspect existing data in the forms of academic studies, texts, images, video recordings, or audios, to analyze the impact that conditionalities have on the success of DR-CAFTA and the Alliance for Prosperity. Given the pervasive volatility and abuse suffered by Latin Americans, coupled with the consistent trends of the migration crisis, this region is a testament to the questionable methods that the United States government uses to ensure development in areas that it provides international aid to. Based on this process, I came to

the conclusion that based on the stated goals of DR-CAFTA and the Alliance for Prosperity, the conditionalities used to stimulate development were vastly unsuccessful.

My thesis will contribute to the overall discussion of if conditionalities are an effective tool to ensure successful international aid, by not only identifying their impact on the Northern Triangle region through DR-CAFTA and the Alliance for Progress, but also by adding to the already existing literature that seeks to improve and contribute to more sustainable and efficient international developmental methods. Conditionalities are widely debated by developmental economists such as Dambisa Moyo, Jeffrey Sachs, and William Easterly, using their viewpoints to argue for more or less international aid. This thesis advances discussions surrounding conditionalities as a mechanism for successful international aid, specifically identifying DR-CAFTA and the Alliance for Progress advertised goals were met through them. Analyzing plans through this methodology introduces a transferable procedure to examine other aid agreements successes or failures.

### **President George W. Bush Statement on DR-CAFTA, August 2, 2005**

"By leveling the playing field for our products, CAFTA will help create jobs and opportunities for our citizens. As CAFTA helps create jobs and opportunity in the United States, it will help the democracies of Central America and the Dominican Republic deliver a better life for their citizens. By further opening up their markets, CAFTA will help those democracies attract the trade and investment needed for economic growth."<sup>5</sup>

### **Statements on DR-CAFTA after Passage**

“The promises of DR-CAFTA have not been realized in the first three years of its implementation. If DR-CAFTA is not seriously renegotiated, it will continue to harm local economies and people, promote migration, and greatly increase the economic inequalities that persist throughout the region. Without changes to the current economic model and vast improvements to local infrastructure, employment opportunities will

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<sup>5</sup> The White House. George W. Bush. [Promoting Trade With Central America And The Dominican Republic \(archives.gov\)](#)

continue to be scarce, and the poor will continue to become poorer as the rich continue to become richer. The Stop CAFTA Coalition calls on the Obama administration to make the complete overhaul or abolishment of DR-CAFTA.”<sup>6</sup>

**Vice President Joe Biden Statement on The Alliance for Prosperity: January 29, 2015**

“The economies of El Salvador, Guatemala and Honduras remain bogged down as the rest of the Americas surge forward. Inadequate education, institutional corruption, rampant crime and a lack of investment are holding these countries back. First, security makes everything else possible. We can help stabilize neighborhoods through community-based policing, and eradicate transnational criminal networks that have turned Central America into a hotbed for drug smuggling, human trafficking and financial crime. Second, good governance begets the jobs and investment that Central America needs. To attract the investments required for real and lasting progress, they must collect and manage revenues effectively and transparently. Third, there is not enough government money, even with assistance from the United States and the international community, to address the scale of the economic need. Central American economies can grow only by attracting international investment.”<sup>7</sup>

**Statements on The Alliance for Prosperity after Passage**

“The APP and similar initiatives that feature security and borders have brought about greater militarization with minimal oversight. Increased militarization, especially in border regions, also appears to result in the development of alternative routes through Central America and Mexico which allow immigrants to avoid checkpoints. These routes are usually more dangerous and more likely to place immigrants in contact with organized crime. Along with its security initiatives, the APP seeks to control migration by regulating or influencing labor markets. The influence of labor markets includes the continued promotion of direct foreign investment through the Central America-Dominican Republic U.S. Free Trade Agreement (CAFTA-DR) program as well as through the funding of developmental programs through the United States Agency for International Development (USAID). With the APP encouraging a direct window to foreign trade and investment through this trade policy, it

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<sup>6</sup> The Stop CAFTA Coalition. “DR-CAFTA: Effects and Alternatives: The Stop CAFTA Coalition’s Third Annual Monitoring Report.” [DR-CAFTA Effects and Alternatives \(ghrc-usa.org\)](http://ghrc-usa.org)

<sup>7</sup> Biden Jr. Joseph R. “Opinion: Joe Biden: A Plan for Central America.” The New York Times. January 25, 2015.



further exacerbates levels of inequality, violence and emigration within the region.”<sup>8 9</sup>

### **President Bush’s Plan: DR-CAFTA**

The Bush Administration declared the DR-CAFTA agreement as a priority to create a free trade area similar to NAFTA in 2002, as it would be a key mechanism for strengthening democracy and increasing development in the region. President Bush stated:

“By opening up Central America and the Dominican Republic to US trade and investment, CAFTA will help those countries develop a better life for their citizens...by helping those economies improve, CAFTA will help the nations strengthen their democracies.”<sup>10</sup>

CAFTA included the United States’ Central American neighbors such as Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. In 2004, the Dominican Republic joined the negotiations for this agreement, leading to a rename of DR-CAFTA. CAFTA-DR is seen as more of a bloc agreement and was the first free trade agreement that involved the United States and a cluster of developing countries. The goal was to create new and stronger economic opportunities.

The plan sought to eliminate tariffs and merchandise processing fees, open markets, and reduce trade barriers.<sup>11</sup> It was also meant to improve and address

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<sup>8</sup> Meyer, Peter J. “Honduras: Background and U.S. Relations” *Congressional Research Service*. 23 May 2016. *Accessed 1 August, 2016*.

<sup>9</sup> Iesue, Laura. “The Alliance for Prosperity Plan: A Failed Effort for Stemming Migration.” COHA. August 1, 2016.

<sup>10</sup> Organization of the American States: President Bush Speaks in Support of CAFTA at the OAS. Reference: E-149/05. July 22, 2005.

<sup>11</sup> CAFTA-DR (Dominican Republic-Central America FTA). Office of the US Trade Representative. February 6, 2017.

government procurement, investment, telecommunications, electronic commerce, intellectual property rights, transparency, labor, and environmental protection.<sup>12</sup>

Despite the attractive presentation of the prospective trade agreement, DR-CAFTA was fiercely debated from all six countries. Many of the country's workers feared that this plan had too many similarities to NAFTA, and therefore would bear similar results. Mexican farmers endured economic upheaval from NAFTA, leading to almost 1 million of them losing land and being forced to work in factories at the Mexico-United States border.<sup>13</sup> While the debate about the true cause of this work displacement is polarizing, it has led to notable hesitance in regard to DR-CAFTA's progress. Similarly, there are United States workers who do not favor the NAFTA agreement, fearing the influx of cheap products leads to job loss in certain sectors due to the inability to compete with such low prices. The sugar industry in the United States was very vocal about this, fearing that it could affect thousands of workers nationally, and set a dangerous standard moving forward.<sup>14</sup>

Along with these worries, there are also strict conditionalities and provisions tied to the trade agreement. Some of the conditions that surround DR-CAFTA, such as liberalizing the financial system, intellectual property rights, and opening borders to international corporations caused many grassroots organizations, worker and trade unions, women's organizations, NGO's, and environmental groups to come together and declare

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<sup>12</sup> Amadeo, Kimberly. "CAFTA Explained, With its Pros and Cons: Agreement, Member Countries, Pros and Cons." *the balance: World Economy, Trade Policy*. Last Updated April 28, 2021.

<sup>13</sup> Lionel, Beehner. "What are the Main Issues in the Debate Over CAFTA?" *Council on Foreign Relations*. October 18, 2005.

<sup>14</sup> *Ibid.*

that Central America “Is Not For Sale.”<sup>15</sup> Alternative methods to economic growth and developing more social capital had been requested, as opposed to DR-CAFTA, which many believed would primarily benefit American Corporations that would be allowed to be inserted into the Central American countries involved.

### **Joe Biden’s Plan: The Alliance for Prosperity**

When Joe Biden visited Central America as the United States Vice President in 2015, he believed that there was a necessity for outside aid from the United States, stating:

“Inadequate education, institutional corruption, rampant crime and a lack of investment are holding (Guatemala, El Salvador, and Honduras) back. Six million young Central Americans are to enter the labor force in the next decade. If opportunity is not there for them, the entire Western Hemisphere will feel the consequences.”<sup>16</sup>

Thus, the Alliance for Prosperity was born, with the goal to enhance economic growth and cooperation with Latin America and the United States. Strategies such as adoption of neoliberal policies (such as free markets and international investment) and increased security investment were used to try to accomplish three main solutions: improving security and access to legal institutions, more transparent and accountable governing, and establishing the need for more international investment.

The Alliance for Prosperity is a joint proposal from the United States and the three countries within the Northern Triangle (Honduras, Guatemala, and El Salvador), with the intent to confront the long-term structural issues that they had been facing. These

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<sup>15</sup> Laliberte, Shannon; Chawla, Ambika. “Why We Oppose CAFTA-DR.” Oakland Institute: Action Alert on CAFTA-DR. May 1, 2005.

<sup>16</sup> Batz, Giovanni. “Alliance for Prosperity?” *Behind the Migrant Caravan: Ethnographic Updates from Central America*. Society for Cultural Anthropology. Pg. 2. January 23, 2019.

issues include minimal opportunities for economic and social development, and with lack of safety for citizens, causing the migration of around 70,000 women and children in 2014 alone.<sup>17</sup> The United States key role in financing the program started in December of 2015.

“According to the White House Fact Sheet, in the 2016 Fiscal Year, the U.S. split the \$750 million USD budget for the Northern Triangle into the following categories: \$299 million USD for development assistance; more than \$200 million USD for security; \$184 million USD for economic prosperity programs; \$26 million USD towards military initiatives; and \$4 million USD to global health, military training, and other regional prosperity programs.”<sup>18</sup>

The legislative texts allow Congress the freedom to withhold up to 75% of the prescribed aid if the Northern Triangle governments do not take effective measures to uphold the conditions and requirements agreed upon, based on certification from the United States Secretary of State.<sup>19</sup> The Alliance for Prosperity is structured around four main pillars: fostering the productive sector, developing human capital, improving citizen security and access to justice, and strengthening institutions and improving transparency. Each of these pillars has specific lines of action.

**Fostering the Productive Sector:** promoting strategic sectors and attracting investment, fostering regional electricity integration, upgrading and expanding infrastructure and logistics corridors, and supporting the regional integration process.

**Developing Human Capital:** expanding social protection systems and conditional transfer schemes, broadening the coverage and improving the quality

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<sup>17</sup> Inter-American Development Bank. Plan of the Alliance for Prosperity in the Northern Triangle: Background.

<sup>18</sup> “Fact Sheet: United States and Central America: Honoring our Commitments”. The White House *Office of the Press Secretary*. January 14, 2016. Accessed January 28, 2016.

<sup>19</sup> Batz, Giovanni. “Alliance for Prosperity?” *Behind the Migrant Caravan: Ethnographic Updates from Central America*. Society for Cultural Anthropology. Pg. 2. January 23, 2019.

of secondary, tertiary and vocational education, improving health, nutrition and early childhood development, building and upgrading housing and the residential environment, and fostering the social and economic reintegration of returning migrants.

**Improving Citizen Security Access to Justice:** expanding community security programs and schemes for the social prevention of crime, strengthening the capacities of judicial operators and reducing case backlogs, improving penitentiary and youth detention facilities, broadening and strengthening integrated care centers for victims of violence.

**Strengthening Institutions and Improving Transparency:** strengthening the tax administration, fostering the convergence of tax systems, and improving the transparency and effectiveness of public spending.<sup>20</sup>

If these actions were successfully executed, the authors of this plan overwhelmingly believe that it would transform the Northern Triangle into a region of new economic opportunities, with more secure and just institutions that would allow citizens to faithfully trust their governments.<sup>21</sup> However, many do not subscribe to this belief, and worry that the Alliance for Prosperity will only escalate the refugee crisis and create less incentive for citizens to stay in their home country.

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<sup>20</sup> Inter-American Development Bank. Plan of the Alliance for Prosperity in the Northern Triangle: Strategic Pillars and Lines of Action.

<sup>21</sup> Ibid.

## II. THESIS GOALS

My primary aim is to determine the effectiveness of conditionalities as a tool for sustainable international development between recipient and donor countries. This is accomplished through an analysis of the success of DR-CAFTA and the Alliance for Prosperity in the Northern Triangle region, which includes the countries of Guatemala, El Salvador, and Honduras. Conditionalities are defined as the conditions and requirements tied to the trade agreements, provisional loans, debt relief, or foreign aid, to a sovereign government.<sup>22</sup> Many believe that these conditions are not conducive towards the holistic goals of a country's successful development, and that the money spent on issues such as foreign investment prioritization and military and security strategies has only made the crisis worse. An example of this is that increasing military spending in these countries for security purposes has only compounded the high levels of violence. This thesis will identify the tangible results of the agreements and programs and make suggestions for alternatives if conditions are deemed ineffective.

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<sup>22</sup> Kenton, Will. Investopedia: "What is Conditionality?" *Economy, Government and Policy*. September 9, 2019.

### **III. METHODOLOGY AND ORGANIZATIONAL STRUCTURE**

#### **Methodology**

In order to reach conclusions regarding the effectiveness of conditionalities I utilize information from primary and secondary sources, international reports, and academic studies of the subject. I also examine statistics focused on developmental progress following the passage of the aid programs and free trade agreements, as well as explore grassroots organizations and coalitions support or opposition for these programs. The conclusions should be useful in continuing the discussion of improving ways to aid the Northern Triangle in particular and developing countries in general.

I focus on the Northern Triangle due to the historical influx of United States aid that has become a staple of the region's development plans, alongside United States policies intended to stem the violence and instability that feed the migration crisis. I pay close attention to the narrative differences that are present when different officials and organizations discuss the topic, as well as identifying specific motivations that each may have for taking their respective stance on the initiatives. I attempt to objectively interrogate the information and base the study on sources that any reader would have access to, so they may explore the subject and make conclusions of their own. This research serves to expand the discussion of the effectiveness and possible harm that conditionalities have on developing regions, and to encourage more diverse and innovative methods to assist developing communities without fostering reliance on donor countries.

## Organizational Structure

This study is divided into four chapters and a conclusion. Chapter one will provide a brief overview of the history of the Northern Triangle. The historical focus will be on relevant events that led to the instability and violence in the region that led to the need for international aid.

The second chapter will act as a timeline of international aid and international agreements in the region, and an analysis of its impact, with a special focus on the conditions implemented, leading to the necessity for DR-CAFTA and the Alliance for Prosperity. A large focus of this chapter will be on the Alliance for Progress, which had a shared structural goals as the Alliance for Prosperity, and identify the influence that it had on the Northern Triangle and in United States policy moving forward.<sup>23</sup> Pertinent information in this section includes the economic, social, and security impacts of the programs, increased international integration into the region, the intended goals of the programs, and how conditionalities were used to execute plans.

The third and fourth chapter mirror each other in structure but differ in subject matter. Chapter three focuses on the DR-CAFTA initiative; chapter four covers the Alliance for Prosperity. Each chapter provides a description of each program, their intended effects, and the stated conditionalities tied to each. Grassroot organizations and coalitions play a large role in the ground level work in developing countries; these chapters recognize these groups' opinions of the two programs and their conditions. Statistics regarding trends of violence, migration, foreign investment and integration, inequality disparity, economic growth, and job creation have a significant role in these

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<sup>23</sup> Iglesias1, Ana Isabel Rodríguez. “A genealogy of El Salvador-US Economic Cooperation: Implications for Security From the ‘Alliance for Progress’ to the ‘Alliance for Prosperity’.”: [01\\_AnaIsabelRodriguezIglesias.pdf \(uc.pt\)](#)



chapters. Finally, these chapters seek to answer if the programs should be considered a success or failure and if the conditionalities hindered progress in the Northern Triangle. This informs the conversation on how much conditionalities can affect a region's autonomy and long-term potential.

In the conclusive chapter, I summarize the previous chapters and state my belief that, when considering the United States history of appeasing the corporate sector, conditionalities are not a successful mechanism for accountability with the goal of sustainable development.

#### IV. LITERATURE OVERVIEW: CONDITIONALITIES

Conditionalities, the tied conditions to aid packages and trade agreements, have become more prevalent when discussing international aid and agreements, as they were used as a key tool to destroy any form of socialist policy construction in developing countries. The arguments for conditionalities as a form of accountability sounds ideal:

“This aid can be withheld, removed or cancelled in times of trespasses or failure to adhere to conditionality which are seen as sine qua none factors making aid yield results. Among many of these good governance and the rule of law have been identified as fertile grounds where aid could produce good fruits. Simply because the conducive political environment can foster accountability, formulate good policies which enable transparency and practice human rights, good policies which enable transparency and practice of human rights, respect of legal foundation of the state, constitutions and other political governing precepts. It is a view that such an institution can offer a good environment for business and facilitates investment and protects the interest of the people and their properties.”<sup>24</sup>

In principle conditionalities as accountability sounds structured and fair.

However, countries that have the standards placed on them often do not reap the benefits that are promised from the countries sending the aid. The impact on policy and development has been fairly minimal, and while the conditions themselves are meant to be representative of accountable governing, it seems that this message is more symbolic.

“The Foreign Aid, which is a disputed form of domination by some people, was seen as ineffective when it falls into wrong and poor programs and policies, where there is poor or lack of monitoring mechanisms from donors to avoid principal agent dilemmas. The other non-negligible factor is the ownership of policies. If suggested policies are from political leaders who are the same implementers, there is likelihood that the aid yields fruits. But, if the policies are a form of imposed programs, it may not match with the realities and the needs on the ground, which will eventually result in failure of aid.”<sup>25</sup>

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<sup>24</sup> F. Niyonkuru. “Failure of Foreign Aid in Developing Countries: A Quest for Alternatives.” *Business and Economics Journal*. Volume 7, Issue 3. 2016.

<sup>25</sup> Ibid.

Nadia Molenaers, Sebastian Dellepiane, and Jorg Faust argued in 2015 that in the decade leading up to that year, a new generation of political conditionalities had emerged. They describe the importance of needing to further explore the dynamics surrounding political conditionalities, such as the bargaining processes and outcomes, donor harmonization fora, and policy dialog spaces.<sup>26</sup>

Svea Koch argues that political conditionalities need to be conceptualized and researched to be reflective of global change, and that tying conditionalities only to aid will have minimal action. There are now different objectives of political conditionalities beyond aid, and these objectives should alter the focus to interaction and coherence of political conditionalities. The argument of the diversification of conditionalities “beyond aid” presents a different perspective that can be kept in mind while making arguments regarding modern conditionalities. Ultimately Koch describes a gap in the literature on EU political conditionality with this writing.<sup>27</sup>

Thilo Bodenstein and Jorg Faust provide evidence from a survey of 27 European Union countries, and the citizens' support of conditionalities in foreign aid. This survey showed that citizens with more rightist political orientations would be more likely to support political conditionality. The main value of this study is its illumination of the effect that political orientations have on the support for political conditionalities in foreign aid. It mentions “the overarching security concerns, trade interests, colonial ties

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<sup>26</sup> Dellepiane, Sebastian; Faust, Jorg; Molenaers, Nadia. “Political Conditionality and Foreign Aid.” *ScienceDirect: World Development*. Volume 75, Pages 2-12. November 2015.

<sup>27</sup> Koch, Svea. “A Typology of Political Conditionality Beyond Aid: Conceptual Horizons Based on Lessons from the European Union.” *ScienceDirect: World Development*. Volume 75, Pg. 97-108. November 2015.

and geostrategic interests of donor governments could also distort the allocation formula guided by developmental concerns.”<sup>28</sup>

William Easterly criticized aid and conditionalities in his book *The White Man's Burden*. He mentions how it does not look good for large countries or international organizations to boss recipient countries around, which is what a multitude view conditionalities as. He writes about how the IMF and World Bank would lend out money with specific conditions that the countries were required to follow. There have been times that they did not use this strategy and instead demanded recipient countries to tell them what they would use it on, giving them the ability to deny any request and putting the countries asking for aid in a precarious situation. Easterly points out that it is homegrown development, not international aid, that will dig countries out of poverty. Conditionalities foster habitual paternalism and consistent reliance, which is not conducive to holistic development, using certain examples such as the “the fruitless cost of aid: the West spent \$2.3 trillion on foreign aid over the last five decades and still had not managed to get twelve-cent medicines to children to prevent half of all malaria deaths.”<sup>29</sup>

In *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty* Abhijit V. Banerjee and Esther Duflo highlight a program called PROGRESA in Malawi that is based on conditional cash transfers through increased incentive for families. Duflo and Banarjee give an example of a World

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<sup>28</sup> Bodenstein, Thilo; Faust, Jorg. “Who Cares? European Public Opinion on Foreign Aid and Political Conditionality.” *JCMS: Journal of Common Market Studies*. Volume 55, Issue 5. April 26, 2017.

<sup>29</sup> William Easterly, *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done so Much Ill and so Little Good* (Johanneshov: MTM, 2019). Pg. 146, 368.

Bank study that examined two groups of families that were given cash transfers for kids schooling, one with conditions, and one without. Based on the response of the families, the World Bank concluded that the conditions did not seem to hold any real weight for the outcome of the schooling for those with and without conditions. The families did not need conditions in this case, they only needed financial assistance based on the study.<sup>30</sup>

Jonathan Glennie argues that conditions on aid are incredibly harmful to recipient countries in his book *The Trouble With Aid: Why Less Could Mean More For Africa*.

