NAVAL POSTGRADUATE SCHOOL

MONTEREY, CALIFORNIA

THESIS

GHOST TOWNS: CHALLENGES FACING THE CHARTER CITIES PROJECT IN HONDURAS

by

Maximilian Hinton

September 2019

Thesis Advisor: Rodrigo Nieto-Gomez
Second Reader: Robert E. Looney

Approved for public release. Distribution is unlimited.

THIS PAGE INTENTIONALLY LEFT BLANK

13. ABSTRACT (maximum 200 words)

This thesis examines economist Paul Romer's charter city model as a mechanism to improve governance, through the lens of the case study in Honduras. It builds on development theory and studies of special economic zones to contribute to the limited scholarship on the program. Romer's idea represents a novel approach to development, but its theoretical foundation leaves room for troublesome application. Honduras embraced Romer's model at first but altered several of its key features, to the detriment of the project. As a result, their experiment is not indicative of the potential of Romer's idea but highlights areas where the project can go astray. As of this publishing, no country has successfully implemented a test case for the model Romer envisions. The program in Honduras retains legal, if controversial, justification, and resembles a national development initiative more than Romer's innovative proposal. Future attempts at launching Romer's model should take great care to implement his ideas precisely as designed, otherwise a definitive trial case cannot exist. Given legal challenges and popular skepticism, Honduras would be wise to curtail its pursuit of the initiative and prioritize resources toward institutional reform and transparency. This case study may not allow conclusive assessment of Romer's proposal, but it can be instructive in highlighting critical areas that have hindered the project and elements of its design that may tend to be problematic.

14. SUBJECT TERMS charter cities, Honduras, Paul Romer, ZEDE, RED, ciudades modelos, model cities, startup cities, planned cities, incubator cities, special economic zones	15. NUMBER OF PAGES 95
	16. PRICE CODE

17. SECURITY CLASSIFICATION OF REPORT Unclassified	18. SECURITY CLASSIFICATION OF THIS PAGE Unclassified	19. SECURITY CLASSIFICATION OF ABSTRACT Unclassified	20. LIMITATION OF ABSTRACT UU

i

THIS PAGE INTENTIONALLY LEFT BLANK

Approved for public release. Distribution is unlimited.

**GHOST TOWNS: CHALLENGES FACING THE CHARTER CITIES PROJECT
IN HONDURAS**

Maximilian Hinton
Major, United States Air Force
BS, U.S. Air Force Academy, 2008
MA, The University of Texas at Austin, 2009

Submitted in partial fulfillment of the
requirements for the degree of

**MASTER OF ARTS IN SECURITY STUDIES
(WESTERN HEMISPHERE)**

from the

**NAVAL POSTGRADUATE SCHOOL
September 2019**

Approved by: Rodrigo Nieto-Gomez
                Advisor

                Robert E. Looney
                Second Reader

                Afshon P. Ostovar
                Associate Chair for Research
                Department of National Security Affairs

iii

THIS PAGE INTENTIONALLY LEFT BLANK

ABSTRACT

This thesis examines economist Paul Romer's charter city model as a mechanism to improve governance, through the lens of the case study in Honduras. It builds on development theory and studies of special economic zones to contribute to the limited scholarship on the program. Romer's idea represents a novel approach to development, but its theoretical foundation leaves room for troublesome application. Honduras embraced Romer's model at first but altered several of its key features, to the detriment of the project. As a result, their experiment is not indicative of the potential of Romer's idea but highlights areas where the project can go astray. As of this publishing, no country has successfully implemented a test case for the model Romer envisions. The program in Honduras retains legal, if controversial, justification, and resembles a national development initiative more than Romer's innovative proposal. Future attempts at launching Romer's model should take great care to implement his ideas precisely as designed, otherwise a definitive trial case cannot exist. Given legal challenges and popular skepticism, Honduras would be wise to curtail its pursuit of the initiative and prioritize resources toward institutional reform and transparency. This case study may not allow conclusive assessment of Romer's proposal, but it can be instructive in highlighting critical areas that have hindered the project and elements of its design that may tend to be problematic.

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

THIS PAGE INTENTIONALLY LEFT BLANK

LIST OF FIGURES

THIS PAGE INTENTIONALLY LEFT BLANK

LIST OF ACRONYMS AND ABBREVIATIONS

CAMP	Committee for the Adoption of Best Practices
CARSI	Central American Regional Security Initiative
CEHPRODEC	Honduran Center for the Promotion of Community Development
CIREFCA	International Conference on Central American Refugees
COMAR	Mexican Commission to Aid Refugees
DIFC	Dubai International Financial Centre
IDP	Internally Displaced Person
MS-13	Mara Salvatrucha
NLG	National Lawyers Guild
RED	Special Development Region
SEZ	Special Economic Zone
SIZ	Special International Zone
TOC	Transnational Organized Crime
UAC	Unaccompanied Alien Children
UN	United Nations
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNODC	United Nations Office on Drugs and Crime
ZEDE	Zone for Employment and Economic Development