“Even more controversial are the policy conditions attached to aid, which have arguably had greater consequences in the lives of Africans than the direct consequences of the way the money has actually been spent. Within two decades the whole economic direction of a continent has changed, largely as a consequence of aid, and while some people have gained, many more have suffered as a result.”<sup>31</sup>

Glennie designates a full chapter to argue how conditions tied with aid have been used to overhaul the economic and political policies in African nations. He directly points out that conditionalities no longer just have to do with accountability but tend to be at the center of policymaking in the continent. He found that conditions tied to financial resource transfers have a much longer-lasting impact (generally negative) than the aid transfers themselves do.<sup>32</sup>

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<sup>30</sup> Banerjee, Abhijit V., and Esther Duflo. *Poor Economics: a Radical Rethinking of the Way to Fight Global Poverty*. Bloomsbury Qatar Foundation, 2016. Pg. 79-81.

<sup>31</sup> Glennie, Jonathan. *The Trouble With Aid: Why Less Could Mean More For Africa*. African Arguments. Zed Books. October 1, 2008. Pg. 5

<sup>32</sup> *Ibid.* Pg. 36-37.

Dambisa Moyo covers conditionalities as tied aid in her book *Dead Aid: Why Aid Is Not Working And How There Is A Better Way For Africa*. She describes tied aid in three different categories:

**Procurement:** Countries that take aid have to spend it on specific goods and services which originated from the donor countries, or a group selected by them.

**Donor Reservations:** The donor has the right to preselect the sector and/or project that their aid would support.

**Policies:** The aid will continue to flow to the recipient country as long as they agree to a set of economic and political policies that has been given to them from the donor country.

Moyo concludes that the goal of conditionalities has failed fantastically. She cites a World Bank study that shows that nearly 85 percent of aid in Africa was used for something that it was not intended for. Conditionalities have been blatantly ignored and the aid has continued to flood into the countries. She argues that the conditions have been a central part of numerous aid agreements yet have mainly led to poor practices and failed plans.<sup>33</sup>

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<sup>33</sup> Moyo, Dambisa. *Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa*. London: Penguin Books, 2010. Pg. 38-39.

## **V. LITERATURE OVERVIEW: CENTRAL AMERICAN-DOMINICAN REPUBLIC FREE TRADE AGREEMENT (DR-CAFTA)**

The Central American-Dominican Republic Free Trade Agreement (DR-CAFTA) was signed on August 5, 2004. It involved the United States and six countries, including Guatemala, El Salvador, and Honduras. This was the first free trade multilateral agreement that consisted of the United States and developing economies much lesser in size.

Thereport “Challenges of CAFTA: Maximizing the Benefits for Central America,” providing an assessment of CAFTA, focusing on three themes. These themes are expected trade and non-trade benefits; actions that Central American countries need to pursue to capitalize optimally on the new opportunities; identification of the population groups that may require assistance to adapt to a more competitive environment. A key finding is that the determinant of productive gains for the Central American economies is reliant on their ability to adjust to the conditions of the agreement. It determines that it may be necessary to create additional support programs for the rural population because the removal of trade barriers could have an adverse effect on this population. It is essential that rural families are proactively targeted for support in order for this initiative to meet its ultimate goals.<sup>34</sup>

Jessica Todd, Paul Winters, and Diego Arias describe policy approaches for rural Latin America in “DR-CAFTA and the Rural Economies of Central America: A Conceptual Framework for Policy and Program Recommendations.” It considers how the “net benefits of DR-CAFTA and their distribution among sectors of the economy and

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<sup>34</sup> Jaramillo, C. Felipe; Lederman, Daniel; Bussolo, Maurizio; Gould, David; Mason, Andrew. “Challenges of CAFTA: Maximizing the Benefits for Central America. World Bank.

social groups are major concerns of policy makers in Central America.” The Inter-American Development Bank's objective is to focus on rural areas to try and jumpstart development of the poorer segments of society. The ultimate purpose of the reading is “to provide a conceptual framework in order to identify policies that will meet these objectives” with the objective to provide a clear blueprint for designing policies that “maximize total net benefits while improving the welfare of the poorer segments of society.”<sup>35</sup>

A CRS Report to Congress from Clare Ribando points out the regional concerns and issues that could stem from the DR-CAFTA agreement. The agreement promotes a trade preference between the United States and the involved Latin American countries, which possess a large population in opposition to the plan. These groups have expressed concern over the lack of transparency during the process of negotiation, and most importantly, the possible adverse effects that the plan could have on the countrys’ rural populations, environments, labor conditions, and domestic laws.<sup>36</sup>

Peter Abrahamson examines the different arguments in regard to the development of the region through the lens of DR-CAFTA and social citizenship. He uses labor rights as a key aspect of this exploration. Abrahamson observes the arguments for and against free trade agreements between Central America and the United States. Unlike many other studies in the subject area. Abrahamson concludes “that there are tangible effects on social citizenship in particular relating to labor rights that can be credited to the signing

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<sup>35</sup> Todd, Jessica; Winters, Paul; Arias, Diego. “CAFTA and the Rural Economies of Central America: A Conceptual Framework for Policy and Program Recommendations.” Inter-American Development Bank. December 2004.

<sup>36</sup> Ribando, Clare. “DR-CAFTA: Regional Issues.” CRS Report for Congress, Received through CRS Web. Order Code RS22164. June 10, 2005.



of the agreement. The article concludes that DR-CAFTA has generated new possibilities for social citizenship in the region.”<sup>37</sup>

Marisa Anne Pagnattaro addresses the U.S. habit of using Free Trade Agreements as an opportunity to alter the labor field to create fair competition for US workers, with an emphasis on DR-CAFTA and fundamental labor rights. She mentions the labor-related trading objectives that are mandated by the United States Congress and compares these to core international labor standards and DR-CAFTA’s labor standards and concludes these standards do not fulfill the international labor guidelines discussed. Pagnattaro suggests future United States trade agreements have different forms of accountability, such as United States aid being a “reward for countries enforcing core labor standards and argues our trading partners should not be allowed to suppress their workers, thereby creating unfair competition.”<sup>38</sup>

Arturo Condo, Forrest Colburn, and Luis Rivera evaluate forces (political, economic, and social) that played a part in the negotiating of DR-CAFTA. In the study, “a political economy approach is used to assess the participation and influence of the main interest groups in Central America, and how their particular interests have been incorporated into the Agreement.” They also look at the possible winners and losers of the trade agreement. There were many opposition groups due to the non-transparent negotiations of the treaty. These groups also feared the increase of foreign investment and presence that would be prevalent in the region following the passage of DR-CAFTA. The authors conclude that the winners of DR-CAFTA are the businesses, investors, and

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<sup>37</sup> Abrahamson, Peter. “Free Trade and Social Citizenship: Prospects and Possibilities of the Central American Free Trade Agreement (CAFTA-DR).” *SAGE Journals: Global Social Policy*. 2007;7(3):339-357. December 1, 2007.

<sup>38</sup> Marisa Anne Pagnattaro. *Leveling the Playing Field: Labor Provisions in CAFTA*. 29 *Fordham Int'l L.J.* 386 (2005).

companies who are integrated into regional and international markets. The study makes clear that DR-CAFTA was put in place as a plan to make the countries in this region much more attractive for foreign investment and companies.<sup>39</sup>

J.F. Hornbeck examined the challenges of Sub-Regional integration of DR-CAFTA in a report to Congress in 2003, where he explained that the United States priority topics are business interests and market access. The Central American attraction towards the program, he said, derives from the benefits of foreign investment and integration into their region, with the hope of it leading towards more United States direct investment to expand on shared manufacturing industries. Interestingly, supporters and doubters of DR-CAFTA point towards the same subjects as their reasoning for being for or against the United States and Central America have a long history of trade and investment-based relationships. Those in favor want to continue this for expanded prosperity; those against point to the present inequality that have been perpetuated by initiatives with similar goals and narratives as DR-CAFTA. These concerns from various parties complicate not only the integration of the program, but the sustainability of it if it is to be passed.<sup>40</sup>

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<sup>39</sup> Condo, Arturo; Colburn, Forrest; Rivera, Luis. "The United States Central America Free Trade Agreement (CAFTA): Negotiations and Expected Outcomes." Nomura Research Institute. March 10, 2005.

<sup>40</sup> Hornbeck, J.F. "The U.S.-Central America Free Trade Agreement (CAFTA): Challenges for Sub-Regional Integration." Report for Congress: Received through CRS Web. Order Code RL31870. April 25, 2003.

## VI. LITERATURE OVERVIEW: THE ALLIANCE FOR PROSPERITY

There has been extensive research done on Latin America, the Northern Triangle, and the migrant crisis. Despite the Alliance for Prosperity's introduction less than 10 years ago, the initiative is tied to many arguments.

In Hilary Goodfriend's paper called "The Alliance for Insecurity," she addresses U.S. policy shifting in Central America under the Presidency of Donald Trump. It focuses on the conference on Prosperity and Security in Central America that was co-hosted by the United States and Mexico and attended by the Northern Triangle countries. The goal was to address the root causes of the poverty and insecurity within the Northern Triangle that leads to mass migrations. The meeting stated Trump's prioritization for security, military, and privatized foreign investment while cutting other funding. The article notes Trump's hardened policies such as cutting Emergency funds and threats like deportation by removing temporary protected status. Out of concern for the lack of priority being shown to Central America's wellbeing, Hilary Goodfriend mentions that Civil Societies have been on the frontlines of objecting Trump's policies.<sup>41</sup>

Giovanni Batz provides a broad overview of the Alliance for Prosperity Plan in his article "Alliance for Prosperity" from the series "Behind the Migrant Caravan: Ethnographic Updates from Central America." He mentions Vice President Joe Biden's initial intentions for the plan for addressing education, corruption, rampant crime, and lack of investment. Vice President Biden asked for upwards of \$1 billion dollars in aid. Batz also makes the parallel of John F. Kennedy's Alliance for Progress plan in the 1960's, then sought to improve economic cooperation and reduce corruption by fighting communists through counterinsurgencies. Batz discusses Trump's policies to cut funding

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<sup>41</sup> Goodfriend, Hilary. "An Alliance for Insecurity." *JACOBIN*. Accessed 12/1/2020.

and take a different approach that dehumanizes and criminalizes migrants, noting that the Alliance for Prosperity has continued “a brutal and violent legacy of U.S. interventionism in Central America.”<sup>42</sup>

Honduran President, Juan Orlando Hernandez, expresses his concern for the tens of thousands of children migrating from the Northern Triangle. He hoped to combat this dire situation and protect the children from falling into the hands of traffickers. President Hernandez lamented the violence in the country due to its strategic location for transporting drugs. Despite progress, Hernandez expressed his support for the Alliance for Prosperity, touting the potential of the Northern Triangle region if it adheres to the pillars of the plan. He expressed high hopes for the plan, and acknowledges the level of commitment and accountability it will require to see it through.<sup>43</sup>

Ana Isabel Rodríguez Iglesias wrote a research paper called “A genealogy of El Salvador-US Economic Cooperation: Implications for Security From the ‘Alliance for Progress’ to the ‘Alliance for Prosperity’.” The essay “presents a genealogy of the US-El Salvador economic and security relations from the Alliance for Progress to the Alliance for Prosperity, in order to trace back the linkages and recurrent patterns of the aid going from Washington to San Salvador.” She concludes that international aid has overwhelmingly prioritized United States interests and has greatly benefitted the elites of

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<sup>42</sup> Batz, Giovanni. “Alliance for Prosperity?” From the Series: *Behind the Migrant Caravan: Ethnographic Updates from Central America*. Hot Spots, *Fieldsights*. Society for Cultural Anthropology. January 23, 2019.

<sup>43</sup> Hernandez, Juan Orlando. “Alliance for Prosperity in the Northern Triangle: A Leap Towards Ensuring Regional Security.” Institute for National Strategic Security, National Defense University. *PRISM*. Volume 5, No. 4. Pg. 10-19. 2016.

Central America while not effectively addressing any issues the programs were meant to remedy.<sup>44</sup>

Louisa Reynolds summarizes The VII Summit of the Americas in “Central American Leaders Discuss Alliance for Prosperity Plan During Summit of the Americas.” She provides a broad overview of the details of the The Alliance for Prosperity, and the steps that were taken to get to the agreement, such as Joe Biden traveling to Central America in 2015 to discuss combatting the mass migration and humanitarian crisis going on. Reynolds covers the dissent of civil-society organizations that Vice President Biden presented. Their complaints stemmed from the lack of transparency or consultation with civil societies and grass root organizations. They also expressed concern over the increased militarization, which has often led to more violence in the region. Likewise, there is skepticism about the United States investment plans, and their effort on long-term economic health of Northern Triangle nations.<sup>45</sup>

Dawn Paley, author of *Drug War Capitalism* (2014), wrote about The Alliance for Prosperity in an article entitled “Obama’s Central American Rescue Plan Will Only Make Life There Worse.” Paley calls the plan “more of the same,” argues the plan touts the same approaches that the United States has taken historically in the region, which have led to more reliance on aid within the Northern Triangle. She also calls into question the inhumane treatment of detained migrant children. She worries that the parallels that this

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<sup>44</sup> Iglesias, Ana Isabel Rodriguez: Ph.D. candidate in International Politics and Conflict Studies at the University of Coimbra. “A genealogy of El Salvador-US Economic Cooperation: Implications for Security From the ‘Alliance for Progress’ to the ‘Alliance for Prosperity’.” International Politics and Conflict Studies at the University of Coimbra (Portugal). ResearchGate. June, 2017.

<sup>45</sup> Reynolds, Louisa. “Central American Leaders Discuss Alliance for Prosperity Plan During Summit of the Americas.” *Latin America Digital Beat*. University of New Mexico UNM Digital Repository. April 30, 2015.

initiative holds to “Plan Colombia” should not inspire confidence for the region, as it is more representative of a new blueprint of United States intervention for the benefit of the corporate sector. Ultimately, Paley believes that The Alliance for Prosperity shares too many similarities with plans in South America from the past and will only yield the same unproductive results.<sup>46</sup>

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<sup>46</sup> Paley, Dawn. “Obama’s Central American Rescue Plan Will Only Make Life There Worse.” The New Republic. February 5, 2015.

## **VII. HISTORY OF THE NORTHERN TRIANGLE**

### **Introduction**

Guatemala, Honduras, and El Salvador, the Northern Triangle, share extensive challenges such as violence, poverty, inequality, and corruption; prompting mass refugee migration from all three countries to the United States and Mexico. This chapter will focus on the histories of the three countries that led to the international agreements and aid programs that this thesis focuses on. In order to have a more complete understanding of the recent issues and initiatives in the region, it is essential to be aware of the historical background that is foundational to them.

### **El Salvador**

El Salvador gained its independence from Spain in 1821, and joined the Federal Republic of Central America, made up of Costa Rica, Guatemala, Honduras, and Nicaragua. Following the dissolution of the Federal Republic in 1841, El Salvador became a fully independent government.<sup>47</sup>

### **Risks of Monoculture**

Before the 1900's, President Gerardo Barrios introduced coffee growing to El Salvador, and it quickly became the centerpiece of their economy. While coffee had the potential to generate significant returns for the country, any form of monoculture provided risks when El Salvador's economic growth was based on the world economy's price of a singular product. El Salvador deepened their reliance on the coffee trade by developing their railroad and port infrastructure based on the prioritization of coffee and

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<sup>47</sup> BBC News. "El Salvador Profile-Timeline: A Chronology of Key Events." May 16, 2018.

eliminating communal coffee production to ensure this singular focus.<sup>48</sup> Monoculture strategy benefited the landholders, government, merchants, and led to greater exploitation of displaced campesinos that either had their land taken away or were affected by anti-vagrancy laws. Being able to cultivate a distinct crop for export increased profit for plantation owners paid crop workers at reduced wages. Despite some benefits to the government to specialize in coffee nationwide, there are huge risks to monoculture dependence. Coffee crops are susceptible to declining soil quality, pests, and foreign competition.<sup>49</sup> With little diversity, crop damage to coffee production or prices could be devastating to the economy and rural workers, leading to mass inequality. Unrest within the rural community arose because of this, and as a response, the national guard was created to act as a rural police force.

### **El Salvadoran Wars (From 1890)**

The First, Second, and Third Totoposte Wars were from 1890-1906. These were three military conflicts that began following the overthrow of President Francisco Menendez by General Carlos Ezeta. Ezeta was able to capitalize off of the anger of landowners who lost their land following President Menendez's move to consolidate coffee.<sup>50</sup> Officials of the Menendez administration fled to Guatemala, prompting these officials to falsely accuse Ezeta of planning an invasion of Guatemala in an attempt to start conflict between the two countries to regain power. President Barillas Bercian believed the claims and declared war against El Salvador in 1890.<sup>51</sup> Barillas Bercian was

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<sup>48</sup> Anderson, Thomas P. *Politics in Central America: Guatemala, El Salvador, Honduras, and Nicaragua*. Greenwood Publishing Group. July 29, 2012.

<sup>49</sup> Watts, Ben. "The Dangers of Monoculture Farming." Challenge Advisory. October 8, 2018.

<sup>50</sup> "Biography of Carlos Ezeta: 1855-1903." TheBiography, 2018.

<sup>51</sup> Slade, William F. "The Federation of Central America." *The Journal of Race Development*. Pg. 204-276. 1917.



assassinated on the orders of Manuel Cabrera, who became Guatemala's President in 1898. Many Guatemalans and Salvadoran President Tomás Regalado opposed Cabrera's Presidency, leading to the Second and Third Wars. It was not until 1906 that President Pedro Escalon of El Salvador approved the action to invade Guatemala. Guatemalan forces held their own, causing Mexican and Salvadorian forces to retreat. The war ended in July of 1906.<sup>52</sup> Citizens of Guatemala openly mocked the war due to the minimal amount of real conflict and referred to it as the "Totoposte Wars" due to the large amount of corn that was transported and used to feed the troops.<sup>53</sup> The conflicts led to more regional instability and lack of confidence that the citizens had in Guatemala and El Salvador's government.

From the 1930's to the mid 1940's resistance grew in El Salvador, met by harsh suppression. Vast inequality was a main cause of these uprisings, as about 90% of the wealth of the country was held by the top .5%-1.0% of the population.<sup>54</sup> One of the most notable uprisings during this time period was in 1932, led by Marxist-Leninist Activists Farabundo Marti and Chief Feliciano Ama of the Izalco tribe. This spurred a government retaliation known as *La Matanza* (the slaughter), after days of protesting and rebellion consisting of a peasant insurrection supported by the Communist Party of El Salvador. *La Matanza* was a brutal government response that led to the deaths of 30,000 peasants in the span of six days.<sup>55</sup> Presidential elections after this period of resistance were never truly fair due to suppression and government sponsored killings of critics and resisters,

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<sup>52</sup> Contreras, Ricardo. "La Guerra del Totoposte, Guatemala-El Salvador 1903: Una guerra sin batallas." *Estudios Digital*. 2015.

<sup>53</sup> Hernandez de Leon, Federico. *The Book of Ephemeris: Chapter of the History of Central America*. Sanchez y de Guise Typography. Volume 1, 1925.

<sup>54</sup> Keogh, Dermot. "El Salvador 1932. Peasant Revolt and Massacre." *The Crane Bag*. Vol. 6, No. 2, Latin-American Issue (1982).

<sup>55</sup> *Ibid.*

producing no more hope for democratic-led reform. Armed uprisings became the only viable path to change in El Salvador.

The Salvadoran Civil War (1979-1992) pitted revolutionaries of the left against the army and oligarchy who had ruled over the country for decades. Resistance members had little confidence in free elections, as El Salvador's wealth had found its way into the pockets of "las catorce familias" (The Fourteen Families), a metaphor for the concentration of wealth in the country. The so-called Fourteen Families have maintained political and economic influence throughout the 19th and 20th centuries.<sup>56</sup> Inequality and instability was exacerbated when the United States backed Revolutionary Government Junta took over the government in the early 1980's, which was widely challenged by the Salvadorian left and right. The Ronald Reagan administration (1981-1989) provided the government with aid of around \$4 billion dollars. This aid consisted of training military units, providing advanced weapons, and using the aid to force conditions that would guide political structures and decisions in the country.<sup>57</sup> Superficial political reforms that the United States had tied to the aid proved to have little impact on violence levels, keeping peasants in poverty, subjected to violence, and with no literacy improvements.<sup>58</sup> During the years of the civil war, the military and its death squads killed around 75,000 Salvadorian victims. Oftentimes it was through murderous mass shootings of peasants, students, and union leaders.<sup>59</sup> Support from communists, socialists, and guerilla groups allowed the insurgents to hold their own against the Junta, and in 1992 the Chapultepec Peace Accords ended the war. The communist backed Farabundo Marti National

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<sup>56</sup> El Salvador Perspectives. "From 14 Families to 8 Business Groups." April 7, 2006.

<sup>57</sup> Contributor: Schultze-Kraft, Markus. "Civil War." Britannica.

<sup>58</sup> Ibid.

<sup>59</sup> Bonner, Raymond. "America's Role in El Salvador's Deterioration." The Atlantic. January 20, 2018.

Liberation Front became a political party and participated in the 1994 presidential election. These elections were a landmark moment, but the democratic system is presently unreliable as instability, inequality, and violence are still rampant. El Salvador still faces the effects of the Civil War, as the budget deficit and debt have continued to grow due to borrowing of foreign aid and costs incurred from trying to rebuild destroyed infrastructure, it has maintained an environment that fosters undependable government systems.

### **Natural Disasters**

Having the highest population density among all Central American countries, El Salvador is susceptible to enhanced harm from natural disasters. Other factors make it especially at risk, such as its location in the subtropical hurricane area, and its major population centers being located near six active volcanoes.<sup>60</sup> In 2001 there were two strong earthquakes and related landslides that caused the deaths of around 1,200 people, and damaged around 300,000 homes and structures. Unfortunately, this affected almost one third of the region's households, leading to a huge decrease in child enrollment in school and a similar increase in household poverty.<sup>61</sup>

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<sup>60</sup> Baez, Javier E.; Santos, Indhira V. "On *Shaky* Ground: The Effects of Earthquakes on Household Income and Poverty." Research for Public Policy. United Nations Development Programme Regional Bureau for Latin America and the Caribbean. December, 2008.

<sup>61</sup> Ibid.

**Table 1.** El Salvador-Earthquakes Fact Sheet

Earthquake	Deaths	Injuries	People Affected	Houses Damages	Houses Destroyed
January 13	844	4,723	1,329,806	169,632	108,226
February 13	315	3,399	252,622	15,706	41,302
Total	1,159	8,122	1,582,428	185,338	149,528

<sup>62</sup>

These numbers are similar to those from the 1986 earthquake, marking little improvement regarding development despite provided aid. The earthquake of 1986 caused serious damage to the capital of the country, San Salvador. Between 1,000 and 1,500 people were killed, and around 10,000 injured from the earthquake and landslides. This earthquake was only of ‘moderate magnitude’, but caused the destruction of hospitals, marketplaces, homes, and restaurants, leaving over 200,000 Salvadorans homeless.<sup>63</sup>

### **Conclusion**

El Salvador’s economy has been drained by civil wars, falling coffee prices, and destructive natural disasters. This has contributed to dependence on the United States to provide aid in order to foster development. Despite the aid and trade programs that were meant to stimulate developmental growth, irregular migratory patterns out of El Salvador have continued to be alarming. El Salvador has struggled to find its footing throughout history due to events that cultivate instability, and continues to be chained to deep-rooted violence, inequality, and political issues.

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<sup>62</sup> Situation Report. “El Salvador - Earthquakes Final Fact Sheet, Fiscal Year (FY) 2001.” ReliefWeb. USAID. September 7, 2001.

<sup>63</sup> "El Salvador Earthquake October 1986". International Rescue Corps. Retrieved 2016-03-01.

## Guatemala

Similar to El Salvador, Guatemala was a member of the Federal Republic of Central America in 1824. Previously, it was part of the Captaincy General of Guatemala, which was a division of the Spanish Empire. It became fully independent following the dissolution of the Federal Republic in 1841.

### Conflict Since the 1890's

In the 1890's, the United States started to apply a heavier hand in Latin America to uphold United States hegemony over its neighbors. U.S. ideology in Latin America is captured by the Monroe Doctrine, which pushed out many of the European Colonial powers in the region. From the 1890's on, Guatemala generally appeased the demands of the United States, working closely with them in regard to security and economic integration.<sup>64</sup> Guatemala and the United States' partnership was the cause of much of the turmoil that would spread into the 20th century. This period was introduced by the assassination of the Guatemalan President in 1898 and the entrance of Estrada Cabrera as the President of the new century. Cabrera's legacy is marked by his brutal actions in order to extinguish any opponents and his embrace of the United Fruit Company to be an integral aspect of Guatemalan society.<sup>65</sup> Cabrera sought out a more internationally integrated Guatemala, and he felt the only way to accomplish this would be through allowing United States business interests to control a significant amount of the economic system as a trade-off for building infrastructure. There was initial success in his goals, but

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<sup>64</sup> Streeter, Stephen M. *Managing the counterrevolution: the United States and Guatemala, 1954-1961*. Ohio University Press. 2000.

<sup>65</sup> Editors of Encyclopedia Britannica. "Manuel Estrada Cabrera: President of Guatemala." Britannica. July 20, 1998.

Cabrera's brutality towards his opposition, alongside his new commitments to the United States, led him to resign in 1920 after numerous revolts.<sup>66</sup>

Jorge Ubico was another U.S. backed dictator who ruled from 1931-1944. U.S. support allowed for one of the most cruelly tyrannous dictators in Guatemala's history. Ubico created a network of spies that would seek out political adversaries to torture and kill them. On top of this, he introduced debt slavery to meet the needs of production for United Fruit. Meanwhile United Fruit received tax exemptions, angering the rural populations. A civilian revolt in 1944 overthrew Ubico and led to a period of democratic reforms and the leadership of Jacobo Arbenz. Arbenz played a key role in the overthrow of Ubico, leading to United States opposition through various methods such as establishing "a covert CIA operation to supply weapons and funding for paramilitary groups to oppose President Arbenz."<sup>67</sup>

Jacobo Arbenz 'promise of relying less on foreign markets, and taking back land from the United Fruit Company, raised alarms in the United States Government. The Eisenhower administration was quick to consolidate support behind Guatemalan exile Colonel Carlos Castillo Armas. Arbenz had legalized the Communist Party in Guatemala, an action that helped prompt the CIA backed coup. Jacobo Arbenz was overthrown by a CIA sponsored coup, led by Colonel Carlos Castillo Armas in 1954. Thousands of Guatemalans were killed during and after the coup.

"The coup set the stage for Guatemala's long and brutal civil war, which officially began in 1960 -- fueled by a broad polarization between rich and poor in the country. Government military forces and right-wing militias

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<sup>66</sup> Ibid.

<sup>67</sup> "Timeline: Guatemala's History of Violence." Frontline World: Stories from a Small Planet. [FRONTLINE/World Guatemala Timeline | PBS](#)

battled leftist rebels, mostly Mayan insurgents, who were fighting for economic and social justice.”<sup>68</sup>

The Guatemalan Civil War of 1960-1996 was one of the most vicious conflicts in Latin American history, responsible for 200,000 deaths and the displacement of over 1 million people.

“The 1999 UN Truth Commission found that 83% of casualties were indigenous Maya, and 93% of human rights violations were perpetrated by state military or paramilitary forces. The U.S. contributed to human rights violations, through military aid, provision of weapons, teaching counterinsurgency techniques to the Guatemalan military, and helping plan operations.”<sup>69</sup>

The Guatemalan military grew substantially during the 1960’s, even when the Civilian President Julio Mendez Montenegro was elected. Mendez was not allowed to insert government authority in the military's actions, as brutal military programs continued. The United States played a large part in backing these programs. One example was a plan to bomb villages with guerilla heavy populations. The Guatemalan military was essentially given judicial freedom to terrorize the guerillas and indigenous groups.<sup>70</sup> In the 1970’s, Colonel Carlos Arana Osorio was chosen by the military to lead the country, and he continued and expanded the counterinsurgency campaign. In an attempt to stave off continuous political protests and the consolidation of an opposition movement called the National Front Against Violence, Arana ordered mass arrests, suspended constitutional right of assembly, and allowed death squads to

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<sup>68</sup> Ibid.

<sup>69</sup> Bodenheimer, Rebecca. “The Guatemalan Civil War: History and Impact.” ThoughtCo.: Humanities; History and Culture. March 22, 2020.

<sup>70</sup> Ibid.

systematically assassinate intellectuals.<sup>71</sup> By the 1980's, the alarming numbers of peasant deaths intensified. This period was the bloodiest of the civil war, with violence in cities and Mayan villages. This campaign included bombings, burning, impaling, and disembowling people including women and children. The Commission for Historical Clarification addressed this genocide by stating:

“The massacres, scorched-earth operations, forced disappearances and executions of Mayan authorities, leaders and spiritual guides were not only an attempt to destroy the social base of the guerrillas, but above all, to destroy the cultural values that ensured cohesion and collective action in Mayan communities.”<sup>72</sup>

By the late 1980's and early 1990's, the Guatemalan government was facing increasing international pressure to end the civil war to halt the human rights abuses. Negotiations went all the way into 1996 where both the government and guerrillas agreed to the United Nations terms of human rights compliances. A peace agreement was finally brought to fruition, ending Guatemala's 36 year Civil War. A truth commission declared that the United States support through military assistance proved to have a “significant bearing on human rights violations during the armed confrontations.”<sup>73</sup> This inevitably was key in Guatemala's state of affairs where 90% of the Guatemalan population was below the poverty line, 10% of the population was displaced, there were huge increases in gang violence, a corrupt judicial system, and because of all that; mass migrations.<sup>74</sup> Guatemala is still plagued with violence and intimidation tactics years later. Organized crime is

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<sup>71</sup> Ibid.

<sup>72</sup> McDonnell, Patrick J. “Guatemala's Civil War Devastated the Country's Indigenous Maya Communities.” Los Angeles Times: World and Nation. September 3, 2018.

<sup>73</sup> Ibid.

<sup>74</sup> Bodenheimer, Rebecca. “The Guatemalan Civil War: History and Impact.” ThoughtCo.: Humanities; History and Culture. March 22, 2020.



still a major issue, and there is still little consistency in political progress and transparency. The aftereffects of war have left the country deeply insecure and fragile. Guatemala currently maintains one of the highest levels of poverty within Latin America, and the poverty rate among indigenous and rural communities is over 75%, never truly recovering from war.<sup>75</sup>

### **US United Fruit**

Meanwhile the United Fruit Company came to become one of the largest economic and political aspects of Latin America, and especially in Guatemala.

“The United Fruit Company (UFCO) developed an unprecedented relationship with Guatemala in the first half of this century. By 1944, UFCO owned 566,000 acres, employed 20,000 people, and operated 96% of Guatemala's 719 miles of railroad, making the multinational corporation Guatemala's largest private landowner and biggest employer.”<sup>76</sup>

United Fruit Company (UFCO) was coined as “el pulpo”, meaning “octopus” in Spanish, due to its long reaching influence and control over industry, political systems, and infrastructure in Guatemala.<sup>77</sup> UFCO was given many favors such as tax exemptions and extensive amounts of land for commercial farming that would be taken from Guatemalan villages and agricultural workers. It had full support from Guatemala’s right-wing dictators, allowing the company to profit by supplying produce to the United States.<sup>78</sup>

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<sup>75</sup> Black, Alexandra. “Poverty in Guatemala.” The Borgen Project. July 14, 2020.

<sup>76</sup> Dosal, Paul J. *Doing Business with the Dictators: A Political History of United Fruit in Guatemala, 1899-1944*. 1993.

<sup>77</sup> Ibid.

<sup>78</sup> Fleming, Courtney. “The Guatemalan Coup of 1954: How Did the Cold War Influence American Foreign Policy Decisions?” Educational materials developed through the Baltimore County History Labs Program, a partnership between Baltimore County Public Schools and the UMBC Center for History Education.

The power that United Fruit Company had claimed in the country was a direct and large contributor to why Guatemala was plunged into a 36-year civil war and is yet to claim sustainable development. A former United Fruit executive stated:

“Guatemala was chosen as the site for the company’s earliest development activities because at the time we entered Central America, Guatemala’s government was the region’s weakest, most corrupt and most pliable.”<sup>79</sup>

Alfonso Bauer Paiz, President Arbenz’s Minister of Labor and Economy claimed that the success of United Fruit was at the expense of the people of Guatemala, and it should be considered a corrupt enemy of Guatemala.<sup>80</sup> When President Jacobo Arbenz established the agrarian reform bill, Decree 900, it required redistribution of unused land. It seized uncultivated land from landholdings larger than 673 acres. If there was landowning between this amount and 224 acres, then it could only be expropriated if less than 2/3rds of it was being used. The owners of this land would be compensated through government bonds, resulting in improved living standards for thousands of rural families.<sup>81</sup>

“Not counting the workers themselves, the United Fruit Company (UFCO) felt the biggest effects from the changes in Guatemala. As the largest single employer and landholder in the country, UFCO had to abide by the new labor code and had a large portion of its uncultivated lands expropriated under the agrarian reform. It had begun its operations in Guatemala in the early 1900s and had expanded to the extent that Guatemala became the company's fourth largest cultivator of bananas.”<sup>82</sup>

The United Fruit Company turned to the United States Government, which had previously supported right-wing dictatorships that had appeased the interests of UFCO.

Intervening on behalf of United Fruit would also serve as an opportunity to overthrow a

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<sup>79</sup> Kurtz-Phelan, Daniel. “Big Fruit.” *The New York Times*. March 2, 2008.

<sup>80</sup> *Ibid.*

<sup>81</sup> Gleijeses, Piero. *Shattered Hope: The Guatemalan Revolution and the United States, 1944-1954*. Princeton University Press. 1991.

<sup>82</sup> Batres, Alejandra. “The Experience of the Guatemalan United Fruit Company Workers, 1944-1954: Why Did They Fail?” *Teresa Lozano Long Institute of Latin American Studies: Texas Papers on Latin America*.

supposed Communist leader. When President Eisenhower took office, he and his cabinet allowed the CIA to establish a plan referred to as “PBSuccess” to overthrow Arbenz. They ran an extensive disinformation campaign against Arbenz and chose Colonel Carlos Castillo Armas of Guatemala to lead a coup. The CIA also financed and trained Castillo’s men, while also providing CIA operated air support.<sup>83</sup> The United Fruit Company was so integral in maintaining the United States sphere of influence in the region that they were able to get the United States government to destroy democracy in Guatemala and send the country into one of the bloodiest civil wars that Latin America has ever seen.

### **Natural Disasters: Earthquake of 1976**

On February 4, 1976, a 7.5 magnitude earthquake struck Guatemala. The initial earthquake damaged cities throughout the country, destroying over 250,000 houses, leaving around 1.2 million people homeless, greatly damaging 40% of hospital infrastructure, and leaving 75,000 wounded and 23,000 dead.<sup>84</sup> There were also aftershocks that caused many landslides. Guatemala as a whole is severely impacted by natural disasters due to its dense population and high seismic risk location, as it rests on three seismic plates.<sup>85</sup>

“According to the World Bank’s Natural Disaster Hotspot study<sup>2</sup>, Guatemala ranks 5th among countries with the highest economic risk exposure to three or more hazards. Guatemala is ranked as a high-risk country due to the vulnerability of its gross domestic product (GDP) to multiple hazards, with 83.3% of Guatemala’s GDP located in areas at risk. As one of the most densely populated countries in Latin America, with

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<sup>83</sup> Gonzalez, Juan. “June 27, 1954: Elected Guatemalan Leader Overthrown in CIA-Backed Coup.” Zinn Education Project. Guatemala: Bodies for bananas: pg. 135-137.

<sup>84</sup> Olcese, 1977.

<sup>85</sup> Harp, Edwin L.; Wilson, Raymond C.; Wiczorek, Gerald F. “Landslides from the February 4, 1976, Guatemalan Earthquake.” Geological Survey Professional Paper, Conducted in Cooperation with the Government of Guatemala, Agency for International Development, and U.S. Department of State.

approximately 13 million inhabitants in a territory of 108,890 square kilometers, the country is also one of the poorest in the region. Between 1902 and 2005, Guatemala experienced 62 natural disaster events, which affected approximately 6 million people.”<sup>86</sup>

Guatemala is heavily reliant on their agricultural sector, meanwhile they are exposed to two coasts. This greatly affects agricultural production, meanwhile water, energy, and citizens health factors are also impacted. The combination “of high population density, poverty, and exposure to natural hazards in Guatemala constitutes a high risk to adverse natural events.”<sup>87</sup> Even years later, this risk has not been managed. Just recently in 2015 there was a deadly landslide in a Guatemala City ravine that killed around 350 people. Lack of productivity is highlighted in national government and international aid while natural disaster management has not moved the needle away from an at risk level.<sup>88</sup>

## **Conclusion**

The consequences of corruption, civil war, lack of disaster prevention infrastructure, and United States interference has caused Guatemala to experience continued poverty, violence, and vast inequality. Despite experiencing economic stability in recent years, it remains one of the five poorest countries in Latin America. Chronic childhood malnutrition has also been a significant contributor to Guatemala’s lack of sustainable development, as almost 50% of children under five years old experience malnutrition. In 2019 it was found that only 40% of families enjoy food security.<sup>89</sup>

Central Government revenues in Guatemala are also considerably low, making it even

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<sup>86</sup> The World Bank. “Disaster Risk Management in Central America: Guatemala.” *Global Facility for Disaster Reduction and Recovery*. Sustainable Development Unit.

<sup>87</sup> Ibid.

<sup>88</sup> Santi, Paul M.; LaPorte, David; Lucena, Juan C.; Zhou, Wendy. “Evaluating landslide risk management in Guatemala City through a study of risk perception and behavior changes.” Colorado School of Mines. Summer, 2018.

<sup>89</sup> The World Bank in Guatemala. The World Bank. Last Updated May 31, 2021.

more difficult to adequately invest in public services such as education and access to healthy water.<sup>90</sup> The United States goal to contain communism and maintain United Fruit's influence came at a large price for Guatemala. Costs of these priorities are still being felt today, as well as the indigenous populations' connections with the land and culture being severely disrupted. In spite of trade programs and aid packages to help Guatemala develop, the country is still affected by the aftermath of their violent history.

### **Honduras**

Honduras gained independence from Spain on September 15, 1821, and became part of the Mexican Empire led by Emperor Agustin de Iturbide. Following a rebellion against Iturbide, the new Mexican Congress allowed for the territories to choose their own destiny. Honduras joined the Federal Republic of Central America. Due to differences in social and economic partisanship, Honduras broke away from the Federal Republic in October of 1838 and became a sovereign state.

### **Conflicts and Coups**

Since Honduras gained independence, there have been around 300 instances of internal rebellions, civil wars, and changes of government through avenues such as coups.<sup>91</sup>

The beginning of the 1900's marked an overthrow of Honduran President Manuel Bonilla, and an increased role from the United States in regard to regional conflict. Honduran rebel forces, backed by Nicaraguan President Zelaya and the Nicaraguan Army aimed to overthrow Bonilla. The United States Government did not look fondly upon Zelaya as they feared that he was trying to gain more control of the region, which would

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<sup>90</sup> Ibid.

<sup>91</sup> HistoryCentral.com. "Honduras." Nation-by-Nation.

interfere with United Fruit, and they were building at the time. United States marines “landed at Puerto Cortés and United States naval units were sent to prevent a Nicaraguan attack on Bonilla's last position at Amapala in the Golfo de Fonseca.”<sup>92</sup> Ultimately Bonilla took refuge on the U.S.S. Chicago and lost control, leading him to have to arrange a peace settlement. The U.S. assisted Manuel Bonilla throughout this process because he was a friend to the Banana companies. He also served as an opponent to Zelaya, who the U.S. did not approve of, under the belief that he was trying to gain influence over the region.

The First Honduran Civil War took place in 1919 as political opponents rebelled against President Francisco Bertrand Barahona for trying to install his brother-in-law to become the next president and removing civil rights. Detractors took up arms against the Bertands and the non-democratically appointed successor Dr. Nazario Soriano. The Honduran army was supported by the United States and Mexico, meanwhile the United Rebel army had assistance from El Salvador. President Bertrand resigned from his position, and Woodrow Wilson provided support for Honduras to accomplish a peaceful return to democracy. The U.S. remained involved with Honduran politics because they still had strategic interests in Northern Honduras; coastal land where transnational companies dominated.

The Second Honduran Civil War stemmed from Presiden Rafael López Gutiérrez's attempt to gain more power by not accepting the prospective Presidential election winner Doctor Tiburcio Carias Andino of the Constitutional Liberal Party.<sup>93</sup> President Gutierrez formally proclaimed himself dictator in February of 1924, leading to

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<sup>92</sup> U.S. Library of Congress. Honduras Table of Contents: The Expanded Role of the United States. [Honduras - The Expanded Role of the United States \(countrystudies.us\)](https://countrystudies.us/honduras/)

<sup>93</sup> Elections and Events 1900-1924. The Library, UC San Diego.

the formation of a new revolutionary force. There was a larger international response to this civil war, as countries had more investments to protect in Honduras. Honduras fell into complete turmoil as rebel forces attacked strategic areas in every part of the country, taking cities Gracias, Santa Barbara, as well as plazas and squares in Marcala, Siguatepeque, Yoro Square, and Santa Rosa. Heightened and continuous violence turned into the first ever bombing of a Latin American Capital; a revolutionary airplane dropped multiple bombs on the capital city Tegucigalpa. A peace conference was called, and during the conference period, the revolutionaries attacked the city Tegucigalpa in waves. They eventually took the city, and the civil war came to a ceasefire. The war was incredibly costly, causing over \$2,000,000 in damage to infrastructure, along with a significant loss of life and strained relationships with Honduras' neighboring countries and the United States.<sup>94</sup>

There was a brief "war" in 1969 known as the "Football War" or "100 Hour War" between Honduras and El Salvador. Tensions between the two countries were evident before the conflict, but the catalyst for conflict was the 1970 World Cup Qualifier. The Salvadoran army launched an attack on Honduras. El Salvador was not happy with how Honduras had treated Salvadoran workers, consisting of unfair working conditions and expelling thousands of Salvadoran immigrants. A ceasefire was quickly negotiated by the Organization of American States on July 18th, giving it the name "100 Hour War."<sup>95</sup>

During this time period and decades following, coup's plagued Honduras, not allowing for consistent development and economic growth. Left-leaning Manuel Zelaya

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<sup>94</sup> Soriano, Edgar. "Las guerras civiles en Honduras: caudillos entre la matanza del pueblo y el poder." Conexihon. February 22, 2016.