THIS PAGE INTENTIONALLY LEFT BLANK

I.   INTRODUCTION

A.   PROBLEM STATEMENT

This thesis seeks to answer the question: why has the model of charter cities in Honduras failed in its attempt to provide good governance and citizen security? Citizen security in Honduras is a dire situation, having ripple effects throughout the region and in the United States. Levels of violence in many areas are critical, leaving communities broken and citizens with few alternatives to gang participation or persecution. The United Nations Office on Drugs and Crime (UNODC) identifies several vulnerabilities contributing to Central American violence, such as the prevalence of gangs and organized criminal groups, as well as a limited capacity for criminal justice.[1] Despite continuing challenges, there has been some progress in recent years. Since the implementation of the Central American Regional Security Initiative (CARSI) in 2008 and the Plan of the Alliance for Prosperity in the Northern Triangle in 2014, the homicide rate has more than halved from its peak in 2011.[2] This reduction is attributed to stronger enforcement and restructuring of the national police force alongside aid and partnerships with the United States.[3] However, despite this progress, a spike in murders in the first weeks of 2019 are a reminder that violent crime continues to be a disruptive force in Honduras, as local street gangs and elements of organized crime dominate the social context.[4]

According to a 2014 United Nations Development Programme (UNDP) report, violence in Honduras has remained steady despite modest economic growth.[5] A congressional roadmap for the Alliance for Prosperity in the Northern Triangle emphasizes

---

[1] United Nations Office on Drugs and Crime, *Global Study on Homicide: Executive Summary* (Vienna, Austria: United Nations Office on Drugs and Crime, 2019), 20, https://www.unodc.org/unodc/en/data-and-analysis/global-study-on-homicide.html.

[2] Chris Dalby and Camilo Carranza, "InSight Crime's 2018 Homicide Round-Up," InSight Crime, January 22, 2019, https://www.insightcrime.org/news/analysis/insight-crime-2018-homicide-roundup/.

[3] Peter J Meyer, *U.S. Strategy for Engagement in Central America: Policy Issues for Congress*, CRS Report No. R44812 (Washington, DC: Congressional Research Service, 2019), https://crsreports.congress.gov/product/pdf/R/R44812.

[4] Dalby and Carranza, "InSight Crime's 2018 Homicide Round-Up."

[5] United Nations Development Programme, *Citizen Security with a Human Face: Evidence and Proposals for Latin America* (New York, 2013), http://hdr.undp.org/en/content/citizen-security-human-face.

that economic growth has not kept up with population growth nor has it been evenly distributed across the population, resulting in little improvement in the lives of citizens on a per capita basis.[6] Furthermore, Honduras ranks near the bottom in several measures of human capital, such as average years of education and the percentage of youths who neither study nor work.[7] This is in addition to the drain of human capital from mass emigration and recurring deportations that perpetuate a cycle of violence.[8] In this context, the Mara Salvatrucha (MS-13) gang preys on vulnerable youths and capitalizes on the void of resources in Honduran society.[9] Aid and enforcement initiatives have made limited progress in this area, but increased numbers of migrants from Honduras continue to arrive at the U.S. border. Policymakers and partner nations have been left grasping for more effective solutions, with the United States focusing on tighter enforcement of its immigration laws rather than the cause of the problems in Honduras.[10]

Instead of changing bad rules in a struggling area, which can bring resistance from opposing parties, Nobel Prize–winning economist Paul Romer advocates setting up new zones with beneficial rules and allowing citizens the opportunity to opt in. Romer calls this model of urban development a charter city. Romer has advocated charter cities as a way of importing vital institutions and allowing local populations an alternative within a host

---

[6] El Salvador, Guatemala, and Honduras, *Plan of the Alliance for Prosperity in the Northern Triangle: A Road Map* (Washington, DC: Inter-American Development Bank, 2014), http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=EZSHARE-917344851-9888.

[7] United Nations Development Programme, *Citizen Security with a Human Face*.

[8] Sofía Martínez Fernández, "Mass Deportations Only Fuel a Cycle of Violence and Migration," International Crisis Group, June 25, 2018, https://www.crisisgroup.org/latin-america-caribbean/mass-deportations-only-fuel-cycle-violence-and-migration.

[9] Steven S. Dudley, "MS-13 Is a Street Gang, Not a Drug Cartel—and the Difference Matters," The Conversation, March 20, 2018, http://theconversation.com/ms-13-is-a-street-gang-not-a-drug-cartel-and-the-difference-matters-92702.

[10] Sarah Pierce, "Sessions: The Trump Administration's Once-Indispensable Man on Immigration," Migration Policy Institute, November 8, 2018, https://www.migrationpolicy.org/article/sessions-trump-administrations-once-indispensable-man-immigration.

country.[11] He presented the concept in a 2009 TED Talk, emphasizing the importance of rules in promoting development, in which he identifies three requirements:

1.   A city charter

2.   Uninhabited land where a city can be founded

3.   Partnerships between nations[12]

According to Romer's presentation, charter cities designed according to this model would be expected to have successful governance because they import systems that have a proven record of positive results. In another paper, Romer reiterates that the charter would specify rules that pertain to the city, developed based on a framework that has been successful elsewhere.[13] A large enough plot of land should be allocated to permit growth into a large city and partner nations would be necessary to provide institutional backing that the host nation may be unable to guarantee.[14]

If this model can be implemented, charter cities could provide opportunities within zones of favorable rules, as an alternative to the continuation of poor conditions in areas mired in bad rules. Romer notes that China successfully applied this model in establishing four special zones modeled on the same regulatory framework the British operated in Hong Kong. The result has been dramatic economic growth since the 1980s.[15]

Such a framework would require partnerships between states, investment from foreign companies, and local populations to create a workable environment. If successful, the productivity of the charter city would tend to permeate the host country's norms, resulting

---

[11] Paul Romer, *Technologies, Rules, and Progress: The Case for Charter Cities* (Washington, DC: Center for Global Development, 2010), https://www.cgdev.org/publication/technologies-rules-and-progress-case-charter-cities.