<sup>95</sup> Lockhurst, Toby. "Honduras v El Salvador: The football match that kicked off a war." BBC News. June 27, 2019.

was elected President in 2006. Zelaya caused controversy in 2009 by calling a constitutional referendum that his opponents believed violated the laws established in the 1980's, leading to a coup by opposition Judicial personnel and the military. Many in the international community did not agree with removing a democratically elected President, but U.S. officials such as Hillary Clinton played a key role in preventing Zelaya from returning to Honduras.<sup>96</sup> The response to the coup led to the deaths of thousands, increased inequality, and social unrest in the 2010's. As recently as 2017 there has been violence and protests against right-leaning President Juan Orlando Hernandez over suspicion of election fraud. Despite international aid and consistent United States intervention, violence, inequality, and a high presence of the drug and weapons trade is still a centerpiece of insecurity in Honduras.<sup>97</sup>

### **United States Influence**

The United States presence in Honduras in the 20th century led Honduras to be known as the original "banana republic." Honduras was dominated by United States fruit companies starting in the 20th century. There were three in particular that became the focal point for Honduran life and development: Standard Fruit, Cuyamel Fruit Company and the United Fruit Company, which worked to harvest bananas. If the economic interests of the companies were ever impeded on, there was no hesitation on the part of the U.S. Government to intervene by sending troops and weaponry to crush rebellions or

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<sup>96</sup> Zunes, Stephen. "The U.S. Role In The Honduras Coup And Subsequent Violence." HuffPost. June 19, 2016.

<sup>97</sup> Asmann, Parker. Will Tony Hernández Conviction Upend Narco-Politics in Honduras?" InSight Crime. October 18, 2019.



overthrow governments.<sup>98</sup> U.S. President William Howard Taft sent marines in 1911 as investments grew. The banana industry's initial impact on infrastructure development led to growth in shipping, ports, railroads, and worker settlements.<sup>99</sup> Unfortunately for Honduras, their deep entanglement with the United States was not always beneficial and would lead to economic decline. Honduras was obligated to join the World Wars, which did not help national industry. Exports increased for integral products of the country's economy such as bananas, coconuts, and copra, but industrialization was low, leading to unemployment and growing unrest.<sup>100</sup>

Regional conflicts prompted increasing difficulties for Honduras to establish a strong foothold as a leading prospect for investment within Latin America. The United States has conserved its commercial presence through the last century, and strategically devoted itself to the country's internal conflicts. In doing so, the U.S. was able to use Honduras as a base for its war against the Sandinista Government. During the first term of President Ronald Reagan's administration, U.S. military assistance and presence increased from \$4 million to over \$77 million.<sup>101</sup>

“The U.S. intervened in numerous military coups to protect its commercial interests, embedding a conservative, Americanised elite. Contra guerrillas backed by President Ronald Reagan used Honduras as a base to attack Nicaragua's Sandinista government in the 1980s.”<sup>102</sup>

The United States had built objectives that promoted human rights since the 1980's, placing restrictions on foreign assistance if these conditions were not met. Honduras served as a base for the United States military starting in the 1980's, and that military

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<sup>98</sup> William Anderson (Schoolworkhelper Editorial Team). "Honduras: History, Politics, Coup d'état." *SchoolWorkHelper*. 2019.

<sup>99</sup> Britannica. "Honduras: The 20th Century." [Honduras - The 20th century | Britannica](#)

<sup>100</sup> Ibid.

<sup>101</sup> Alexander Main. "Passage en force au Honduras." *Le Monde*, 2018.

<sup>102</sup> Carroll, Rory. "History of US Intervention in Honduras." *The Guardian*. November 27, 2009.

existence has only been upheld. Even before the Cold War, the United States military has had influence in Honduras.

“The United States has been a major source of political power in Honduras. United States involvement in Honduras dates back to the turn of the century...The United States government periodically dispatched warships to quell revolutionary activity and to protect United States business interests. Not long after the United States entered World War 2, the United States signed a lease agreement with Honduras. Also, the United States operated a small naval base at Trujillo on the Caribbean Sea. In 1954 the two countries signed a bilateral military assistance agreement whereby the United States helped support the development and training of the Honduran military.”<sup>103</sup>

Commercial ties have been a centerpiece of the United States and Honduran relationship over the past decades as well. An example of this is Honduras becoming one of the original beneficiaries of the Caribbean Basin Initiative, which provided duty-free importation for goods in the region. This boosted the maquiladoras, helping commercial relations and liberalizing trade between the U.S. and Honduras.<sup>104</sup> The caveat with these agreements are the requirements that are often tied to them. The United States government has stated intentions of supporting the strengthening of the rule-of-law in the region and reduction of impunity. Protection mechanisms such as these have often caused a cyclical process of needing more investment and aid, largely because of the reliance on security and police forces, who are largely responsible for the human rights violations.<sup>105</sup> Honduras has had irregular progress through the years, but there have been shimmers of hope due to improved finances. However, human rights violations and poor living standards remain high, leaving Honduras still reliant on international support.

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<sup>103</sup> U.S. Library of Congress. “Honduras-The United States.” Country Studies.

<sup>104</sup> Meyer, Peter J. “Honduras: Background and U.S. Relations.” Congressional Research Service. RL34027. April 27, 2020.

<sup>105</sup> Ibid.

## Vulnerability to Natural Disasters

Similar to Guatemala and El Salvador, Honduras is susceptible to hurricanes, flooding, earthquakes, landslides, droughts, and forest fires.<sup>106</sup> Since the early 1960's, the United States has been a leading aid provider to Honduras. USAID has given over \$3 billion of assistance.<sup>107</sup>

“In October 1998, however, Hurricane Mitch, one of the worst storms to strike the Western Hemisphere in recorded history, dumped torrential rains on the country, washing away crops, roads, and population centres throughout Honduras. The storm killed several thousand Hondurans, displaced in excess of a million persons, ruined the country's economy and infrastructure, and caused widespread misery and unemployment. A massive international relief effort supported the reconstruction efforts, which occupied Honduras for the next several years.”<sup>108</sup>

Even more recently Hurricanes Eta and Iota struck Honduras, the worst impacts particularly affecting the Northern region. Hundreds lost their lives, and the damage to infrastructure, housing, and farms was extensive. The harm to agriculture caused mass hunger, and reliance on international aid. Around 20% of agricultural production was destroyed and 50% of the country's GDP could be lost from the storms paired with the impact that COVID-19 has had on the Honduran economy.<sup>109</sup>

Devastation from natural disasters is not new to Honduras, and the country has not only felt the effects through economic and infrastructural damage, but also through systemic infections.

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<sup>106</sup> Foreign Travel Advice. “Honduras.” Gov.UK. [www.gov.uk](http://www.gov.uk).

<sup>107</sup> USAID: From the American People. Honduras: History. June 7, 2021. <https://www.usaid.gov/honduras/history>

<sup>108</sup> Britannica. “Honduras: The 20th Century.” [Honduras - The 20th century | Britannica](#)

<sup>109</sup> Graticola, Isabella Leon. “Honduras After the Hurricanes: A Disaster that Demands Help.” Borgen Magazine. April 15, 2021.

“For the past several decades, the public health system in Honduras has focused on treating communicable diseases as well as responding to natural disasters through heavy reliance on international aid. Since the late 1970s, low-income tropical countries including Honduras have waged a serious war against communicable diseases.”<sup>110</sup>

International aid has flooded into the country to support development, but the slow recovery from natural disasters has caused aid distribution to be focused on the rebuilding of social and physical medical facilities. Oftentimes the disaster response is also uncoordinated and slow, sometimes causing more disorganized harm than the intended assistance. Honduran coordinators have even denied medication to avoid international NGOs from coming to the country due to their lackluster results.<sup>111</sup> Honduras has struggled to gain autonomy due to international reliance and is seeking a long-term approach to disaster response opposed to its historical temporary short term relief system. There is hope that while recent hurricanes have devastated the country, Honduras can use this destruction as an opportunity to completely rebuild their medical and disaster response infrastructure to foster sustainable needs. Achieving this goal would allow international aid funds to be adequately spread to other areas that deserve priority as well.

## **Conclusion**

This chapter has highlighted that the countries of the Northern Triangle share similar histories that hinder their development. Honduras, Guatemala, and El Salvador are in a location that is susceptible to natural disasters. The histories that surround the

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<sup>110</sup> Swanson, Jordan. “Unnatural Disasters: Public Health Lessons from Honduras.” Harvard International Review. August 18, 2019.

<sup>111</sup> Ibid.

three countries makes their location riskier, as does the incorporation of the United States into their political systems.

“The role that a century of U.S.-backed military coups, corporate plundering, and neoliberal sapping of resources has played in the poverty, instability, and violence that now drives people from Guatemala, El Salvador, and Honduras towards Mexico and the United States. For decades, U.S. policies of military intervention and economic neoliberalism have undermined democracy and stability in the region, creating vacuums of power in which drug cartels and paramilitary alliances have risen.”<sup>112</sup>

The role that the United States has played in the migration crisis is undeniable.

The last century has defined the political, social, and economic climate of this region; consisting of violence and instability, met with international involvement promising to foster security and economic prosperity. These promises have not been kept, despite numerous foreign assistance programs and trade agreements advertising themselves to be the key to achieving those goals. The next chapter will take a closer look at the foreign assistance programs in the region and assess if the goals of these programs for the Northern Triangle have combated the domestic challenges each country faces.

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<sup>112</sup> Tseng-Putterman, Mark. “A Century of U.S. Intervention Created the Immigration Crisis.” Medium.com. June 20, 2018.

## VIII. DRAWING PARALLELS: THE ALLIANCE FOR PROSPERITY AND NAFTA

### Introduction

Before DR-CAFTA and the Alliance for Prosperity, there were other aid programs and free trade agreements that affected the Northern Triangle. Much of the details and expectations of these programs have been emulated since. The similarities highlight the importance of observing the programs that came before DR-CAFTA and the Alliance for Prosperity in order to identify aspects that have led to the need to continue creating new initiatives. It also allows a unique opportunity to view these programs as a historical analysis of United States national priorities over the last century that have persisted through Presidential, economic, and social changes.

“U.S. policymakers have emphasized different strategic interests in the region at different times, from combating Soviet influence during the Cold War to promoting democracy and open markets since the 1990s. The Trump Administration has sought to reduce foreign aid significantly and refocus U.S. assistance efforts in the region to address U.S. domestic concerns, such as irregular migration and transnational crime.”<sup>113</sup>

This chapter provides background information to aid programs and trade agreements before DR-CAFTA and the Alliance for Prosperity, emphasizing the cyclical pattern of aid to Latin America. There is broad confidence among donor nations that debt relief and aid are essential to being a partial antidote for underdeveloped countries' social, political, and economic ills; but the history of U.S. aid in Latin America suggests that if aid recipient countries are not given flexibility or autonomy through tied aid, the pattern of dependence may be inescapable.

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<sup>113</sup> Meyer, Peter J.; Garcia, Edward Y. “U.S. Foreign Assistance to Latin America and the Caribbean: FY2019 Appropriations.” Congressional Research Service. March 1, 2019.

## Alliance for Progress

The Alliance for Progress was established under John F. Kennedy, aimed to foster economic cooperation between the United States and Latin America. Under President Dwight D. Eisenhower in the 1950's, the United States government was more proactive about increasing their diplomatic relations. In President Eisenhower's second term he began to build traction with trade agreements, tied aid, and more security measures involving the CIA. Eisenhower's actions stemmed from two events that raised alarm in the region: "the stoning of Vice-President Richard M. Nixon in Caracas and the radicalization of the Cuban Revolution."<sup>114</sup> President Kennedy sought to carry on and expand the emphasis on trade and aid, creating his own legacy in Latin America. The Alliance for Progress was officially initiated in 1961 with specific goals in mind:

- sustained growth in per capita income
- more equitable distribution of income
- accelerated development in industry and agriculture
- agrarian reform
- improvement of health and welfare
- stabilization of export prices
- domestic price stability<sup>115</sup>

The Alliance for Progress was a 10-year plan with an initial pledge of around \$80 billion in capital investments from the United States over this time period, with \$20 billion guaranteed.<sup>116</sup> Kennedy's perception of Latin America at the time was that it was

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<sup>114</sup> Rabe, Stephen G. *Eisenhower and Latin America: The Foreign Policy of Anticommunism*. April 1988. ISBN: 978-0-8078-4204-1.

<sup>115</sup> Editors of Britannica. "Alliance for Progress: International Economic Program."

<sup>116</sup> "Alliance for Progress." *Columbia Encyclopedia: Sixth Edition*. Bartleby.com. 2005.

vulnerable to social revolution that could lead to communism, referring to it as “the most dangerous region in the world.” Maintaining hemispheric hegemony was a priority under Kennedy, so adopting policies that would uphold the United States sphere of influence was inevitable.

### **Alliance for Progress Programs**

Two important initiatives were developed after the passage of the Alliance for Progress. The first program is the Peace Corps, initially known as “Kennedy’s Kiddie Corps,” established in 1961. The Peace Corps proved to be an important foreign policy institution throughout the years, as a way to give young and idealistic citizens from the United States a chance to work on economic and social development in impoverished countries. It also gave these countries a more positive perspective of the United States, as they were able to collaborate directly with well-intended American workers. Many of the Peace Corps volunteers would become active members in the U.S. Government; the institution remains prevalent as a foreign policy organization.<sup>117</sup>

“Since the Peace Corps’ founding, more than 187,000 men and women have joined the Peace Corps and served in 139 countries. There are 7,749 Peace Corps Volunteers currently serving 73 countries around the world.”<sup>118</sup>

The second important initiative that formed from the Alliance for Progress was the Foreign Assistance Act of 1961. The Foreign Assistance Act reshaped major aspects of United States foreign aid programs. One major part of the act was the creation of the United States Agency for International Development (USAID). USAID was primarily in charge of the administration of aid targeted at civilians

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<sup>117</sup> Alliance for Progress and Peace Corps, 1961–1969. Office of the Historian. Foreign Service Institute.

<sup>118</sup> Ibid.



and development. The organization takes a decentralized approach to reach the goals of socio-economic development, disaster and poverty relief, and cooperation on global interest issues.<sup>119</sup> USAID made it easier to distribute foreign aid, whereas previously the statutes and the push and pull that would come from the President and Congress to send aid prolonged the process comparatively. The Foreign Assistance Act addressed many of these issues by creating regulations that would maintain the President's vision for the aid. Checks and balances were still in place, as Congress could decree conditions on the aid, making it sometimes difficult to translate distribution of the aid to the overarching goal of it. President Kennedy hoped to change the perception of the United States to a nation that provides meaningful developmental help, as opposed to constant military intervention.

### **Conditionalities**

A study from 2003 called: *Foreign Assistance in the National Interest: Promoting Freedom, Security, and Opportunity*, argued the importance of the United States making international economic aid a centerpiece of foreign policy strategies. Promoting democratic values to vulnerable nations reduces the risk of conflict spreading from more than that single nation. Using aid as foreign policy makes it intrinsically strategic. In the case of the Alliance for Progress, in order to receive aid from the United States, Latin American nations must do what U.S. policymakers demanded. The conditions that the United States used for Latin America through the Alliance for Progress were instituting tax reform, promoting

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<sup>119</sup> USAID Primer: What We Do and How We Do It. Revised January 2006.

land redistribution, extending political freedoms, ensuring the passage of increased foreign investments, and rejecting Communism.<sup>120</sup>

### **Why the Alliance for Progress Failed**

The initial success of the Alliance for Progress was not long-lasting, as the program was seen as a failure towards the latter half of its lifespan. The program started very positively, as there was growth in regional output of 2.6%, which was higher than in the 1950's. Literacy improved, but was not eradicated, and schools and health clinics were built that provided textbooks and more learning opportunities. There was some land and tax reform, but both had difficulties. There are caveats to all of these successes, generally outweighing them.

One of the leading priorities for the program, economic development, was unachievable through the Alliance for Progress for many reasons. The first is that there was only \$20 billion guaranteed for all of Latin America. This amount was minimal compared to what was needed to stimulate sustainable growth. \$20 billion, if distributed equally, would have given every Latin American only \$10 each.<sup>121</sup> Latin American workers struggled to have access to the Alliance for Progress's benefits because of the reliance of United States companies, which did not provide liveable wages.

“Alliance programs have been criticized for buying supplies primarily from U.S. companies, which limited the impact of foreign development aid. Indeed, 90 percent of all commodity expenditures went to U.S.

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<sup>120</sup> Taffet, Jeffrey. *Foreign Aid as Foreign Policy: The Alliance for Progress in Latin America*. 1st Edition. Routledge. April 18, 2007.

<sup>121</sup> Smith, Peter H (1999). *Talons of the Eagle: Dynamics of U.S.-Latin American Relations*. Oxford University Press. Pg. 150-152. 1999. ISBN 0-19-512998-9.

businesses. Also, the Alliance never spent enough money to make a major impact.”<sup>122</sup>

The ceiling for growth is low when the developing infrastructure is not funded by local groups and companies; circulation of funds is minimal in this case profits are often re-administered, not reinvested locally, reducing the chance for a growing economy. Distribution of funding was also skewed, where smaller countries like those in the Northern Triangle were less likely to get proportional funding that would help provide more returns for U.S. corporations.

“Although the Alliance for Progress was a regional program, the United States allocated funds on a country by country basis. There was little connection between levels of poverty and aid distribution. Four countries- Chile, Brazil, the Dominican Republic, and Colombia received almost 60 percent of all U.S. funding during the period.”<sup>123</sup>

Over half of the nations included in the program did not reach their target goal.<sup>124</sup>

The Alliance for Progress was meant to be the “Marshall Plan” of Latin America. This mindset was already problematic and paved the way for a futile vision. The extent of poverty and underdevelopment in Latin America and especially the Northern Triangle was because of a century's worth of conflict and instability. Meanwhile The Marshall Plan was designed to revamp economies that had been broken by war, implying that they have had the capacity in the past to stand on their own.

“The Marshall Plan could count for its success upon the participation of populations rich in the technical, administrative, and political skills of the

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<sup>122</sup> Encyclopedia.com: Alliance for Progress. Updated May 11, 2018. Bibliography: William D. Rogers, *The Twilight Struggle: The Alliance for Progress and the Politics of Development in Latin America* (1967); Jerome Levinson and Juan De Onis, *The Alliance That Lost Its Way: A Critical Report on the Alliance for Progress* (1970).

<sup>123</sup> Taffet, Jeffrey. *Foreign Aid as Foreign Policy: The Alliance for Progress in Latin America*. 1st Edition. Routledge. April 18, 2007.

<sup>124</sup> ECLAC Historical Economic Statistical Series. 1950-2008.

twentieth century, skills in which Latin America's populations are deficient. The Marshall Plan was carried out among states that were used to dealing with one another, in peace and in war, as members of a select company of dominant powers, not among states of which one had maintained a position of altogether unchallengeable advantage through more than a century of use and abuse."<sup>125</sup>

Kennedy looked to replicate this success by proactively taking the initiative to institute hemispheric hegemony, in hope of controlling the region. U.S. policymakers were naive in this belief, and seemed unaware of the magnitude of instability, poverty, and corruption.

The next reason that the program failed was a lack of accountability between the United States and the Latin American governments. It is difficult to measure the effectiveness of conditionalities as a tool for developmental accountability when assistance to the region has continued, regardless of many Latin American government officials refusing to adhere to certain standards. In this case the officials and elite families of the region were resistant and unwilling to implement many of the necessary tax and land reforms that were supposed to be crucial to future prosperity. An example of this was the implementation of minimum wage laws in order to raise the living standard for Latin American citizens, this proved unproductive in many areas such as Nicaragua where the workers' "new" minimum wage had no real impact for the working sector, because it caused layoffs and reduction in hiring.<sup>126127</sup> Land distribution was

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<sup>125</sup> Plank, John N. "The Alliance for Progress: Problems and Prospects." *Daedalus*. Vol. 91, No. 4. American Foreign Policy: Freedoms and Restraints. Pg. 801. 1962.

<sup>126</sup> Bethell, Leslie. *The Cambridge History of Latin America*. Cambridge University Press. Pg. 342. June 29, 1990. ISBN 0-521-24518-4.

<sup>127</sup> Alaniz, Enrique; Gindling, T.H.; Terrell, Katherine. "The impact of minimum wages on wages, work and poverty in Nicaragua." *Labour Economics*. Elsevier. Volume 18, Supplement 1. December 2011.

particularly difficult because regional elites were unwilling to redistribute their land under the belief that it infringed on their privileges. Their desire to protect their land wealth was so strong they would sabotage the implementation of land redistribution in their respective region.<sup>128</sup> At the time there were about fifteen million peasant families in the areas of Latin America that the Alliance for Progress were meant to impact, of those families there were only one million that saw any benefits from land reform.<sup>129</sup> Issues that developed from these goals of the plan are directly related to the management, communication, and accountability between the United States and Latin American governments. There was an evident lack of expertise shared between the institutions, and the inability to collaborate with grassroots organizations and businesses, paired with turf wars between the governments, highlight the bleak hope that the Alliance for Progress ever had for long-term development.<sup>130</sup>

The Vietnam War contributed greatly to the lack of cooperation on the continuation of the energetic focus on the Alliance for Progress. United States priorities quickly shifted to the conflict in Vietnam. Latin America was not the only region that felt the effects of the war, as aid was decreased in Africa and other parts of Asia. A small benefit that the Alliance for Progress was able to

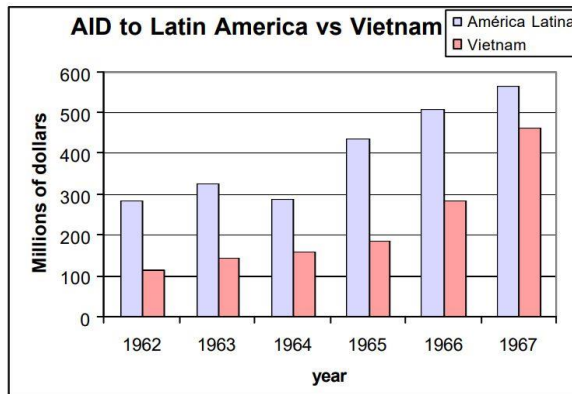
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<sup>128</sup> Fajardo, Luis Eduardo. "FROM THE ALLIANCE FOR PROGRESS TO THE PLAN COLOMBIA: A RETROSPECTIVE LOOK AT U.S. AID TO COLOMBIA." crisis states programme, development research center. Working Paper #28. Departamento de Economics Universidad del Rosario, Colombia. April 2003.

<sup>129</sup> Smith, Peter H (1999). *Talons of the Eagle: Dynamics of U.S.-Latin American Relations*. Oxford University Press. Pg. 150-152. 1999. ISBN 0-19-512998-9.

<sup>130</sup> Fajardo, Luis Eduardo. "FROM THE ALLIANCE FOR PROGRESS TO THE PLAN COLOMBIA: A RETROSPECTIVE LOOK AT U.S. AID TO COLOMBIA." crisis states programme, development research center. Working Paper #28. Departamento de Economics Universidad del Rosario, Colombia. April 2003.

uphold was that the program's budget was separated from the aid given to other global regions, making the reduction of funds relatively less catastrophic.



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**Figure 1.** AID to Latin America vs Vietnam

While this graph shows an increase of aid to Latin America through the 1960's, it shows a similar trend to the Vietnam War, representing the transition of focus to that conflict. The level of commitment the war required, in conjunction with future President's not sustaining the same level of commitment as Kennedy to the Alliance for Progress led to its collapse.

President Lyndon B. Johnson was notably less interested in the idea of holistic development leading to a vision of democratic societies that JFK had held. Johnson was also less worried by Fidel Castro of Cuba, translating his homeland's revolutionary success to other areas. LBJ favored private investment opposed to the public and would express support for any type of government under the condition that it was pro-United States, a complete contrast to Kennedy's vision of a neighboring democratic region. Kennedy's death and LBJ's

<sup>131</sup> Graph, 'Latin America –Aid, Commitments , expenditures', Folder 'AID Vol IV (2)', NSF Agency File Box 2, LBJL; Graph 'Vietnam Aid Commitments expenditures, and pipeline'. Folder 'AID Vol IV (2)', NSF Agency File Box 2, LBJL.

presidency triggered the rise of military led governments. For LBJ, the Cold War took precedence over developmental and democratic goals in the region. A trend of military coups formed in the region, marking the decline of democratic idealism. By the early 1970's, "13 Latin American governments had been replaced by military rule."<sup>132</sup> When President Richard Nixon took the presidency in 1969, he held the Alliance for Progress in even lower esteem. He stated admiration for the objectives that the program set forth, but it's apparent failures were more evident to him. Even USAID agreed with this standpoint, leading to the termination of the Alliance for Progress in 1972, even though it had failed long before that.<sup>133</sup>

## **Conclusion**

Kennedy's Alliance for Progress touted the importance of economic and social development as its centerpiece, but the priorities of the United States government were centered on very different internal political objectives. Countering communist and Soviet influence in the region were Kennedy's main goals. While the program was advertised as a 10-year plan, the United States acted swiftly and prematurely to develop democratic governments. Democracy was forced, not fostered through this program, and its failure is proof of this. The early expiration of the Alliance for Progress contributed to the authoritarian consolidation in the region.<sup>134</sup>

"In practice, however, more pressing foreign policy objectives stemming from the desire to counter Soviet influence in the region led to an early demise for the initiative... For much of the next two decades, military governments were rewarded for their suppression of internal dissent,

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<sup>132</sup> History.com editors. "President Kennedy Proposes Alliance for Progress." HISTORY. November 13, 2009.

<sup>133</sup> Encyclopedia.com: Alliance for Progress. Updated May 11, 2018.

<sup>134</sup> Robinson, Mark. "Will Political Conditionality Work?" IDS Bulletin. January 1993.

through generous provision of development aid and military assistance (Furlong 1980; Forsythe 1989). The US government used its leverage to prevent radical governments in Chile, Cuba and Nicaragua from receiving concessional loans from the World Bank and the IMF.”<sup>135</sup>

By the 1970’s, the Alliance for Progress was viewed as a failure, especially for the Northern Triangle countries. Despite its shortcomings, its impact was substantial to the distribution and strategy surrounding foreign aid. The Alliance for Progress indelibly modified the degree of influence that Congress has on the process of foreign aid and the level of oversight it has on foreign policy.

### **North American Free Trade Agreement (NAFTA)**

NAFTA was signed on January 1, 1994, creating a trilateral trade bloc between Canada, the United States, and Mexico. This agreement created one of the largest trading blocs in the world. NAFTA’s goal was to diminish trade barriers between the three countries involved, immediately removing tariffs on ½ of Mexico’s exports to the United States and ⅓ of U.S. exports to Mexico.

“Mexico's main motivation in pursuing an FTA with the United States was to stabilize the Mexican economy by attracting foreign direct investment. The Mexican economy had experienced many difficulties throughout most of the 1980s with a significant deepening of poverty. The intention of Mexico in entering NAFTA was to increase export diversification by attracting foreign direct investment FDI, which would help create jobs, increase wage rates, and reduce poverty. At the time that NAFTA went into effect, the expectation among supporters was that the agreement would improve investor confidence in Mexico, attract investment, and narrow the income differentials between Mexico and the United States and Canada.”<sup>136</sup>

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<sup>135</sup> Ibid.

<sup>136</sup> Villareal, M.A.; Cid, Marisabel. “NAFTA and the Mexican Economy.” Library of Congress Congressional Research Service. 2008-11-04.



The Northern Triangle countries were not involved in the North American Free Trade Agreement, but the establishment of this agreement had implications for United States-Latin America relations and trade agreements.

### **NAFTA and DR-CAFTA**

DR-CAFTA is similar in nature to NAFTA, as it was designed after, and holds many of the same logic and conditions. It also has the same concerns; NAFTA is an agreement between two developed countries, and one developing country. This is problematic as the distribution and resources were unequal, and worker wages and environmental regulations were lower in the developing country, Mexico. A key similarity between the two agreements is that each is trying to establish a free trade agreement between a much more developed country/countries, and less-developed, more vulnerable Latin American economies. In order for developing or underdeveloped countries to join international trade agreements, the price is generally agreeing to the conditionalities they are given, oftentimes contingent on sacrificing labor rights,<sup>137</sup> environmental health, and government and military structures. Mexico was not as attractive a trading partner to the United States until it made significant internal changes. In order to be integrated into North American trade, it was necessary for Mexico to liberalize their financial system. Previously Mexico had prioritized protection of domestic industries, minimizing the competition from prospective foreign investors. Opening up a semi-protected economy by lowering tariff's puts workers that have always been somewhat protected in a more vulnerable state. Mexico also needed to privatize

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<sup>137</sup> Nolan Garcia, Kimberly A. "Transnational advocacy and labor rights conditionality in the international trading order." The University of New Mexico: Dissertation Publishing. 2009.

their central banks and deregulate the banking system.<sup>138</sup> The impacts of NAFTA have been polarizing in public opinion, but the question to consider is: will countries that are less developed than Mexico under CAFTA-DR be able to effectively make internal changes like Mexico did in order to become balanced trading partners, and will they be able to sustain the inevitable changes that being in a trade agreement with the United States requires?

### **Environmental Impact**

Mexico was put under extensive pressure to keep up with their new trading partners, leading to changes in agricultural strategies. Mexican agricultural businesses utilized updated methods for farming, including using more chemicals, leading to around \$36 billion a year in pollution costs. Smaller farmers also had to move onto marginal land, causing mass deforestation in the country.<sup>139</sup>

“With the increasing integration of global markets, the international mobility of goods, workers and capital puts pressure on the nation states to redesign domestic market regulations in order to avoid regulatory burdens restricting the competitiveness of domestic economic actors, mostly industries.”<sup>140</sup>

Fifteen years following the adoption of NAFTA the yearly greenhouse gas emissions had increased over one billion metric tons for the countries in the agreement. Environmental regulations on trade already favored the United States and Canada. Developed countries can afford the environmental regulations, meanwhile a developing country such as Mexico is impacted by these costs much more severely, reducing their economic

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<sup>138</sup> Musacchio, Aldo. "Mexico's Financial Crisis of 1994-1995." Harvard Business School Working Paper, No. 12-101, May 2012.

<sup>139</sup> Amadeo, Kimberly. "NAFTA's 6 Negative Effects." The Balance. World Economy, Trade Policy. May 22, 2021.

<sup>140</sup> Knill, Christoph. "Balancing competitiveness and conditionality: environmental policy-making in low-regulating countries." *Journal of European Public Policy*. Pg. 1019-1040. September 9, 2008.

competitiveness.<sup>141</sup> Another aspect of NAFTA that led to more environmental problems in Mexico is a provision in Chapter 11 that protects investments of corporations that have settled in the country. If a company from the United States that was in Mexico felt that regulations from NAFTA were obstructing their ability to make profits, they were able to sue.

“Metalclad made a claim under Chapter 11 and the tribunal awarded them \$16.8 million dollars. Scholars predicted this would lead to a “regulatory chill” whereby local governments would avoid imposing environmental protections.”<sup>142</sup>

To meet the production needs of NAFTA, the mining and agricultural sectors expanded, often including U.S. or Canadian farms. Conservation and waste management were not prepared to manage the growth adequately, leading to a depletion of water resources and growing pollution.<sup>143</sup> Another problematic feature of the lack of development in this instance is that Mexican workers were unable to fully take full advantage of the new partnership with the United States due to a lack of information provided to them regarding laws and regulations for newer and more efficient technology.<sup>144</sup> When considering the setbacks that Mexico had, it is difficult to comprehend the level of expansion for environmental protection programs that will be necessary for the countries involved in CAFTA-DR to preserve the region's environmental health, while also keeping pace with the demands of a trade agreement with the United States.

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<sup>141</sup> Ibid.

<sup>142</sup> Gladstone, Fiona; Liverman Diana; Sanchez Rodriguez, Roberto Alejandro; Morales Santos, Aaron Eduardo. “NAFTA and environment after 25 years: A retrospective analysis of the US-Mexico border.” *Environmental Science and Policy, Volume 119*. Elsevier. Pg. 18-33. May 2021.

<sup>143</sup> Ibid.

<sup>144</sup> Chamber of Commerce. “United States-Mexico: Environmental Issues in Mexico Under NAFTA.” May 1998.

## Exploitation of Mexican Workers and Farmers

In addition to the environmental impacts of NAFTA, workers and farmers also faced new challenges. Removing tariffs on products such as corn and grains allowed the United States to trade these items to Mexico at prices below what Mexican farmers charged. Almost 1.3 million farming jobs were lost from the ten year period of 1994 to 2004.<sup>145</sup> Smaller farms were generally not large recipients of U.S. subsidies, and could not compete with American agri-business that is highly subsidized.<sup>146</sup> Subsistence farmers have been harmed the most from the NAFTA changes.

“While some medium- and large-scale farmers have adapted to new market opportunities—often with the support of the Mexican government or foreign investment—much larger numbers of subsistence farmers have fared poorly. Rural households already suffering from low standards of living are under increasingly severe strain, while alternative economic activities are often unavailable or unpalatable.”<sup>147</sup>

Subsistence farming households were forced to adopt different means to survive Mexico’s new economic structure. Most were required to find additional employment, such as working in maquiladora factories, or performing low-wage day labor to stay afloat. NAFTA was a catalyst for migration of subsistence farmers and led to an increase of female led households in Mexico. A sizable portion of subsistence farmers did not have an extensive education outside of farming, preventing them from gaining access to the new jobs that were created from NAFTA. Men from rural households were forced to migrate to Mexican

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<sup>145</sup> Audley, John J.; Papademetriou, Demetrios G.; Polaski, Sandra; Vaughan, Scott. “NAFTA’s Promise and Reality: Lessons from Mexico for the Hemisphere.” Carnegie Endowment for International Peace. 2004.

<sup>146</sup> Research Center Alternative. “The World Economy Today: Major Trends and Developments.” Center for Education Policy and Economic Analysis. 2012.

<sup>147</sup> Audley, John J.; Papademetriou, Demetrios G.; Polaski, Sandra; Vaughan, Scott. “NAFTA’s Promise and Reality: Lessons from Mexico for the Hemisphere.” Carnegie Endowment for International Peace. 2004.

cities looking for work, but in a country with high unemployment those prospects were poor, so many had to emigrate to the United States in search of better jobs.<sup>148</sup> There was an increase in female led households in poverty due to these changes, as women were forced to find limited jobs and take care of a household.<sup>149</sup> While NAFTA created some jobs, more than half of those created in 1994-2000 were maquiladora factories.<sup>150</sup> NAFTA also took many jobs away, leaving rural Mexican families with minimal options. United States workers were negatively affected by this as well. Many production companies saw that they would be able to produce the same or more output for reduced cost south of the border due to lower labor costs and their ability to exploit Mexican workers.

United States companies that moved their production south of the border to Mexico for cheap labor, and then exported the products produced back to the U.S. were referred to as Maquiladoras. Once receiving a Maquiladora contract, these foreign companies could employ Mexican workers for lower labor costs: “Wages range from 15% to 25% of comparable rates in the U.S. Normal work week is 48 hours. Productivity often exceeds the U.S. rates (U.S. Bureau of Labor).”<sup>151</sup> After NAFTA was agreed upon, Maquiladora employment in Mexico saw consistent growth. It was not until 2002 that the numbers decreased, but still remained above one million.

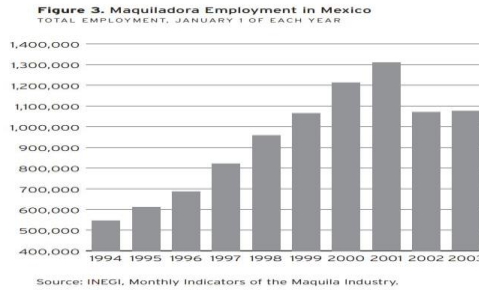
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<sup>148</sup> White, Marceline; Gammage, Sarah; Paez, Carlos Salas. “NAFTA and the FTAA: Impact on Mexico’s Agriculture Sector.” Women’s Edge Coalition.

<sup>149</sup> Ibid.

<sup>150</sup> White, Mike. “NAFTA and the Maquiladora Program.” Southern Border Partners. April 18, 2016.

<sup>151</sup> De Kervor, Jean-Paul. “Mexico’s Maquiladora Program Maquila Program Overview.” Maquila Properties. June 18, 2012.



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## Figure 2. Maquiladora Employment in Mexico

The Maquiladora program grew to employ almost  $\frac{1}{3}$  of Mexico's labor industry workforce, due to many low-income rural workers needing a job or additional money just to survive, these programs exploited their labor. Worksites had a reputation of workers' rights abuse, as work could last more than twelve hours and women were required to take pregnancy tests before they could be approved to work.<sup>153</sup> Maquiladora programs are generally harmful and exploitative for the poor populations in Mexico, but it has had positive effects on the manufacturers and corporations in Mexico. Corporations receive favorable tax treatment, like duty-free and tariff-free exports, meanwhile Mexican workers in these factories have low wages for the labor.<sup>154</sup> This makes it difficult to identify a plausible improvement in the poor working conditions for these Mexican workers.

## Consequences of Economic Liberalization

Mexico privatized and liberalized their banking sector starting in the early to mid-1990's, causing a huge increase in bank lending. They also deregulated finance and

<sup>152</sup> Audley, John J.; Papademetriou, Demetrios G.; Polaski, Sandra; Vaughan, Scott. "NAFTA's Promise and Reality: Lessons from Mexico for the Hemisphere." Carnegie Endowment for International Peace. 2004.

<sup>153</sup> Valente, Marcela. "TRADE-AMERICAS: NAFTA, an Engine for Unequal Growth." Inter Press Service News Agency. April 20, 2001.

<sup>154</sup> Corporate Finance Institute. "Maquiladora." CFI. 2015.

welcomed foreign capital; foreign investments quickly flooded into the country. Mexico's updated bank system created an uncompetitive system as 70% of all bank assets belonged to four national banks.<sup>155</sup> The National Banking Commission in Mexico had minimal experience as well, underestimating the risks and miscalculations of loans the banks had participated in. The banking system was fragile, and Mexico's involvement with a more integrated international economic trade agreement put the country in a vulnerable position.<sup>156</sup>

“21.4 percent of Mexico's population earned less than the minimum income needed for food, a share that has barely budged in the 25 years since NAFTA's implementation. Today, over half of the Mexican population and over 60 percent of the rural population still fall below the poverty line, contrary to the promises made by NAFTA's proponents. On the 10-year anniversary of NAFTA, the Washington Post reported: “19 million more Mexicans are living in poverty than 20 years ago, according to the Mexican government and international organizations.”<sup>157</sup>

Mexican workers have not experienced the wage growth that was promised from the agreement, as inequality continues to be a problem.<sup>158</sup>

## **Conclusion**

NAFTA fostered increased trade, more foreign investment, lowered costs which produced more government spending, and better consumer prices.<sup>159</sup> The problem is that the benefits were reaped unevenly. Lower class workers did not get to see the rewards of foreign investment, as thousands of rural workers emigrated to the United States, and

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<sup>155</sup> Musacchio, Aldo. "Mexico's Financial Crisis of 1994-1995." Harvard Business School Working Paper, No. 12-101, May 2012.

<sup>156</sup> Ibid.

<sup>157</sup> Public Citizen's Global Trade Watch. “NAFTA's Legacy for Mexico: Economic Displacement, Lower Wages for Most, Increased Migration.” January, 2019.

<sup>158</sup> Ahmed, Azam; Malkin, Elisabeth. "Mexicans Are the Nafta Winners? It's News to Them". *The New York Times*. January 4, 2017.

<sup>159</sup> Amadeo, Kimberly. “NAFTA's 6 Negative Effects.” *The Balance*. World Economy, Trade Policy. May 22, 2021.

around one million American jobs were lost to the agreement by 2004.<sup>160</sup> The price for maintaining these low labor costs were carried by both U.S. and Mexican labor, and Mexico's environment. More chemicals, fertilizers, and deforestation methods were used in order for farmers and agricultural companies to do business. Mexican factory workers worked extremely long days in low quality conditions. Mexico was required to take extreme steps that were harmful to their population and environment to integrate themselves into a regional trade agreement. The effectiveness of this agreement is still widely debated. Mexico is more developed than the Northern Triangle countries, and still struggled with this conversion. Considering that Honduras, Guatemala, and El Salvador are smaller, poorer, and less developed in part due to past United States involvement, it is difficult to see a pathway where these struggles would not be exacerbated.

### **Chapter Conclusion**

The Alliance for Progress and the North American Free Trade Agreement share many similarities with the Alliance for Prosperity and DR-CAFTA. Comparing the programs presents opportunities to evaluate the aspects of conditionalities that may or may not work. If long term development is the goal of developmental programs, it is prudent to examine the methods of previous foundational agreements that have led to the adoption of current ones. The next chapters will focus on DR-CAFTA, and the Alliance for Prosperity's successes and failures based on their use of conditionalities and try to determine if modifications should be made in order to improve results of international aid programs and free trade agreements.

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<sup>160</sup> Robert E. Scott, Carlos Salas, and Bruce Campbell, "Revisiting NAFTA: Still Not Working for North America's Workers," Economic Policy Institute Briefing Paper 171, September 2006.



## **IX. THE DOMINICAN REPUBLIC-CENTRAL AMERICA FREE TRADE AGREEMENT (DR-CAFTA)**

### **Introduction**

The Dominican Republic-Central American Free Trade Agreement (DR-CAFTA) is the first free trade agreement between the United States and a cluster of developing countries. DR-CAFTA was originally only CAFTA, consisting of the Central American countries of Honduras, Costa Rica, El Salvador, Nicaragua, and Guatemala. The Dominican Republic combined with the bloc of countries in 2004, as the agreement would become known as DR-CAFTA. DR-CAFTA's goal is to generate economic opportunities through open markets, reducing trade barriers, eliminating tariffs, and promoting stronger investment ties between the nations involved.

“Combined, the countries in the CAFTA-DR would represent the United States' 18th largest goods trading partner, with \$57.4 billion in total (two way) goods trade during 2018. Exports totaled \$32.2 billion while imports totaled \$25.2 billion.”<sup>161</sup>

The vision of this trade agreement is similar to NAFTA's; that economic growth in a region can foster stability and a steady increase in opportunities for working citizens. President George W. Bush was a strong advocate for the initiative. His support was rooted in a core vision that would be manufactured from the agreement.