[12] Paul Romer, "Why the World Needs Charter Cities," presentation (Oxford: TED Global, July 2009), https://www.ted.com/talks/paul_romer?language=en.

[13] Romer, *Technologies, Rules, and Progress.*

[14] Romer.

[15] Romer.

in increased productivity and reduced poverty.[16] In short, "developing economies that copy existing technologies should see their living standards converge with those in developed economies."[17]

Romer then embarked on a quest to find a country willing to attempt his idea, landing first in Madagascar. However, while the plan was being formulated, the country experienced a coup and the subsequent government was not supportive of the project.[18] Romer's idea then gained significant traction in Honduras. In a follow up TED Talk, he describes his tutelage of Honduran political leaders who came to power in elections following the 2009 coup.[19] They were concerned about mass emigration from their country and felt the geopolitical climate in Honduras was ideal for an enclave in which foreign-backed development could occur.

In 2011, the Honduran National Congress approved a constitutional amendment allowing for Special Development Regions (abbreviated in Spanish as REDs) which could become the site of the world's first charter city.[20] A site was selected and leaders began developing the framework upon which this city could be built. As additional legal provisions and interested partner nations were identified, the project seemed off to an auspicious start.

However, despite enthusiastic proponents and an initial framework, the idea has not taken off. Romer abandoned the project in 2012, citing a lack of transparency in decision making.[21] The Honduran organization established to administer the project apparently made

---

[16] Romer.

[17] Romer.

[18] Sebastian Mallaby, "The Politically Incorrect Guide to Ending Poverty," *The Atlantic*, July 2010, https://www.theatlantic.com/magazine/archive/2010/07/the-politically-incorrect-guide-to-ending-poverty/308134/.

[19] Paul Romer, "The World's First Charter City?," presentation (Long Beach: TED Conference, March 2011), https://www.ted.com/talks/paul_romer_the_world_s_first_charter_city?language=en.

[20] Brandon Fuller and Paul Romer, *Success and the City: How Charter Cities Could Transform the Developing World* (Ottawa, Canada: Macdonald-Laurier Institute, 2012), http://www.macdonaldlaurier.ca/files/pdf/How-charter-cities-could-transform-the-developing-world-April-2012.pdf.

[21] Elisabeth Malkin, "Charter City Plan to Fight Honduras Poverty Loses Initiator," *New York Times*, September 30, 2012, https://www.nytimes.com/2012/10/01/world/americas/charter-city-plan-to-fight-honduras-poverty-loses-initiator.html?mtrref=undefined&gwh=5CDF51F1FCFB5B6B464A7397CB2685BA&gwt=pay.

an agreement with an investor group without consulting the multi-national Transparency Commission Romer had set up to steer the development.[22] Later that year, the Honduran Supreme Court declared the law authorizing REDs unconstitutional as a violation of national sovereignty and the project was halted.[23]

The following year, however, the Honduran Congress formed a commission to investigate the four judges who had voted against REDs, which in 24 hours completed a report that led to all the judges under investigation being fired.[24] A revised law authorizing Zones for Employment and Economic Development (abbreviated in Spanish as ZEDEs) was then passed and continues as the legal authorization for the Honduran project.[25] However, the circumvention of the transparency process and hasty dismissal of objecting judges highlights the potential for corruption, one of the very issues the rules-based framework is intended to prevent.

The mass flight of citizens escaping violence also continues to create interest in emigration alternatives, as Central Americans seeking refugee status arrive at the U.S. border in increasing numbers. In 2018 there were almost 467,000 apprehensions at the U.S.-Mexico border,[26] with annual arrivals from Central America approximately tripling over the past decade.[27] However, worldwide research indicates that 90% of refugee populations currently remain in the region from which they are displaced, advocating

[22] Malkin.

[23] Beth Geglia, "Honduras: Reinventing the Enclave," *NACLA Report on the Americas* 48, no. 4 (October 2016): 353–60, https://doi.org/10.1080/10714839.2016.1258278.

[24] James Bosworth, "Honduran Lawmakers Fire Four Supreme Court Judges," *Christian Science Monitor*, December 12, 2012, https://www.csmonitor.com/World/Americas/Latin-America-Monitor/2012/1212/Honduran-lawmakers-fire-four-Supreme-Court-judges.

[25] "Honduras Experiments with Charter Cities," *Economist*, August 12, 2017, https://www.economist.com/the-americas/2017/08/12/honduras-experiments-with-charter-cities.

[26] Kristen Bialik, "Border Apprehensions Increased in 2018—Especially for Migrant Families," Pew Research Center, January 16, 2019, http://www.pewresearch.org/fact-tank/2019/01/16/border-apprehensions-of-migrant-families-have-risen-substantially-so-far-in-2018/.