**“CAFTA Will Advance Democracy, Strengthen Security, And Promote Prosperity in Central America and The Dominican Republic: DR-CAFTA is**

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<sup>161</sup> Office of the United States Trade Representative. CAFTA-DR (Dominican Republic-Central America FTA): [CAFTA-DR \(Dominican Republic-Central America FTA\) | United States Trade Representative \(ustr.gov\)](https://ustr.gov/countries-regions/central-america-cafta-dr)

meant to act as a positive force for young democracies in Central America, as the United States had concerns about opposing ideologies in Cuba and Venezuela. President Bush also believed that inserting more United States influence would improve conditions for workers, while also solidifying hegemony over the region.

**CAFTA Will Benefit American Workers, Farmers, And Ranchers by**

**Leveling the Playing Field and Opening Up New Markets: DR-CAFTA**

reduces heavy tariffs, allowing for Central Americans to buy more products, expand United States sales in the region, reduce taxes for United States farmers and small businesses, and makes trading with foreign countries cheaper overall.

**CAFTA Will Strengthen the Western Hemisphere and Allow the US To**

**Better Compete In The Global Economy:** Consolidating economies between

the Central American nations involved in DR-CAFTA and the United States should reduce costs, providing an opportunity for United States companies to strongly compete within international markets. DR-CAFTA will also help maintain industry specific jobs in the U.S. as Central American investors will be less inclined to look for alternative foreign companies.”<sup>162</sup>

The narrative surrounding DR-CAFTA has many characteristics in common with NAFTA, as both uses increasing trade and financial flows as a channel for development in each respective agreement's region. Both share similar conditions too, creating skepticism and opposition among community-based organizations in DR-CAFTA countries who, having learned from NAFTA, believe that the DR-CAFTA will negatively impact the poor populations while the

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<sup>162</sup> The White House: President George W. Bush. Promoting Trade With Central America and the Dominican Republic: [Promoting Trade With Central America And The Dominican Republic \(archives.gov\)](https://www.archives.gov)

upper classes receive more benefits. This chapter will analyze DR-CAFTA's impact on the Northern Triangle region, with specific focus on the use of conditionalities as an effective mechanism for accountability and foreign policy.

### **Conditionalities**

The provisions/conditionalities surrounding DR-CAFTA consist of main components focused on financial services, government purchases, protection of intellectual property rights, investment flows, environmental regulations, and labor issues. DR-CAFTA's dispute resolutions mirror NAFTA's approach, as the Chapter 10 provisions under DR-CAFTA are modeled from NAFTA's Chapter 11.<sup>163</sup> Chapter 10 of the agreement is particularly troublesome for the environment, as international corporations have the ability to file lawsuits against local and national governments if they attempt to establish environmental laws that could adversely affect the foreign business's operations. On top of the environmental strain that can be caused, foreign investors and corporations' needs for products supersede government regulations on imported materials that are necessary for daily operations. Cheaper international imports prevent local business competition, causing little choice for local workers other than to be employed with low wage positions for foreign firms.<sup>164</sup>

“For example, the U.S. based Harken Oil Company is claiming that Costa Rican environmental regulations not only halted the company's oil exploration plan, but inhibited investor profits and is demanding payment of \$57 billion to be paid to the company for compensation. This and another 24 cases pending under NAFTA's Chapter 11 provisions have strengthened foreign investor protections under CAFTA-DR.”<sup>165</sup>

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<sup>163</sup> Kose, M. Ayhan; Rebucci, Alessandro. “How Might CAFTA Change Macroeconomic Fluctuations in Central America?: Lessons From NAFTA.” *Journal of Asian Economics*. Volume 16, Issue 1. ScienceDirect. Pg. 77-104. February 2005.

<sup>164</sup> Laliberte, Shannon; Chawla, Ambika. “Why We Oppose CAFTA-DR.” Oakland Institute: Action Alert on CAFTA-DR. May 1, 2005.

<sup>165</sup> Ibid.

The amount of leverage that Chapter 10 gifts corporations create an unbalanced benefit of these conditions under DR-CAFTA. DR-CAFTA's texts only require a low enforcement system of labor and environmental laws. The agreement specifies that businesses can practice the country's national labor and environmental laws, regardless of their lack of uniformity to international standards on those issues. Businesses are given a generous amount of discretion to these compliance matters.<sup>166</sup>

“The private sector's domination of the policy process allowed it to tailor the free trade agreement to its interests, whether this pertained to investment, IPR provisions, or the scope of labor and environmental clauses.”<sup>167</sup>

DR-CAFTA's Chapter 15 regarding intellectual property rights triggered widespread concern from many nongovernmental organizations about the accessibility of affordable medicine. The passage of Decree 31-88 in Guatemala also prevents generic pharmaceutical manufacturers from using brand name manufacturers' data until five years after the brand name product has been on the market. This decree gives brand name pharmaceutical companies monopoly protections against generic brands, resulting in the ability to inflate prices.<sup>168</sup>

"Paying more money for the exact same medicines means treating fewer people and, in effect, sentencing the rest to death," said Dr Laouabdia. "We are especially worried that Decree 31-88 and intellectual property provisions in DR-CAFTA could make newer medicines unaffordable - our patients will need these in order to stay alive once their first-line regimen fails."<sup>169</sup>

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<sup>166</sup> Velut, Jean-Baptiste. ““Free” or “fair” trade? The battle for the rules of American trade policy from NAFTA to CAFTA (1991–2005).” City University of New York. ProQuest Dissertations Publishing. 2009.

<sup>167</sup> Ibid.

<sup>168</sup> Shafer, Ellen R.; Brenner, Joseph E. “A Trade Agreement's Impact On Access To Generic Drugs.” Health Affairs. Volume 28, No. Supplement 1. 2009.

<sup>169</sup> Laouabdia, Karim. “Paying more money for the exact same medicines means treating fewer people and, in effect, sentencing the rest to death.” Medecins Sans Frontieres. March 11, 2005.

Before the implementation of DR-CAFTA, the United States would not do business with the involved Latin American countries unless there were reforms made to their domestic laws. The United States was very transparent in requiring countries to make changes to their standards, such as forcing Guatemala's intellectual property rights provision to also include environmental exemptions. Protests against the trade agreement broke out within Latin American countries, largely due to the changes the U.S. was demanding that were being made in order for the Central American countries to even be considered in the free trade deal. Similar to Mexico under NAFTA, developing and underdeveloped countries were put under great pressure to conditions set by the United States.

### **Opposition to DR-CAFTA**

Opposition to DR-CAFTA was very strong in the affected Latin American countries. Many critiqued the passage of the agreement as undemocratic due to the polarization that it had already caused within the region. DR-CAFTA started the process of privatizing industries, which led to job insecurity among workers. For example, in Costa Rica electrical and telephone workers did not believe their jobs would be secure if telecommunications were privatized. Protections on intellectual property rights has El Salvadorian health care workers sharing these same concerns. The Salvadoran American National Network expressed strong objection to the agreement; this group is one of the largest community-based organizations in the United States. In one of their press statements they express their apprehensiveness:

“CAFTA was modeled on the NAFTA agreement and the US agreements with Singapore and Chile. Over the past decade, we have seen the results of the economic formula embedded in those agreements. Our home

country economies have taken steps to privatize key social services, eliminate subsidies to small farmers, and establish free trade industrial zones known as “maquilas”. At the same time, we have seen poverty increase and real job opportunities all but disappear. We have seen workers’ rights eroded and we have seen our natural resources devastated as foreign corporations set up shop without regard to labor and environmental laws.”<sup>170</sup>

“But most of all we have seen the effects of these economic policies in the continuing and increasing flow of people leaving the Central American region. When driven off the land and closed out of sweatshops, many families have survived by migrating northward. Yet that journey for survival remains a perilous one.”<sup>171</sup>

The International Labor Organization is critical of the protections provided to workers through the language of DR-CAFTA, as it only mentions members of DR-CAFTA to “strive” to enforce the labor standards and national laws. They do not believe that there are enough safeguards for the workforce, as the language on the documents is broad and labor-enforcement officers in the region are in short supply.<sup>172</sup> Labor Unions such as the AFL/CIO in the United States have spoken against the agreement as well. Using NAFTA as their main source of argument, claiming that job loss contributes to rising imports from Mexico. Unions fear that there will be a net loss in United States jobs, with inadequate education and job training for workers that have been left unemployed.<sup>173</sup> The AFL/CIO also worked with Guatemalan trade unions in 2008 to file a complaint/public submission, stating an allegation that Guatemala was not effectively enforcing Chapter 16 of DR-CAFTA. Chapter 16 outlines Guatemala’s requirements under the agreement to uphold labor laws. The complaint consisted of case studies that highlighted Guatemala's

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<sup>170</sup> Central American Immigrant Organizations Oppose CAFTA. Archived at the Wayback Machine. April 10, 2005.

<sup>171</sup> Ibid.

<sup>172</sup> Beehner, Lionel. “What are the main issues in the debate over CAFTA?” Council on Foreign Relations. October 18, 2005.

<sup>173</sup> Ibid.

negligence in maintaining “acceptable working conditions,” while also emphasizing the surge in anti-union violence since the passage of DR-CAFTA.<sup>174</sup> The Committee in Solidarity with the People of El Salvador (CISPES) worked with union members, solidarity activists, Leftist party members from the Farabundo Martí National Liberation Front, and the Salvadorian Union Front (FSS) in regards to their plans for resisting privatization and neoliberal policies under DR-CAFTA. As a union leader from the FSS stated, the reasons for resisting the DR-CAFTA:

“The consequences of CAFTA will be more violence, more poverty, and more migration. That’s why we vow to continue to fight with all of our strength against CAFTA’s implementation.”<sup>175</sup>

25,000 Costa Ricans involving unions, campesino organizations, student groups, and environmental coalitions marched on November 17, 2005, in solidarity against the DR-CAFTA agreement. This group had expressed pride in the state that Costa Rica had developed since the 1950’s and believed that DR-CAFTA would erode this foundation.<sup>176</sup> President of the Non-Governmental Costa Rican Human Rights Commission, Ana Cecilia Jimenez, accused the Costa Rican government of violating the privacy and human rights of the organizers. Her main sources of argument were that the government was illegally holding files on students containing their personal information, and the media was intentionally not covering opposition groups.

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<sup>174</sup> Gottwald, Eric; Vogt, Jeffrey; Compa, Lance. “Wrong Turn for Workers’ Rights: The US-Guatemala CAFTA Labor Arbitration Ruling – And What To Do About It.” International Labor Rights Forum. April 12, 2018.

<sup>175</sup> The Committee in Solidarity with the People of El Salvador (CISPES). “The Central America Free Trade Agreement Hits El Salvador: Ten Years Later.” March 2, 2016.

<sup>176</sup> Weinberg, Bill. “Central America: Ticos March Against CAFTA.” Countervortex. December 2, 2005.

“An “attack on the right to information and of free expression,” Jimenez said. “The problem is that the information the people get is coming only from one side. They don’t know the negative consequences of the DR-CAFTA, for example, that it means an opening of telecommunications and insurance to the free market.” (La Nacion, Costa Rica, Nov. 16 from ACAN-EFE)”

Costa Rican citizens were one of the strongest oppositional forces to the agreement, with popular opposition forces delaying its ratification for years and almost completely preventing it from being ratified. Coalitions were able to consolidate public support by broadcasting a strategy of grassroots level work paired with complete decentralization. The strategy was unsuccessful in the end, but it did hold the Costa Rican government accountable moving forward to be more transparent to grassroots organizers and groups.<sup>177</sup> Human rights organizations such as the Washington Office in Latin America and the International Labor Rights Forum strongly encouraged the rejection of the DR-CAFTA agreement because it would not improve labor conditions and the rights of workers.<sup>178</sup>

The irony of the DR-CAFTA agreement is that the vision that was established through the plan to have an interconnected free trade region, was actually displayed within opposition groups. Networks that shared different values and intersecting discourses came together to build a coalition referred to as “Stop CAFTA Coalition.” Groups involved in this coalition were not just established in conjunction with the birthing of DR-CAFTA, but from decade’s worth of corruption and instability. Organizations such as the Committee in Solidarity with

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<sup>177</sup> Frajman, Eduardo. “The People, Not the Movement: Opposition to CAFTA in Costa Rica, 2002–2007.” Sage Journals: Latin American Perspectives. August 24, 2012.

<sup>178</sup> Haight, Liz. “DR-CAFTA’s White Paper receives failing grade by Washington Office on Latin America.” The World InSight. June 3, 2009.



the People of El Salvador, the Nicaragua Network, and the Network in Solidarity with the People of Guatemala were heavily involved with the Stop CAFTA Coalition, and many had been entrenched in movements long before.<sup>179</sup>

“The initial action of the organizations was to pay for announcements in Central American newspapers declaring a commitment to work with Central American movements to defeat any free-trade agreement that did not strengthen workers’ rights, support women, respond to the needs of citizens, protect the environment, and obligate multinational corporations to be responsible. Signers included the Alliance for Responsible Trade, the Committee in Solidarity with the People of El Salvador, the Ecumenical Program on Central America and the Caribbean, the Nicaragua Network, the Network in Solidarity with the People of Guatemala, Public Citizen, Quest for Peace/Quixote Center, and Witness for Peace, among others.”<sup>180</sup>

As resistance gained traction, so did the long-term goals for coalitions.

Discussions about growing their alliances to United States Congress members and hundreds of United States organization partners.<sup>181</sup> United States labor unions such as the AFL/CIO working with Latin American coalitions against a free trade agreement emphasizes United States and Central American unity among opposition groups. U.S. Trade Representative Robert Zoellick stated, “CAFTA will do much to create the new economic opportunity that will bolster the democratic commonwealth in the hemisphere. It will eliminate tariffs, open markets, promote transparency, and establish state-of-the-art rules for 21st century commerce.” Grassroot organizations and regional coalitions have completely disputed this claim and have taken great measures to reform and revitalize their respective countries.

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<sup>179</sup> Finley-Brook, Mary; Hoyt, Katherine. “CAFTA Opposition Divergent Networks, Uneasy Solidarities.” December 18, 2009.

<sup>180</sup> Ibid.

<sup>181</sup> Ibid.

## Results and Effectiveness of Conditionalities

DR-CAFTA's purpose is to "eliminate tariffs and trade barriers and expand regional opportunities for the workers, manufacturers, consumers, farmers, ranchers and service providers of all the countries."<sup>182</sup> President George W. Bush believed that this would be a stimulant for small business, owners, farmers, and the regions poor, stating:

"In these nations, wealthier citizens already enjoy access to goods and services produced abroad. By reducing tariffs on U.S. goods, all consumers in these countries will enjoy better goods at lower prices. These lower prices will also give Central American small businesses and farmers and entrepreneurs less costly access to U.S. machinery and equipment which will make them more competitive and help their economies grow. By bringing economic growth to Central America, CAFTA will contribute to the rise of a vibrant middle class."<sup>183</sup>

This section will seek to identify if DR-CAFTA's intended results on the region have been met based on the standard conditions that were prescribed to guarantee its success. A United States representative touted the DR-CAFTA agreement in 2005, referring to it as "the best immigration, anti-gang, and anti-drug policy at our disposal."<sup>184</sup> Meanwhile however, Honduras experienced its first military coup in 25 years, when President Manuel Zelaya was ousted.<sup>185</sup> The Organization of American States temporarily suspended Honduras' membership because of this. Guatemala was deemed one of the ten worst countries to live in the world for working people under the ITUC Global Rights Index. Unprosecuted

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<sup>182</sup> Stenzel, Paulette L. "CAFTA: Its Origins and its Provisions." GlobalEDGE. Vol. 2, No. 2. 2008.

<sup>183</sup> Editorials. "Bush on CAFTA." June 11, 2005.

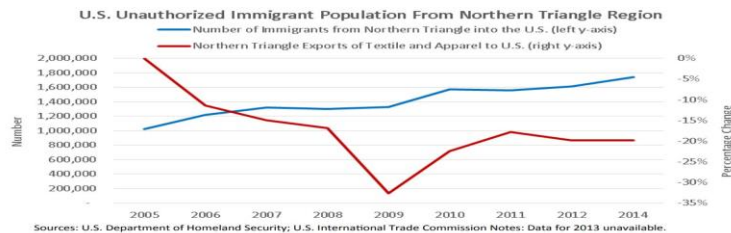
<sup>184</sup> CAFTA's Tragic Legacy in Central America: Failed Trade Policy that Drove Millions From their Homes. [CAFTA-fact-sheet-Aug-2018.pdf \(citizen.org\)](#)

<sup>185</sup> Malkan, Elisabeth. "Honduran President is Ousted in Coup." The New York Times. June 28, 2009.

assassinations of trade unionists had risen to 87 since 2004 when this document was released.<sup>186</sup>

“Guatemala remained one of the worst violators of workers’ rights with widespread and systemic violence against workers and trade unionists. The pervasive climate of repression, physical violence and intimidation was compounded by the government’s failure to provide timely and adequate protection to trade unionists who received death threats and to pursue the many historic cases of murders of trade unionists.”<sup>187</sup>

El Salvador has retained its reputation in the past decade of having overly violent responses to human rights demonstrations. The Salvadoran government has used military force to combat human rights organizing, maintaining one of the world’s highest violence levels against human rights groups. Violence is a driving force for increased immigration to the United States from Central America, as the security levels are also connected to unfavorable economic opportunity. “From 2005 to 2014, the number of undocumented immigrants from El Salvador, Honduras and Guatemala living in the United States increased 49 percent, 122 percent and 73 percent, respectively.”<sup>188</sup>



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**Figure 3.** U.S. Unauthorized Immigrant Population from Northern Triangle Region

<sup>186</sup> International Trade Union Confederation. “2018 ITUC GLOBAL RIGHTS INDEX The World’s Worst Countries for Workers.” 2018.

<sup>187</sup> Ibid.

<sup>188</sup> CAFTA’s Tragic Legacy in Central America: Failed Trade Policy that Drove Millions From their Homes. [CAFTA-fact-sheet-Aug-2018.pdf \(citizen.org\)](https://citizen.org/capta-fact-sheet-aug-2018.pdf)

<sup>189</sup> Homeland Security. “Estimates of the Unauthorized Immigrant Population Residing in the United States.” January 2005-2018 (Exemption of 2013).

There is also food insecurity within the Northern Triangle. DR-CAFTA caused violence against deprived rural workers, especially subsistence farmers in the region. Policies that support subsidized United States businesses are directly responsible for continued insecurity, violence, and migration. Civil society groups in Guatemala report that the poor population is around 80%; supported by a 2008-2009 report from the United Nations Fund for Children and Adolescents that the percentage of children and adolescents that lived in poverty was 78.5%.<sup>190</sup>

“The link between trade liberalization and food availability is becoming a critical factor that, far from improving living conditions, threatens to deepen and entrench the structural causes of hunger, violence and malnutrition in the region.”<sup>191</sup>

In Honduras, malnutrition and food insecurity has been directly related to rice import increases. Rice farmers have struggled to keep up with the importation of subsidized rice, leading them to be displaced from work. The lack of local competition led to price increases in rice, generating less food security for Hondurans.<sup>192</sup> Salvadoran farmers are still faced with seasonal food insecurity (los meses flacos or “the thin months”). Families that have succumbed to food shortages have had to make decisions on balancing the work of their coffee crops with other practices to maintain a livelihood. Methods include changing diets,

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<sup>190</sup> G. Aguilar Sanchez, Carlos G. "Free Markets and the Food Crisis in Central America." *Upside Down World*, November 22, 2011.

<sup>191</sup> *Ibid.*

<sup>192</sup> Paasch, Armin; Garbers, Frank; Hirsch, Thomas. “Agricultural Trade and the Human Right to Food: The Case of Small Rice Producers in Ghana, Honduras, and Indonesia.” *Food Ethics*. Pp. 119-135. February 5, 2010.

working in external community positions, and selling personal livestock.<sup>193</sup> Rural families are finding difficulty receiving the benefits that DR-CAFTA has offered.

“Under CAFTA, family farmers in El Salvador, Guatemala and Honduras have not fared well, the economies have become dependent on short-lived apparel assembly jobs—many of which have vanished, and economic growth has actually slowed.” (Ben Beachy, Public Citizen's Global Trade Watch)<sup>194</sup>

Labor rights as a conditionality linkage to free trade agreements is a particularly polarizing topic. Many who oppose the DR-CAFTA agreement suggest that the provisions for basic labor standards are wildly ineffective, and hardly regulated. It took around six years for the United States government to address the AFL/CIO and Guatemalan Union case previously mentioned, during this time dozens more union members had been killed.<sup>195</sup> Numerous opponents of the deal believe that the stated provisions are merely symbolic, and just wordage that was necessary for passage.

“Kim Elliot, a member of the Department of Labor’s National Advisory Committee on Labor Provisions of U.S. Free Trade Agreements, recently offered this blunt explanation: the labor provisions of U.S. trade deals “are in there because they’re necessary to get deals through Congress.” She added, “It’s really all about politics and not about how to raise labor standards in these countries.”<sup>196</sup>

This does not bode well for agricultural workers who have lost their job and are now forced to work at maquiladora factories. In each of the three Northern Triangle countries, the minimum wage for maquiladora factories is significantly

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<sup>193</sup> Morris, Katelyn S; Mendez, V. Ernesto; Olson, Meryl B.. ““Los meses flacos’: seasonal food insecurity in a Salvadoran organic coffee cooperative.” *The Journal of Peasant Studies*. Volume 40, Issue 2. Pg. 423-446. April 18, 2013.

<sup>194</sup> Committee in Solidarity with the People of El Salvador. “The Central America Free Trade Agreement Hits El Salvador: Ten Years Later.” March 2, 2016.

<sup>195</sup> PublicCitizen. “Central America Free Trade Agreement (CAFTA).” [Central America Free Trade Agreement \(CAFTA\) - Public Citizen](#)

<sup>196</sup> Ibid.

below non-maquiladora factories, representing below 15% of the United States minimum wage as well.<sup>197</sup> Generally, the original price for production of agricultural products in the Northern Triangle would be competitive compared to United States farm production. Subsidies are given to the imported product, making the United States product distinctly cheaper. Rice and corn are two crops that have been heavily subsidized; according to the U.S. Department of Agriculture exports of rice and corn from the United States to Central America grew 31% and 36% at prices that were too low for Central American farmers from 2006 to 2007.<sup>198</sup> Unfortunately for rice and corn farmers, they do not have the capacity to transition into producing more specialty crops like fruits and nuts. Maquiladora factories are often the only avenue left for farmers. DR-CAFTA promised a massive increase in manufacturing jobs, which would absorb the influx of farmers searching for new work. Rural workers' reliance on maquiladoras has allowed the U.S. financed plants to take advantage of the workers by making them work over ten hours a day, while earning less than one dollar an hour.<sup>199</sup>

Trade agreements between developed and underdeveloped countries have manufactured “races to the bottom,” (a competitive situation where a company, state, or nation attempts to undercut the competition's prices by sacrificing quality

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<sup>197</sup> Crossa, Mateo. “Maquiladora Wages in Central America are Not Living Wages.” Center for Economic and Policy Research. May 20, 2015.

<sup>198</sup> COHA. “Dealing with a Bad Deal: Two Years of DR-CAFTA in Central America.” Council on Hemispheric Affairs. November 17, 2008.

<sup>199</sup> Ibid.

standards or worker safety (often defying regulation) or reducing labor costs)<sup>200</sup> to ensure that international investors will prioritize their economy. Honduran government officials and business elites agreed to lower the wages of workers below the national minimum wage to motivate foreign corporations to invest in Honduras.<sup>201</sup>

“(AFL-CIO) joined with 26 Honduran trade unions and civil society organizations to file a petition with the U.S. Department of Labor. The petition asserted that the government of Honduras had failed to meet its obligations to effectively enforce its laws relating to freedom of association, the right to organize and bargain collectively, child labor, and the right to acceptable working conditions. It identified specific violations in the port, apparel, agriculture, and auto manufacturing sectors.”<sup>202</sup>

Critics argue that DR-CAFTA’s trade preference laws do not enforce progressive labor laws. The laws in place foster stagnancy; when labor standards are broken, countries do not lose benefits, rather just fines until the problem has been addressed. Therefore, if a country is enforcing their own labor laws, opposed to actually reforming laws that would afford their workers a more stable foundation, there is minimal regulatory action from oversight institutions.<sup>203</sup> Studies have found that DR-CAFTA had minimal effect on improving worker rights, and in specific countries like Guatemala, there has been a deterioration in labor standards.<sup>204</sup>

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<sup>200</sup> Chen, James. “Race to the Bottom.” Economics, Microeconomics. Investopedia. December 30, 2020.

<sup>201</sup> Ibid.

<sup>202</sup> Meyer, Peter J. “Honduras: Background and US Relations.” Congressional Research Service. May 23, 2016.

<sup>203</sup> Bolle, Mary Jane. “DR-CAFTA Labor Rights Issues.” CRS Report for Congress. Order Code RS22159. June 2, 2005.

<sup>204</sup> O’Connor, Elizabeth; Nolan Garcia, Kimberly A. “The effectiveness of trade based clauses in improving labor rights protections: the case of the CAFTA-DR labor clause.” Repositoria Digital CIDE. 2015.

The monopoly protections for brand name pharmaceutical companies under DR-CAFTA's intellectual property rights has reduced Central American's access to life-saving drugs. The protections for the property rights are stronger than those under United States law. Guatemala faces difficulties trying to combat HIV/AIDS because healthcare facilities are struggling to provide adequate treatment to patients.

“According to the Guatemalan advocacy group Mujeres Positiva, in 2009 the Guatemalan government discontinued purchasing several antiretrovirals from donor organizations like the Pan American Health Organization and the Clinton Fund. Instead, the government shifted purchases to the brand-name companies, increasing the cost of a year's supply of Abacavir from \$350,000 to \$5.5 million and of Kaletra from \$1 million to \$5.4 million. As a result, clinics are reducing the supply of drugs provided at each visit, are requiring multiple visits that are impossible for many, and are discontinuing the lab tests necessary to calibrate doses.”<sup>205</sup>

Studies of Guatemala have concluded that DR-CAFTA overwhelmingly reduced access to generic drugs on the market while preventing entry of others. These generic drugs will become accessible in the United States before they do in the Northern Triangle countries.<sup>206</sup> By prohibiting smaller pharmaceutical companies from producing generic drugs, large brand name pharmaceutical companies are protected from lost profits under the intellectual property rights conditions.<sup>207</sup>

Environmentalists were essentially unanimously opposed to DR-CAFTA.

Despite the region's biological richness and diversity, it has lackluster environmental regulations. Opponents believe that DR-CAFTA would only

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<sup>205</sup> Shaffer, Ellen; Brenner, Joseph; Lewis, Shayna. “CAFTA: Barriers to Access in Medicines in Guatemala.” *OpenForum*. November 23, 2009.

<sup>206</sup> Shaffer, Ellen; Brenner Joseph. *A Trade Agreement's Impact On Access To Generic Drugs.* HealthAffairs. Vol. 28, No. Supplement 1. 2009.

<sup>207</sup> Cadena, Jennifer. “CAFTA-DR, TRIPS, and Pharmaceuticals.” *Health Law and Policy*. Pg. 28. 2007.



compound the poor environmental and health standards. Studies have shown that even though there was a strong dialogue during DR-CAFTA negotiations for environmental improvements, that “empirical results indicate that the environment was not a major point of contention during the DR-CAFTA vote...and environmental lobbying influence was insignificant.”<sup>208</sup> The main impact of DR-CAFTA on the Honduran environment was on forestry and water resources.

“CAFTA will increase the demand for wood products and by-products for export. The irrational exploitation of forest will continue because in Honduras timber for export requires a management plan approved by the Government, however in practice such plans are not implemented and are used as logging permits in pine and latifoliate forests. The CAFTA will provide opportunities for an increase in production but will demand higher quantities of energy, more extraction of forestry products and more coastal resources for tourism.”<sup>209</sup>

Regulations for Honduran environmental initiatives have been present for many years, but there has not been an effective regulatory institution in place. This has caused “excess resource usage, serious aquifer contamination and paying the tax on using national waters.”<sup>210</sup> Legislation in Honduras’ water sectors have been broad and spread between many laws. Under DR-CAFTA, palm oil has become a higher commodity to the United States, impacting Guatemala’s water sanitation. Corporate plantations have expanded their palm oil production using the land that displaced subsistence farmers once used for growing products such as beans and

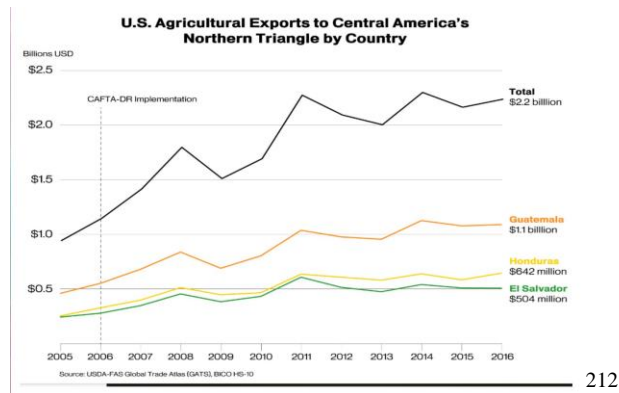
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<sup>208</sup> Abetti, Pauline. “Congressional voting on DR-CAFTA: the ineffectiveness of environmental lobbying.” *Journal of Economic Policy Reform*. Vol. 11, Issue 1. Pg. 11-20. June 4, 2008.

<sup>209</sup> Cordero, Patricia Madrigal; Carabaguas, Carolina Mauri. “Environmental Policy Analysis: Report on Honduran Environmental Laws and their Real or Potential Impact on the Intermediate Result “Improved Management and Conservation of Critical Watershed” and the Central America Free Trade Agreement (CAFTA) Related Activities.” Solidar. Submitted to: United States Agency for International Development (USAID). July 23, 2004.

<sup>210</sup> Ibid.

corn. Oxfam America found that a palm oil supplier Reforestadora de Palmas de El Petén, S. A. (REPSA) was responsible for the pollution of the Guatemalan river “La Pasion River,” prompting a massive fish kill.<sup>211</sup> United States agricultural exports by U.S. corporations have a large role in Guatemala’s growing water sanitation concerns.



**Figure 4.** U.S. Agricultural Exports to Central America’s Northern Triangle by Country

El Salvador is facing some of the most severe degradation of the environment out of the DR-CAFTA countries. They too are struggling to maintain forests and water infrastructure. The Salvadoran Government has had to partake in investor dispute settlements that have cost the Salvadoran people millions of dollars in taxes. These cases began from the Salvadoran people pushing to ban cyanide-leaching metallic mining because it polluted El Salvador's already limited clean water sources.<sup>213</sup> The investor-state dispute settlement (ISDS) uses their privileges under DR-CAFTA to United States corporations to challenge these

<sup>211</sup> Lilliston, Ben. “Climate Change, CAFTA, and Forced Migration.” Institute for Agriculture and Trade Policy. May 16, 2019.

<sup>212</sup> Ibid.

<sup>213</sup> CAFTA’s Tragic Legacy in Central America: Failed Trade Policy that Drove Millions From their Homes. [CAFTA-fact-sheet-Aug-2018.pdf \(citizen.org\)](#)

cases, taking years to settle, and costing taxpayers millions of dollars. DR-CAFTA required countries to enforce their already existing laws, but the structure of the agreement does not strengthen regulatory methods for sustainable environmental development.

Neoliberal policies unquestionably revitalized trade in the Northern Triangle region under DR-CAFTA. Trade grew to 13.9% in 2010 under the agreement, about a 5% increase from the 1990's. Based on the argument in favor of the agreement, this growth should have decreased poverty and fostered development for countries involved in DR-CAFTA. The Northern Triangle countries have since become "net food importers", as the United States has spent over \$275 billion in agricultural subsidies, exporting large quantities to Central America.<sup>214</sup>

"According to the 2008 State of the Region Report, "An increase of 15 percent in the price of food could mean 2.5 million more people in extreme poverty, particularly in Guatemala and Honduras." The report shows "a model of rising imports (wheat, rice and corn went up to about 30 percent in available food between 1990-2003) with tripled prices for wheat and doubled prices for corn and rice (2008-2009)," which not only "leads to profits for the companies that import the goods, but growing malnutrition, especially among the region's rural and indigenous poor." For example, El Salvador imports 79 percent of its rice and 43 percent of its corn."<sup>215</sup>

On top of the inflated prices, the prospects that workers in Central America have for employment have darkened as well. Textile companies (22) have left the region as they have been able identify other countries that provide cheaper labor. From 2006 to 2007, there were nearly 50,000 textile industry jobs that had been

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<sup>214</sup> COHA. "CAFTA-DR Governments in Contrast to Small-Scale Owners Parcel Engines of Development." Council on Hemispheric Affairs. August 22, 2012.

<sup>215</sup> Ibid.

lost.<sup>216</sup> The Northern Triangles involvement with DR-CAFTA has integrated the countries into the global market. Involvement in the global market for Guatemala, Honduras, and El Salvador means that they now feel the up-and-down effects of integration: “In El Salvador a US\$118 million surplus has become a US \$286 million deficit. Honduras' trade deficit increased by 200%, that of Guatemala by 300%.”<sup>217</sup> The trouble that underdeveloped and developing countries face when entering free trade agreements with developed countries, in this case, is the commitment that they must maintain the conditions of the agreement while also staying competitive. They are also competing with some Asian nations such as China and Indonesia.<sup>218</sup> Trade agreements have given the United States a variety of choices for cheap labor products, meanwhile the smaller countries that compete for United States business are sacrificing their environment, workers' rights, citizen food security, and public safety.

### **Conclusion**

Central America is the United States third largest export market, and yet the democratic ideals that they have adopted to achieve this have predominantly benefited the elite and corporations. Agricultural exports and subsidies have completely crippled local and regional farming markets for the Northern Triangle countries. Changes to agricultural workers' ways of living has led to poor working conditions, low wages, and a steady increase in violence due to the drug trade.<sup>219</sup> Public health has been severely hampered, if

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<sup>216</sup> Leffert, Mike. “Region Has Squandered Its Balance of Trade Under CAFTA.” University of New Mexico: UNM Digital Repository. 10-4-2007.

<sup>217</sup> Ibid.

<sup>218</sup> Sports, Greg. *CAFTA and Free Trade*. Disinformation all access series. 2004.

<sup>219</sup> PublicCitizen. “Central America Free Trade Agreement (CAFTA).” [Central America Free Trade Agreement \(CAFTA\) - Public Citizen](#)

a citizen is sick because of non-sanitized water, malnutrition, or working conditions, they are faced with raised medicine prices that are protected under intellectual property rights. There are many factors that contributed to DR-CAFTA's disappointing outcomes, but the conditionalities and requirements that the Central American countries were required to uphold prompted the compounding of regional instability. Unkept promises of the DR-CAFTA agreement peaked in the summer of 2014, when the number of children, women, and families fleeing the Northern Triangle skyrocketed. The migration crises initiated the discussion that would lead to The Alliance for Prosperity, an aid program that promised to reduce migration and improve development in the region.

## **X. THE ALLIANCE FOR PROSPERITY**

### **Introduction**

The Alliance for Prosperity was enacted as a response to the humanitarian crisis of over 70,000 unaccompanied women and children migrating from the Northern Triangle countries to the United States southern border. It is a five year plan intended to provide aid that will stimulate growth and incentivize citizens to stay in the Northern Triangle. The United States detained almost 21,500 migrants towards the end of 2015, leading Congress to allocate \$750 million through the Alliance for Prosperity to aid the Northern Triangle.<sup>220</sup> However, the Alliance for Prosperity's stress on the implementation of neoliberal policies for Guatemala, El Salvador, and Honduras alarmed opposition groups. Civil society leaders in the Northern Triangle have emphasized the importance of more investment into education and social inclusion programs opposed to foreign investment and heightened security.

The Alliance for Prosperity is reminiscent of John F. Kennedy's Alliance for Progress from the 1960's. Kennedy's plan was to increase economic integration between the United States and Central American countries, while also endorsing counterinsurgencies to combat communist movement. The Alliance for Prosperity similarly seeks to stimulate the Northern Triangle countries by enforcing neoliberal policies and expanding security to combat gangs and drug related violence.<sup>221</sup> Aid linkages present recurrent patterns from the Alliance for Progress to the Alliance for Prosperity. Similar aid programs in the region call into question the effectiveness of

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<sup>220</sup> Garcia, Mercedes. "Alliance for Prosperity Plan in the Northern Triangle: Not A Likely Final Solution for the Central American Migration Crisis." Council on Hemispheric Affairs. March 3, 2016.

<sup>221</sup> Batz, Giovanni. "Alliance for Prosperity?" Society for Cultural Anthropology. January 23, 2019.

program execution and if the conditionalities implemented are more for United States hemispheric hegemony and security interests than they are as a tool for aid accountability.<sup>222</sup>

The intended effects of the Alliance for Prosperity are reliant on the Northern Triangle government's ability to provide a level of oversight and accountability to ensure that at-risk populations are not negatively impacted by the side effects of the program's provisions. Monopolies have already overrun the Northern Triangle countries, and each country suffers by not having the capacity to protect their rural and poor populations while implementing the program.<sup>223</sup> This chapter will observe aspects of the Alliance for Prosperity plan and identify if it reached its intended objectives with the conditionalities that were enforced.

### **Conditionalities**

The Alliance for Prosperity's funding from the United States came with numerous strings attached. The United States could withhold 75% of the aid that was agreed upon under the consensus that the Northern Triangle countries establish more militarization along the Mexican and Guatemalan border, putting the responsibility on the Central American countries.<sup>224 225</sup> The conditions that the United States required Guatemala, Honduras, and El Salvador to follow emphasized increased foreign investment and

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<sup>222</sup> Iglesias, Ana Isabel Rodriguez. "A genealogy of El Salvador-US Economic Cooperation: Implications for Security From the 'Alliance for Progress' to the 'Alliance for Prosperity'." International Politics and Conflict Studies at the University of Coimbra (Portugal). ResearchGate. June, 2017.

<sup>223</sup> McKibben, Cameron. "Plan of the Alliance for Prosperity in the Northern Triangle: A Step in the Right Direction for Guatemala?" Council on Hemispheric Affairs. January 26, 2015.

<sup>224</sup> Batz, Giovanni. "Alliance for Prosperity?" *Behind the Migrant Caravan: Ethnographic Updates from Central America*. Society for Cultural Anthropology. Pg. 2. January 23, 2019.

<sup>225</sup> Nichols, Briana; Umana, Karla; Britton, Tamara; Farias, Lisette; Lavalley, Ryan; Hall-Clifford, Rachel. "Transnational Information Politics and the "Child Migration Crisis": Guatemalan NGOs Respond to Youth Migration." *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*. 2017.

infrastructure connected with more militarization and police training. These policies are redundant to those that have previously allowed the United States and local elites to perpetuate their political influence and commercial ownership in the region.

“Strengthening the rule of law is a challenge that requires social and cultural transformations that are unlikely to transpire in the near future. In this sense, even if the delineated conditions to receive aid are followed precisely, nothing guarantees that these problems will not constitute a genuine threat in the future.”<sup>226</sup>

The initial investment was \$750 million distributed between Guatemala, Honduras, and El Salvador. In comparison, migrants sent \$6.6 billion in remittances to the region.

Sandra Morán, an elected Congress member of a minute block stated, “We are drowning, and this is causing more migration to the United States, and that has become a problem for the US. These remittances are for survival.”<sup>227</sup> Based on the provisions in The Alliance for Prosperity towards the Northern Triangle, opposition believe that this will be another disastrous United States intervention that further destabilizes Latin America.

### **Opposition to the Alliance for Prosperity**

The passage of the Alliance for Prosperity caused a great deal of opposing groups and individuals to speak out about their concerns towards the agreement. Civil society leaders such as the Executive Director of CISPES, Alexis Stoumbelis, does not believe that aid to this region has been used appropriately in the past, or that the “trans-generational” trends of poverty, environmental exploitation, and violence will be rectified

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<sup>226</sup> Garcia, Mercedes. “Alliance for Prosperity Plan in the Northern Triangle: Not A Likely Final Solution for the Central American Migration Crisis.” Council on Hemispheric Affairs. March 3, 2016.

<sup>227</sup> Paley, Dawn Marie. “The Alliance for Prosperity Will Intensify the Central American Refugee Crisis.” Uncategorized. December 27, 2016.



through this plan.<sup>228</sup> Oscar Chacón, the Executive Director of Alianza Americas stresses the importance of aid being applied more towards social programs focused on education, health and tax laws.

“He stated that “the Alliance for Prosperity Plan is an initial step going in the right direction, but definitely insufficient and it needs to be expanded.” He argued that a strategy with such ambitions—alleviating poverty and preventing migration—requires a different focus and a projection of at least 15 to 20 years in order to yield sustainable and long-term effects.”<sup>229</sup>

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The Alliance for Prosperity is a joint proposal that was drafted by the Guatemalan, Honduran, and Salvadoran governments. At the VII Summit of the Americas in 2015, Presidents Otto Perez Molina of Guatemala, Juan Orlando Hernández of Honduras, and Salvador Sanchez Ceren of El Salvador presented the blueprint for the plan.<sup>231</sup> At the time, United States Vice President Joe Biden shared enthusiasm for the plan. However, civil-society organizations throughout the Northern Triangle countries did not share this sentiment. Seventy-five civil-society organizations wrote a joint letter that was sent to the leaders at the Summit of the Americas, signed by “human rights, environmental, women’s, labor, religious, and community organizations” that objected to the implementation and secretive designing of the Alliance for Prosperity. They shared a concern about

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<sup>228</sup> Yu-Hsi Lee, Esther. “Experts Say U.S. Aid Package To Central America Is Backfiring Big Time.” Think Progress RSS. February 04, 2016.

<sup>229</sup> Garcia, Mercedes. “Alliance for Prosperity Plan in the Northern Triangle: Not A Likely Final Solution for the Central American Migration Crisis.” Council on Hemispheric Affairs. March 3, 2016.

<sup>230</sup> Interview with Mercedes Garcia February 3, 2016 at AFL-CIO press conference on the Central American Migration Crisis.

<sup>231</sup> Reynolds, Louisa. “Central American Leaders Discuss Alliance for Prosperity Plan During Summit of the Americas.” Latin America DataBase. Article ID: 79637. April 30, 2015.

redundant policies that have deepened inequality, harmed the environment, and caused the displacement of millions.