[27] Jeffrey S. Passel and D'Vera Cohn, "U.S. Unauthorized Immigration Total Lowest in a Decade," Pew Research Center, November 27, 2018, http://www.pewhispanic.org/2018/11/27/u-s-unauthorized-immigrant-total-dips-to-lowest-level-in-a-decade/.

increased resources in those areas.[28] The dismal state of refugee camps provides additional impetus for moving from a humanitarian to a development-based model. While humanitarian assistance may be temporarily needed in response to a crisis, a development-based framework may offer a more sustainable long-term approach to the problem.[29] Central America is one of the only cases of this approach being attempted with some degree of success, with the policies coming out of the International Conference on Central American Refugees (CIREFCA) launching refugee-based development programs following civil wars in the 1980s.[30] Furthermore, the United Nations (UN) predicts that urbanization is expected to increase throughout the 21st century, creating the need for a productive and sustainable urbanization framework.[31]

This thesis examines the charter city model as a mechanism to improve governance and promote development, through the lens of the Honduran experiment. Whether this model is likely to improve conditions is an important question because it addresses a topic that has not been thoroughly analyzed. It builds on development theory and studies of Special Economic Zones (SEZ) to contribute to the limited scholarship on Honduras' attempt to implement Romer's idea. Romer's concept and the Honduras case study are used as a lens to analyze the potential of planned communities to promote development and reduce crime in surrounding areas, as well as provide migration options within a country.

B.   LITERATURE REVIEW

In considering charter cities as a framework for promoting development in Honduras, it is necessary to review the historical context of Honduras and some literature on development theory. The persistent challenges of urban violence and state fragility have plagued Honduras and placed it among the most violent countries in the world. As charter

---

[28] Alexander Betts and Paul Collier, *Refuge: Rethinking Refugee Policy in a Changing World* (New York: Oxford University Press, 2017), 127.

[29] Betts and Collier, 140.

[30] Betts and Collier, 148–51.

[31] Fuller and Romer, *Success and the City*.

cities aim to promote development, it is helpful to review some of the general theory of development and urbanization, as well as an overview of SEZs.

1.   History and Current Situation in Honduras

There is no simple explanation for the security crisis in Honduras. Rather, violence and citizen insecurity tend to spring from a combination of political instability and corruption, widespread poverty and wealth inequality, and deterioration of social structures and rule of law. From colonial structures to tumultuous modern political regimes, Booth, Wade, and Walker draw attention to the fact that Spanish conquistadores sought primarily to exploit the land and extract riches for their home country.[32] As a result, they contend that a small demographic of *criollos* came to control the vast majority of wealth and influence in Northern Triangle nations (El Salvador, Guatemala, Honduras), at the expense of the large population of subjugated natives, leaving little room or interest for a middle class to develop.

When Central American governments began to democratize, they often failed to dismantle and replace ineffective social and political structures. Beginning in the 1980s, Honduras' military leadership directed a gradual process of transition to civilian control, which reached completion in 1996.[33] José Miguel Cruz emphasizes that domestic institutions have a significant influence on citizen insecurity.[34] The transition from military to civilian rule confronted the challenge of establishing democracy where it had not existed before, requiring new political, legal, and social structures. In Honduras, the transition was largely incomplete, with the military retaining considerable power and strong domestic

---

[32] John A. Booth, Christine J. Wade, and Thomas W. Walker, *Understanding Central America: Global Forces, Rebellion, and Change*, 6th ed. (Boulder, CO: Westview Press, 2015), 24.

[33] Booth, Wade, and Walker, 220.

[34] José Miguel Cruz, "Criminal Violence and Democratization in Central America: The Survival of the Violent State," *Latin American Politics and Society* 53, no. 4 (Winter 2011): 1–33, https://www.jstor.org/stable/41342343.

institutions not coming to fruition.[35] Honduras also succumbed to a coup in 2009, resulting in a deterioration of the rule of law and increasing poverty and crime.[36]

Despite a decrease since its peak in 2011, the UNODC Global Study on Homicide ranks Honduras among the most violent countries in Latin America based on homicides, historically first or second alongside El Salvador.[37] Statistics show a concentration of violence along Honduras' Northern coast and the Honduras-Guatemala border.[38] Geography is certainly part of the problem, being caught between drug exporting and importing countries.[39] Violent gangs in the region like MS-13 are involved in a variety of illegal activities for profit, including the retail drug trade, but typically operate more as community social clubs than transnational drug trafficking organizations.[40] Thus, a double dose of drug trafficking and violent expressions of social agency fuels violence in the region.

2. Development Theory and Urbanization

While an extensive analysis of development theory exceeds the scope of this research, some background in the field is relevant to our study of charter cities in Honduras. John Rapley summarizes how economic policies in Latin America have ranged from left-wing state-controlled programs to right-wing free-market deregulation, but the common goal throughout has been development.[41] Since the 1980s, development has often focused

---

[35] Cruz, 2–3.

[36] Booth, Wade, and Walker, *Understanding Central America*, 224–27.

[37] "Intentional Homicide Victims," UNODC, accessed March 20, 2019, https://dataunodc.un.org/crime/intentional-homicide-victims.

[38] United Nations Office on Drugs and Crime, *Transnational Organized Crime in Central America and the Caribbean: A Threat Assessment* (Vienna, Austria: United Nations Office on Drugs and Crime, 2012), https://www.unodc.org/toc/en/reports/TOCTACentralAmerica-Caribbean.html.

[39] Thomas Bruneau, "The United States and Central America: From Stopping Communism to Stopping Kids," Occasional Paper (Washington, DC: William J. Perry Center for Hemispheric Defense Studies, 2016), https://www.williamjperrycenter.org/publication-types/occasional-papers.