“One of our deepest concerns about the Alliance for Prosperity plan is that it perpetuates the same economic policies that have already resulted in skyrocketing inequality,” said Kelsey Alford-Jones, executive director of Guatemala Human Rights Commission. “We are especially alarmed by the proposed construction of large-scale infrastructure projects and the expansion of extractive industries, which have caused a lot of forced displacement throughout the region and are often associated with violence against communities that organize to defend their lands and livelihoods.”<sup>232</sup>

Laura Embree-Lowry, program director of the Committee in Solidarity with the People of El Salvador (CISPES), stated that “one of the greatest dangers posed by the current plan is to militarize the regional borders within Central America...Not only does it risk violating the human right to free transit, it’s likely to lead to even more rampant abuses against refugees and migrants traveling throughout Central America and Mexico.”<sup>233</sup> Civil society and grassroots organizations are not alone in their pessimism towards the plan, as foreign policy experts point to the United States interventions in the region during the twentieth century as intrinsically strategic and self-serving.<sup>234</sup>

Journalist Dawn Paley, author of *Drug War Capitalism*, has reported on the state of many activists in the Northern Triangle. She notes environmental conflicts in El Salvador and Honduras, specifically surrounding the death of indigenous leader Berta Cáceres. She was assassinated on March 2, 2016, after years of threats against her life. Honduran military members stated that Cáceres’s

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<sup>232</sup> Ibid.

<sup>233</sup> Ibid.

<sup>234</sup> Ibid.

name was present on their kill list months before her death.<sup>235</sup> Cáceres had previously won the Goldman Environmental Prize for work in Honduras. It is widely believed that her involvement as a leader in the movement to organize against a hydroelectric dam in the Lenca territories led to her assassination.<sup>236</sup>

“The London-based human rights organization Global Witness documented 18 killings of environmental activists in Guatemala and Honduras last year, many of which were linked to anti-dam organizing. In El Salvador, community opposition to large-scale mining has also led to the killing and disappearance of activists. There is a very strong repression toward communities who resist what is basically the privatization of their water and their lands, and there’s a very strong conflict between the way of life and the economic model,” said Juan Jeremías Castro Simón, a lawyer with the Association of Mayan Lawyers and Notaries of Guatemala<sup>237</sup>

Paley argues that the Alliance for Prosperity will be an opportunity for corporations to exploit the region, citing a book by Naomi Klein: *The Shock Doctrine*. *The Shock Doctrine* theory is defined as “the brute tactic of systematically using the public’s disorientation following a collective shock—wars, coups, terrorist attacks, market crashes, natural disasters—to push through radical pro-corporate measures, often called “shock therapy.”<sup>238</sup> Klein makes the claim that free market expansionism can dominate the world. Dawn Paley interviewed local Guatemalans, one of which, Lorena Cabnal, has been targeted for her political activism as a “communitarian feminist.” Cabnal noted that the economic aid has not strengthened education, health, or infrastructure, stating that

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<sup>235</sup> "Threats, attacks and intimidation against Berta Cáceres Flores". BertaCaceres.org. Archived from the original on 24 October 2019. Retrieved 11 May 2016.

<sup>236</sup> Paley, Dawn Marie. “The Alliance for Prosperity Will Intensify the Central American Refugee Crisis.” Uncategorized. December 27, 2016.

<sup>237</sup> Ibid

<sup>238</sup> Klein, Naomi. *The Shock Doctrine: The Rise of Disaster Capitalism*. June 24, 2008.

“impoverishment has gotten worse, and big security problems haven’t been resolved.”<sup>239</sup>

Similar to Klein’s theory in *The Shock Doctrine*, Cabnal believes that it is actually the United States that is responsible for the facilitation of the Alliance for Prosperity, with the goal of the Northern Triangle governments neoliberal configuration.<sup>240</sup> The Alliance for Prosperity had staunch opposition; arguments against it were that the governments involved with the creation of the agreement lacked transparency, calling into question their commitment to proactively take the necessary steps to combat mass migration.

### **Results and Effectiveness of Conditionalities**

The main difficulty paired with the Alliance for Prosperity program is that over half of the funds are designated towards security initiatives as opposed to actual development. While the U.S. Congress stated that the \$750 million USD budget would be focused on “development assistance,” it is estimated that over 60% of the budget is being used towards the military and security.<sup>241</sup> Despite the funding for the defense programs, from October 2015 to January 2016, the number of Central Americans that were apprehended at the southern United States border saw a 171% increase, not including migrants that were deported or missing on their journey to the border. This jump is directly related to the rising violence levels in the Northern Triangle as the Department for Homeland Security continues to enforce the same deportation policies.<sup>242</sup> The President of Honduras, Juan Orlando Hernandez, endorsed the Alliance for Prosperity

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<sup>239</sup> Paley, Dawn. “The Alliance for Prosperity Will Intensify the Central American Refugee Crisis.” December 21, 2016.

<sup>240</sup> Ibid.

<sup>241</sup> Iesue, Laura. “The Alliance for Prosperity Plan: A Failed Effort for Stemming Migration.” Council on Hemispheric Affairs. August 1, 2016.

<sup>242</sup> Edwards, Julia. “Exclusive: U.S. plans new wave of immigrant deportation raids.” Reuters. 2016.

plan heavily, while simultaneously weakening the democratic institutions in Honduras, as impunity levels and corruption charges maintain high levels.

“President Juan Orlando Hernández of the conservative National Party was inaugurated to a second four-year term in January 2018. He lacks legitimacy among many Hondurans, however, due to allegations that his 2017 reelection was unconstitutional and marred by fraud. Hernández’s public standing has been further undermined by a series of corruption scandals that have implicated members of his family, administration, and party, and generated speculation about whether the president has participated in criminal activities...According to many analysts, corruption in Honduras is deeply entrenched. Honduran officials have diverted state resources into their pockets and political campaigns and used the state apparatus to protect and direct resources to businesses and criminal organizations.”<sup>243</sup>

Improvements to Honduras’ political, economic, and social systems have been sporadic, meanwhile the country has remained one of the most violent in the world due to human rights abuses in conjunction with half of the population living under the poverty line.<sup>244</sup> United States investigators have also found high levels of collusion between drug traffickers and Honduran officials.<sup>245</sup> Guatemala has struggled to sustain a firm grip on crime, as convictions for criminal activity remain low with high homicide rates and poorly functioning courts.<sup>246</sup> A member of the Jesuit Migration Network of El Salvador, Moises Gomez, stated that none of the Northern Triangle countries were trained or prepared to “analyze what constitutes migration, or to distinguish between a migrant, who has potentially the right to flee, and someone involved in trafficking.”<sup>247 248</sup>

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<sup>243</sup> Meyer, Peter J. “Honduras: Background and U.S. Relations.” Congressional Research Service. Updated April 27, 2020.

<sup>244</sup> Ibid.

<sup>245</sup> Ibid.

<sup>246</sup> Iesue, Laura. “The Alliance for Prosperity Plan: A Failed Effort for Stemming Migration.” Council on Hemispheric Affairs. August 1, 2016.

<sup>247</sup> Ibid.

Maintaining the rule of law has been an ongoing struggle within the Northern Triangle countries. Despite the establishment of anti-corruption initiatives such as the International Commission Against Impunity in Guatemala (CICIG) and The Mission to Support the Fight Against Corruption and Impunity for Honduras (MACCIH), there is little traction being gained. The CICIG was broken down, and the MACCIH was similarly unsuccessful and collapsed. El Salvador has tried to create a similar program known as the International Commission Against Impunity in El Salvador (CICIES), but it has not been able to gain any self-governance to proceed independently from the Government. Weak institutional capacity has led to the region receiving an index score of .45 in rule of law out of 1.00 according to the World Justice Project.<sup>249</sup> These problems have led Guatemala, El Salvador, and Honduras to score low on global integrity competitiveness indicators as well.<sup>250 251</sup>

The Northern Triangle regions export portfolio is still heavily reliant on commodities such as agriculture, which is 5.8%, 10%, and 12.9% of value added to the economies of El Salvador, Guatemala, and Honduras, but 18.8%, 29.4%, and 28.5% of workers are employed through the agricultural sector in each of the three countries.<sup>252</sup> Opportunities for employment in the formal sector are lacking, as around 70% work in the informal sector. The informal sector does not provide

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<sup>248</sup> Gomez, Moises. CISPES Speaking Tour. 17 May 2016.

<sup>249</sup> Runde, Dan; Sandin, Linnea; Leal, Elena Mendez; Guerra, Laura. "An Alliance for Prosperity 2.0." Center for Strategic and International Studies. January 2021.

<sup>250</sup> Heritage Foundation Index of World Freedom "Government Integrity" Indicator. 2018.

<sup>251</sup> World Economic Forum Global Competitiveness Index "Institutions Indicator." 2018.

<sup>252</sup> Rooney, Matthew. "Central America Prosperity Project: Background Paper." Bush Center. September 4, 2018.

social benefits or financial safety plans for its workers. When the informal sector dominates the job market, there is minimal room for economic growth either.

“Fostering sustainable economic growth is crucial to reach a threshold of \$8,000 Gross National Product (GNP) per capita, which typically decreases interest in migrating. In 2019, Guatemala had a GNP per capita of \$4,610, El Salvador had a GNP per capita of \$4,000, and Honduras had a GNP per capita of about \$2,390.”<sup>253</sup>

The lack of investment in social programs in fear of security and military initiatives has led to the same, or more, violence. The Northern Triangle has some of the highest rates of organized crime and homicide globally, with gang activity accounting for much of it. El Salvador’s gang related homicides in 2019 were responsible for 50% of the country’s homicides. While Honduras had seen a decrease of crime rates in 2011 before the agreement, since 2018 the rate has increased to 56 deaths per 100,000 people in 2020.<sup>254</sup> Security programs make up over half of the funding for the Alliance for Prosperity, meanwhile less than half of young adults from the ages 20-24 have high school degrees.

“In Guatemala, only 33% graduate from secondary school. While completion of primary school is high, Central American countries are low performers in standardized reading and mathematics tests. More than one million young people in the region are at risk because they are neither employed nor in school. Gang infiltration of schools and fear for personal safety are leading factors behind El Salvador’s growing school dropout rate.”<sup>255</sup>

Lack of investment in infrastructure such as healthcare, education, job training transportation, roads, railways, ports, airports, and other networks that would focus on protection and regional integration has prevented attraction of more diverse private

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<sup>253</sup> Runde, Dan; Sandin, Linnea; Leal, Elena Mendez; Guerra, Laura. “An Alliance for Prosperity 2.0.” Center for Strategic and International Studies. January 2021.

<sup>254</sup> Ibid.

<sup>255</sup> Rooney, Matthew. “Central America Prosperity Project: Background Paper.” Bush Center. September 4, 2018.

investments as well as put the Northern Triangle countries more at risk to natural disasters. The seven Central American countries suffered from “hurricanes, earthquakes, floods, and volcanoes that have led, in recent years, to more than 50,000 deaths and the displacement of over 10 million people in the seven Central American countries.”<sup>256</sup>

Natural disasters take a toll on every aspect of a nation’s society, investing in infrastructure and greater reserves that would better prepare Guatemala, Honduras, and El Salvador could protect the countries from larger negative effects.<sup>257</sup>

### **Conclusion**

The Northern Triangle has faced significant challenges, including a host of political, economic, environmental, and security barriers. These barriers have prevented Guatemala, Honduras, and El Salvador from establishing sustainable growth and development. Politics surrounding the three countries in the last few years have been mired with questionable processes and corruption, despite the goals of the Alliance for Prosperity to create more stable institutions. Violence continues to be a centerpiece of the Northern Triangle’s identity, which is hindering the population's ability to create stable lifestyles. Instability has cultivated an increase in immigration as there were 239,229 people from the Northern Triangle apprehended on the United States-Mexico border in 2014, which surged to 609,775 in 2019.<sup>258</sup> An increase in migration, paired with President Trump's commitment to cutting aid, the impact of COVID-19, and natural

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<sup>256</sup> Negropte, Diana Villiers; Caballero, Alma; Amat, Consuelo. “Conversations with Experts on the Future of Central America.” Brookings. November 19, 2012.

<sup>257</sup> Ibid.

<sup>258</sup> Runde, Dan; Sandin, Linnea; Leal, Elena Mendez; Guerra, Laura. “An Alliance for Prosperity 2.0.” Center for Strategic and International Studies. January 2021.



disasters, such as hurricane Iota, have completely derailed the Alliance for Prosperity's long-term goals.

## **XI. CONCLUSION**

The primary objective of this study is to observe the effectiveness of conditionalities through a historical analysis of agreements and aid programs that involved the Northern Triangle region of Guatemala, El Salvador, and Honduras with the United States of America. I aimed to examine DR-CAFTA and the Alliance for Prosperity as the two main programs in question, while paralleling the NAFTA agreement and the Alliance for Progress. This thesis calls into question conditionalities as a method that has been used frequently for international aid in a specific region without yielding great success,

The first chapter of this study provides an overview of the Northern Triangle countries' volatile histories. Guatemala, El Salvador, and Honduras faced almost continuous 20th century conflict, United States interventions, high rates of inequality, high susceptibility to natural disaster, and inconsistent political and economic structures. Sustainable development has been difficult to maintain for the Northern Triangle countries. This chapter highlights major aspects of the region's history and how the United States played a significant role leading to the migration crisis.

The NAFTA agreement and the Alliance for Progress act have similarities to DR-CAFTA and the Alliance for Progress. NAFTA and DR-CAFTA share similar goals and approaches: creating a free trade agreement between developed and developing countries that would integrate the developing countries into the global arena. In order to accomplish this, the developing countries were required to accept conditions that involved sacrificing labor rights, environmental health, hope for economic diversification, while also mandating liberal reforms to the Northern Triangle countries

governments. The Alliance for Prosperity gained its inspiration from John F. Kennedy's Alliance for Progress program. The Alliance for Progress had particular importance to both DR-CAFTA and the Alliance for Prosperity, as it established the United States Agency for International Development (USAID). It also set the precedent for the conditionalities of the Alliance for Prosperity. The conditions for the Alliance for Progress included: instituting tax reform, promoting land redistribution, extending political freedoms, ensuring the passage of increased foreign investments, and rejecting Communism. The Alliance for Prosperity is similar, and although rejecting communism was not a strong shared narrative, promoting democratic values was central to its conditions. Emphasizing NAFTA and the Alliance for Progress before analyzing DR-CAFTA and the Alliance for Progress is important because the latter two programs were deemed necessary to be implemented in the region due to the Northern Triangles instability and lack of development, despite the initial passage of the two previous agreements that they show consistent alignment to. If the Alliance for Prosperity's programs prove to be unsuccessful, understanding methods used to ensure their success, such as conditionalities, allows researchers to pinpoint areas that can be improved upon, or changed completely in future agreements.

The second half of the research focuses on the effectiveness of the two plans: DR-CAFTA and the Alliance for Prosperity. Observing the plans and measuring their successes and failures is done based on conditionalities as the mechanism to ensure positive results. In order to make an accurate statement regarding the success of the programs, I examined different aspects of the country's political, economic, and social systems following the passage of the agreements. An example of this is the increase in

undocumented immigrants from Guatemala, El Salvador, and Honduras living in the United States from 2005 to 2014. Understanding the causes of the continued growth in migration helped define the success or failure of DR-CAFTA, as well as the earlier Alliance for Progress. Under DR-CAFTA, labor rights are still mismanaged and violated, families are faced with food insecurity, access to life saving drugs has been limited, environmental degradation has remained prevalent, and foreign investment has not stimulated the regional job opportunities or the economic growth that was promised.

The Alliance for Prosperity received similar results compared to the expectations and promises made and faced even more opposition. Grassroot organizations and coalitions overwhelmingly spoke out about their fear of the program perpetuating systems that have led to increased inequality. Dissenting groups have grown weary of violence that had been linked to failed economic policies and sparked by United States security initiatives. The Alliance for Prosperity's funding focused 60% on defense programs, causing even more concern. From 2015 to 2016 violence increased leading to a 171% increase in immigrants detained at the United States southern border. Conditionalities more focused on guaranteeing security initiatives and neoliberal infrastructure, as opposed to social programs, has led to stagnation and shrunken development. Sustainable initiatives such as transportation infrastructure and education programs that would increase secondary school graduation, improve standardized test scores, and open more job opportunities that have been underfunded. The Northern Triangle countries remain highly at risk to violence, corruption, and natural disasters, and as President Trump committed to cutting aid, the Alliance for Prosperity is widely considered a failure.

Based on the evidence presented from this research, conditionalities were an unsuccessful mechanism for accountability and long-term development in regard to DR-CAFTA and the Alliance for Prosperity in the Northern Triangle region. The immigration crisis has continued, and the region is faced with similar developmental challenges that have been present since the Alliance for Progress. Once foreign aid is disbursed, it is often in the hands of a country's leaders, and when political leaders agree to the terms of aid acceptance it is generally in an effort to maintain power, allowing donors to tie policies to their aid.<sup>259</sup> Along with the failure to lift the economies of the region, democratic development has also been suppressed in the Northern Triangle due to factors discussed in this research. This is not to say that conditionalities do not have the potential to be successful, studies have shown that conditional aid is more successful when the recipient government is more democratic.<sup>260</sup> <sup>261</sup> If the United States is to continue providing aid to the Northern Triangle, accountability is necessary, and the approaches to conditionalities will have to differ. This research does not argue that the use of conditionalities should be abolished. Conditionalities have potential for success, but that success is largely dependent on the extent that donor and recipient countries apply the conditionalities. If long term, sustainable development is the key goal, modifications must be made to how the United States applies conditionalities to the Northern Triangle.

One method that is present but needs to be expanded upon before a country like the United States provides aid is increased prior actions. These are actions that are taken

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<sup>259</sup> Montinola, Gabriella R. "When Does Aid Conditionality Work?" University of California, Davis: Department of Political Science. October 2007.

<sup>260</sup> Ibid.

<sup>261</sup> Wilkinson, Tracy. "Everything you need to know about the Northern Triangle and Biden's immigration policy." Los Angeles Times. June 24, 2021.

prior to the financing and review of the program, including establishing a firmer foundation for success, and setting a standard of accountability.<sup>262</sup> Changing the priorities on which conditionalities are based can be key to immediate successful development, especially when prior actions have been completed. Success has been found when money is put directly into the hands of families. In Brazil for example, the “Bolsa Familia Program,” a conditional cash transfer program has had very positive results. Under this program, families are required to keep their children in school, get vaccinated, and attend regular healthcare visits. The program has reduced poverty and income disparity, while also decreasing child dropout and year repeat rate.<sup>263</sup> As more children attend school and healthcare visits, it will demand more funding and employment for schools and healthcare facilities. Ensuring investment in more basic infrastructure opposed to security will pay dividends for the future.

“Based on pure demographics, infrastructure projects — roads, bridges, communication, sewage, electricity, etc. — in developing countries, with their booming populations, offer significant prospects for long-term growth and profit. Such projects enable both public and private investors to bank on capital appreciation for decades. And, while servicing the vital infrastructure needs of billions of young people, these populations will, in turn, generate greater economic growth.”<sup>264</sup>

Another best practice that can decrease the likelihood of mass migration is following through and improving labor rights conditions. Growing research has pointed to greater likelihood of economic growth and productivity when international labor standards are adhered to. Improved work performance has been paired with a reasonable minimum wage, working-time standards, safety standards, and investment in vocational training

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<sup>262</sup> International Monetary Fund. “IMF Conditionality.” February 22, 2021.

<sup>263</sup> Lee, Elizabeth. “Bolsa Familia: The Rise of Cash Transfer Programs.” Borgen Magazine. December 17, 2020.

<sup>264</sup> Crow, Alexis. “Why Investing in Infrastructure in Developing Countries Will Benefit Us All.” HuffPost. August 11, 2016.

that leads to higher employment. Foreign investors also observe the level to which these standards are maintained as quality of work and political stability are priorities to them.<sup>265</sup>

“In many developing and transition economies, a large part of the workforce is engaged in the informal economy. Moreover, such countries often lack the capacity to provide effective social justice. Yet international labour standards can also be effective tools in these situations. Most ILO standards apply to all workers, not just those working under formal employment arrangements. Some standards, such as those dealing with homeworkers, migrant and rural workers, and indigenous and tribal peoples, deal specifically with certain areas of the informal economy. The reinforcement of freedom of association, the extension of social protection, the improvement of occupational safety and health, the development of vocational training, and other measures required by international labour standards have proved to be effective strategies in reducing poverty and bringing workers into the formal economy.”<sup>266</sup>

An example of this success is present within the United States-Cambodia Textile Agreement, “which awarded Cambodia higher garment export quotas into the US market in return for improved working conditions and labor regulations.”<sup>267</sup> In this agreement the International Labor Organization (ILO) monitors the labor conditions of garment factories. The results are then published in clear, transparent reports that are used by the United States government for future decisions. Results of this agreement led to more jobs and tax revenue for the government. The program expired in 2004, but it proved to be so successful that the project has been continued and renamed “Greater Factories Cambodia.”<sup>268</sup> Third party involvement like the ILO to ensure the application of workers’ rights and conditionalities has proven to be productive and can be applied to future agreements.

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<sup>265</sup> International Labour Organization. “The benefits of International Labour Standards.” 2014.

<sup>266</sup> Ibid.

<sup>267</sup> Polaski, Sandra. “Combining global and local forces: The case of labor rights in Cambodia.” *World Development*. ELSEVIER. Volume 34, Issue 5, pg. 919-932. May 2006.

<sup>268</sup> Ibid.

To conclude, the Northern Triangle region has been under duress for decades, and the stress on the region is illuminated through the immigration crisis. Previous programs have proven to be unsuccessful as the mechanisms for their implementations were flawed through their priorities. Conditionalities have the potential to revitalize development and economic growth in the Northern Triangle if modifications are made to them.



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