[40] Dudley, "MS-13 Is a Street Gang, Not a Drug Cartel—and the Difference Matters."

[41] John Rapley, *Understanding Development: Theory and Practice in the Third World* (Boulder, CO: Lynne Rienner Publishers, 2007), 4.

on the impact that governmental policies can have on development. The prescription has become less focused on more or less government, but on providing better governance.[42]

According to Rapley, in less-developed countries, more government intervention and technocratic policy measures are likely to be needed to foster growth. This is because negative preconditions, such as poor infrastructure or market structure can be detrimental to development.[43] Issues such as these require state intervention to create conditions conducive to development. This fact highlights an inherent challenge in development among poorer states which may lack the resources they need to improve the very conditions impeding their development.[44] There has been some debate surrounding the viability of capital from the developed world in promoting endogenous growth in developing countries, but these theories have not encountered conclusive support or widespread implementation.[45]

Another element of development theory surrounds population growth and urbanization. In much of the developing world, "industrial development and employment have not kept pace with urban population growth."[46] The decline of the agricultural sector and resulting urbanization of the labor market is vitally important to any discussion of development.[47] As the population has grown and looked to cities for opportunities, those urban areas have failed to develop in a way that supports the increased demands.

Political theorists as early as Max Weber have linked bureaucratic organization with economic development.[48] Paul Romer builds on development theory and highlights that population growth continues, with the greatest urbanization occurring almost entirely

---

[42] Rapley, 119.

[43] Rapley, 148.

[44] Rapley, 223.

[45] Rapley, 225.

[46] David Jaffee, *Levels of Socio-Economic Development Theory* (New York: Praeger Publishers, 1990), 59.

[47] Jaffee, 64.

[48] Jaffee, 64.

in developing countries.[49] He and Brandon Fuller cite two examples of successful urbanization: the 19th-century city planning of Manhattan and China's adaptation of model rules in its SEZs. Romer and Fuller propose that the best way for the developing world to accommodate its increasingly urban population is to build new cities according to rules and structures that have worked in the past.

3.   Special Economic Zones

As charter cities expand on the framework of SEZs, some background of the concept is helpful prior to more thorough analysis. Based on several types of zones, Tom Bell arrives at a broad definition of a Special International Zone (SIZ) as "an area that its host nation state places outside of its territory for the purpose of some local laws, leaving other laws and applicable international obligations in force."[50] One type of SIZ is the SEZ, which the World Bank defines as a "demarcated geographic area contained within a country's national boundaries where the rules of business are different from those that prevail in the national territory."[51] Bell describes various types of SEZs, but finds commonality in their more liberal regulations to commerce, often at the expense of state oversight.

SEZs can have a positive impact on human development, but that is not an inevitable result. Aradhna Aggarwal argues that the success of SEZs depends on a wide variety of contextual factors, but optimal regulatory policies tend to be most significant.[52] Her report highlights three primary areas that SEZs are likely to impact: employment, human capital formation, and technology upgrades. SEZs are primarily focused on economic production, which is an important element of the charter city model.

---

[49] Brandon Fuller and Paul Romer, "Urbanization as Opportunity," Working Paper (The World Bank, 2014), http://documents.worldbank.org/curated/en/775631468180872982/Urbanization-as-opportunity.

[50] Tom W. Bell, "Special International Zones in Practice and Theory," *Chapman Law Review* 21, no. 2 (2018): 277, https://digitalcommons.chapman.edu/cgi/viewcontent.cgi?article=1408&context=chapman-law-review.

[51] Bell, 280.

[52] Aradhna Aggarwal, "Impact of Special Economic Zones on Employment, Poverty and Human Development," Working Paper (Econstor, 2007), https://www.econstor.eu/handle/10419/176213.

Despite some examples of SEZs promoting widespread development, no replicable blueprint has developed and the majority of these projects fall short of their goals. Thomas Farole and Lotta Moberg highlight some of the challenges of SEZs, particularly in the developing world.[53] They argue that even if SEZs stimulate economic productivity, it is possible that those benefits remain limited to investors. Furthermore, a weak political system can constrain the potential benefits of SEZs.[54] Farole and Moberg further emphasize the importance of "the 'software' of an SEZ," meaning a proper legal framework and effective administration. These theoretical foundations and case studies of SEZs are fundamental to understanding the objectives and methodology of charter cities, which are essentially an expanded more comprehensive SEZ.

C.   RESEARCH DESIGN

This thesis challenges Romer's development model, exploring his theoretical framework and analyzing why the project has failed to take off in Honduras, despite the government's support for his idea. Romer's concept of charter cities has generated interest among economists as a means to promote development and Honduras seemed a promising test case when the government supported launching the first charter city. This thesis examines the events that led to the project's demise and determine which factors were most significant. It includes critical analysis of the charter cities framework and examination of the experience in Honduras.

The research employs a case study design as a vehicle to conduct inductive policy analysis, which focuses on the project's experience in Honduras. Since the concept is so novel, it is necessary to first provide a theoretical background of charter cities and explain their projected benefits. This study then analyzes the case in Honduras as a way to determine if there are elements of the greater charter city framework that may be flawed, or whether the project's failure in Honduras is more due to local factors. It analyzes the

---

[53] Thomas Farole and Lotta Moberg, "It Worked in China, so Why Not in Africa?: The Political Economy Challenge of Special Economic Zones," Working Paper, World Institute for Development Economics Research (WIDER) (United Nations University, 2014), https://www.wider.unu.edu/publication/it-worked-china-so-why-not-africa.

[54] Farole and Moberg.

events that have stymied the project in Honduras and reviews existing research on factors that would promote success in charter cities. This thesis operates somewhat as a postmortem, analyzing why the project did not proceed as intended and if/how future attempts could be more successful. Based on this, it is possible to comment on whether the charter city model should be adjusted, or if specific contextual elements are necessarily fatal to the project's success.

Finally, this study considers the impact of charter cities on migration. Proponents of charter cities have speculated that these zones would provide a migration alternative. Some refugee scholars advocate for development programs in troubled areas as a flight alternative.[55] Development programs like CIREFCA that have been coupled with refugee and migration policy could provide guidelines for a workable charter. Analysis of charter cities theory and the case study in Honduras allows recommendations on the feasibility of this theory.

---

[55] Alexander Betts and Paul Collier, "Help Refugees Help Themselves," *Foreign Affairs*, November 2015, https://www.foreignaffairs.com/articles/levant/2015-10-20/help-refugees-help-themselves.

II.   HONDURAS IN CONTEXT

Why is Honduras perennially one of the most violent countries in the world among peace-time nations?[56] If this was a simple question, domestic policymakers and international allies could easily create strategies to confront the issue. In reality, the problem is complex and multifaceted, with roots in inherited structures from the colonial history of Central America. Understanding this issue must trace back to Central America's colonial history and the political systems that evolved from the period. Tumultuous 20th-century politics in these nations have laid a shaky foundation for the civilian democracies that followed. In this volatile context, gang participation has exploded producing chart-topping homicide rates.

A.   COLONIAL BACKGROUND

Analysis of the complex problems facing Honduras today must begin with an understanding of the history of the region, dating back to the colonial period. Although each country has a unique history, the scholars Booth, Wade and Walker identify common trends that have created a problematic context within Central America.[57] They draw attention to the fact that Spanish conquistadores sought primarily to exploit the land and extract riches for their home country. They compare this dynamic with the experience in North America, where Europeans searching for a better life aimed to settle in a new land, fostering a landed middle class. This resulted in significant wealth concentration, leaving little room or interest for a middle class to develop.

The legacy of this colonial system created the foundation for continued wealth inequalities that have persisted in Honduras. Booth, Wade, and Walker elaborate on the popular notion of dependency that developed in Central America. According to their analysis, the two elements that must be present for dependency to exist are "an income-concentrating, externally oriented, externally conditioned form of capitalism" and "political systems controlled by privileged minorities who benefit from such poorly distributed growth." In such a system, they

---

[56] United Nations Office on Drugs and Crime, "Intentional Homicide Victims."

[57] Booth, Wade, and Walker, *Understanding Central America*, 24.

argue, average citizens have little opportunity for improvement in their standing, an extreme concentration of wealth is likely, and economic growth is not likely to improve the lives of most citizens. Therefore, while some data may point to economic growth and increased wealth in the region, this can be misleading if it does not account for the narrow demographic that these improvements tend to benefit.

B.   POLITICAL FACTORS

Honduras has a relatively stable political history, despite being a somewhat new civilian democracy. Although military forces ruled the country into the 1980s, Honduras did not endure a civil war of the magnitude experienced in other Central American countries. It is likely that this political stability encouraged moderation, even within a military regime. Beginning in 1980, the military leadership directed a gradual process of transition to civilian control, which reached completion in 1996. However, Honduras has been the latest to succumb to a coup in 2009, a testament to the fragility of young democratic systems. Manuel Zelaya was elected president in 2006 and pursued a left-leaning agenda and closer ties with Venezuela.[58] On June 28, 2009, Zelaya was overthrown and replaced by Roberto Micheletti, leader of the right-wing faction of the Liberal Party, of which Zelaya was also a member.[59] The United States has denied any direct role in overthrowing Zelaya,[60] but the Obama administration's lukewarm response was criticized as implicitly condoning the coup. This instability and deterioration of the rule of law has promoted increased poverty and crime since 2009.[61]

---

[58] Todd Gordon and Jeffrey R. Webber, "The Overthrow of a Moderate and the Birth of a Radiclizing Resistance: The Coup Against Manuel Zelaya and the History of Imperialism and Popular Struggle in Honduras," in *The New Latin American Left: Cracks in the Empire*, ed. Barry Carr and Jeffrey R. Webber (Lanham, MD: Rowman & Littlefield, 2013), Chapter 15, https://ebookcentral.proquest.com/lib/ebook-nps/reader.action?docID=1034722.

[59] Gordon and Webber.

[60] Brian Loveman, *No Higher Law: American Foreign Policy and the Western Hemisphere since 1776* (Chapel Hill: The University of North Carolina Press, 2010), 394.

[61] Booth, Wade, and Walker, *Understanding Central America*, 211.

Douglas Farah's analysis points to weakened political institutions as the primary factor that has allowed Transnational Organized Crime (TOC) to thrive since the 2009 coup.[62] Following the coup, most government institutions "virtually ceased to function" and foreign aid disappeared.[63] This allowed TOC organizations to fill the vacuum with money, cocaine, and corrupt political systems, particularly along drug trafficking routes.[64] Subsequent elections have resulted in weak ruling institutions that often wield less influence, power, and resources than the now-entrenched TOC groups.[65]

Since the 1990s, Honduras has undergone significant political transitions and embarked on a campaign of democratization. Cruz postulates that shortcomings in forging the new political order are the root cause for these countries becoming mired in crime.[66] In his assessment, the elites and influencers of the previous regimes derailed subsequent political reforms from the start, because they "were unable and unwilling to remove many of the institutions and practices that had been prevalent under the old regimes."[67] He goes on to identify two key components that undermined post-democratization reforms. First, political leaders transitioned members of the old security institutions into leadership roles of new law enforcement mechanisms. Second, the elites who oversaw the reforms failed to address the need for accountability and did not establish oversight mechanisms, allowing corruption to take hold. In essence, inadequate political reforms after the establishment of democratic civilian control failed to adequately depart from the old order and doomed these nations with weak political institutions that allowed corruption and instability to flourish.

---

[62] Douglas Farah, "Central America's Northern Triangle: A Time for Turmoil and Transitions," *PRISM: The Journal of Complex Operations* 4, no. 3 (September 2013): 99, https://search.proquest.com/docview/1441703627?rfr_id=info%3Axri%2Fsid%3Aprimo.

[63] Farah, 99.

[64] Farah, 99.

[65] Farah, 100.

[66] José Miguel Cruz, "The Root Causes of the Central American Crisis," *Current History* 114, no. 769 (February 2015): 43–44, https://search.proquest.com/docview/1700671401?rfr_id=info%3Axri%2Fsid%3Aprimo.

[67] Cruz, 44.

Bruce Bagley provides a similarly critical analysis of political reform in Latin America that highlights the difficulty of democratization in Honduras.[68] He emphasizes that while it is relatively simple to sweep away old institutions that have reached their life span, it can be much more difficult to replace them with a functioning alternative. Many attempted reforms are "stymied or derailed entirely by institutional corruption and criminal violence intended to limit or undermine state authority and the rule of law."[69] In the absence of new, readily-available institutional mechanisms, the tendency in Latin America has been to carry over remnants of the old systems. Bagley clarifies that his argument is not that democratic transitions are doomed to fail, but simply emphasizes the practical obstacles to democratization that are often overlooked. For example, organized crime has a natural tendency to permeate fragile political systems, which has had a role in destabilizing Honduras' democratic transition.

C.   CRIMINALITY AND VIOLENCE

With regard to economic history, Booth, Wade, and Walker identify Honduras as somewhat of an outlier, distinct from other Central American nations in its largely agrarian tradition.[70] On average, Hondurans were actually poorer than Salvadorians or Guatemalans in the mid-1900s, but their economy relied more on subsistence production than exports.[71] This tended to diminish the gap in wealth between upper and lower classes, as a small elite benefitting from the external economy did not develop to the extent it did elsewhere in the region.[72] The land was generally accessible with little concentrated ownership, which helped prevent the development of a belligerent, landless class.[73]

Cruz describes neoliberal economic changes of the 1990s as insufficient or even counterproductive, despite registering some positive metrics of fiscal stabilization and

---

[68] Bruce Bagley, "The Evolution of Drug Trafficking and Organized Crime in Latin America," *Sociologia, Problemas e Práticas*, no. 71 (January 2013): 99–123, https://doi.org/10.7458/SPP2013712333.

[69] Bagley, 118.

[70] Booth, Wade, and Walker, *Understanding Central America*, 209–11.

[71] Booth, Wade, and Walker, 210.

[72] Booth, Wade, and Walker, 215.

[73] Booth, Wade, and Walker, 210–15.

economic recovery.[74] These reforms included privatization of state companies, trade liberalization, loosening of labor laws, and tax reform.[75] However, he notes that these actions failed to reduce unemployment, especially within working classes, and many workers were forced to migrate from formal sectors of the economy to informal ones, characterized by low wages and job uncertainty. The expansion of the value-added tax throughout Central America also resulted in reduced purchasing power, particularly for low-wage employees in a society devoid of adequate assistance programs.[76] Rather than experiencing increased opportunity in these new democracies, many citizens felt pathways of upward social mobility were nonexistent. As a result, Cruz finds that inequality increased and migration surged—tripling in Honduras between 1990 and 2000.

With few pathways for improvement in legal economic arenas, many Honduras who remained in their country saw criminal networks as one of the few avenues for subsistence. The nature of drug smuggling is typically not alluring, but there are often few moral reservations to operating a lucrative system at odds with state policy. Farah's study indicates that in regions with low state control or even disdain of predatory state corruption, participation in smuggling tends to become an accepted part of local culture.[77] It is seen as a regional community alternative in a context where economic development is stagnant and state assistance inadequate. For example, one popular drug smuggling route along the Honduras-Guatemala border is known as "the cheese route," referring to its famous history as a pathway for smuggling Honduran cheese to El Salvador at the start of the 20th century.[78] Cheese or cocaine, disenfranchised people often gravitate to smuggling as a result of a lack of other options.

Poor economic indicators can be seen as both cause and effect of violence, creating a cycle in which violence inherently deters economic growth. Referencing UNODC information,

---

[74] Cruz, "The Root Causes of the Central American Crisis," 45.

[75] Cruz, 45.

[76] Cruz, 45.

[77] Farah, "Central America's Northern Triangle: A Time for Turmoil and Transitions," 97.

[78] Farah, 97.

Gino Costa points to four factors that are associated with murder rates: human development, rule of law, availability of firearms, and drug trafficking/organized crime.[79] Costa points out that "Latin America is a paradox because it has relatively high human development indices; its high murder rates are better explained by the persistence of high levels of income inequality and the activities of organized crime, the latter likely being fueled by the former."[80] In Latin America, this income inequality can be traced back to colonial-era policies that led to power consolidation among 20th century political and economic elites, which were inadequately dismantled during post-transition democratic reforms.

However, Costa cites some measures of progress from Latinobarómetro surveys on crime victimization. This category measures attacks and assaults, as opposed to murders, and has shown encouraging trends. Costa indicates that reported incidents increased by 14% from 1995 to 2001, but then decreased 11% by 2006 with minimal fluctuation since then. The overall incidence of around 31% remains high compared to the average of 16% among developed nations, but Costa contends that decrease in victimization is "probably related to economic growth in the hemisphere and to decreases in unemployment, poverty, and, in some countries (albeit slightly), inequality."[81]

Violence in Honduras has traditionally been among the most severe in Central America. Kidnappings have taken a particular toll on businesses and foreign investors, who recoiled from Honduras. Government efforts to crack down and the hardline *mano dura* ("firm hand") policy resulted in retaliation and greater violence. Additionally, since 1990, there has been a rise in extrajudicial killings of Honduran youths suspected of gang involvement, some of which was sponsored by state and private security forces.[82]

---

[79] Gino Costa, "Citizen Security and Transnational Organized Crime in the Americas: Current Situation and Challenges in the Inter-American Arena," *Sur: International Journal of Human Rights* 9, no. 16 (June 2012): 127–49, https://search.proquest.com/docview/1629332215?rfr_id=info%3Axri%2Fsid%3Aprimo.

[80] Costa, 129.

[81] Costa, 130.

[82] Booth, Wade, and Walker, *Understanding Central America*, 218.

Savenije and van der Borgh provide one of many analyses depicting the gang as a source of social cohesion and protection.[83] Youth gangs tend to be most active in poor and marginalized neighborhoods, and often become the most salient entity of cultural identification. They are seen as the defenders of their dominion, protecting their group from other gangs. Their study also finds that the mass influx of deportees from the United States is a crucial factor in surging gang membership. Having already squandered their options of flight, many at-risk youths see fighting for one gang or the other as their only option for social and community integration.[84]

Farah identifies the end of armed conflicts and military regimes as the starting point for increased TOC activity.[85] The peace processes of the 1990s failed to "appreciate the depth of key clandestine networks that supplied all sides of the conflicts with weapons, intelligence, and broad international support networks."[86] This framework of clandestine organizations, he argues, morphed into bands of organized criminal groups and became self-financing entities with growing economic and political elements to their operations.

Ivan Briscoe and Pamela Kalkman have shone additional light on the link between criminality and the state in Latin America, arguing that it is nothing new.[87] Public frustration with corruption has become a primary grievance in Central America, at least on par with drug trafficking, crime, and emigration.[88] These grievances indicate that corruption is no longer viewed as an isolated affair, rather "the core apparatus of the state system and its most basic services… [have] become protected spaces in which political appointees [can] exploit the law and their mandates for personal and factional advantage."[89] Briscoe and Kalkman go on to

---

[83] Wim Savenije and Chris van der Borgh, "Youth Gangs, Social Exclusion, and the Transformation of Violence in El Salvador," in *Armed Actors: Organized Violence and State Failure in Latin America*, ed. Kees Koonings and Dirk Kruijt (London: Zed Books, 2004), 166.

[84] Savenije and van der Borgh, 165–67.

[85] Farah, "Central America's Northern Triangle: A Time for Turmoil and Transitions," 102.

[86] Farah, 97.

[87] Ivan Briscoe and Pamela Kalkman, "Illicit Networks: Rethinking the Systemic Risk in Latin America," *PRISM: The Journal of Complex Operations* 5, no. 4 (2015): 153, https://search.proquest.com/docview/1762303419/abstract/344D02519389457EPQ/1?accountid=12702.

[88] Briscoe and Kalkman, 158.

[89] Briscoe and Kalkman, 158.

illustrate that it is a misconception to think of the state as a traditional adversary of criminality in Latin America. Rather, criminal activity has arisen within states that have not only accepted but wielded significant control in their illicit activities,[90] integrating criminal elements with state administration.

Although he does not specifically address Latin America, Moisés Naim develops a theory of "mafia states," in which criminal organizations infiltrate and all but take over the political apparatus of a nation.[91] He acknowledges that the connection between criminal organizations and political institutions is not novel, but identifies recent developments that have made this relationship more pernicious. The global economic crisis has been instrumental in enhancing the influence these organizations wield within governmental systems. Amidst struggling global economies, cash-rich criminal organizations have capitalized on the consistent demand of their lucrative illicit activities.[92] Their steady profits have allowed them to take over struggling businesses in industries that law-abiding citizens would normally dominate. Criminal organizations have traditionally sought political influence, much in the same way as private enterprises. However, the growing strength of criminal organizations, in the context of a global economic downturn, has increased the effectiveness of criminal organizations in penetrating upper echelons of politics.[93] Additionally, as criminal organizations achieve political power, they are able to utilize the strengths of both their criminal syndicates and the political apparatus. This gives them both fluidity in operations, from not being constrained to borders or international law, as well as global geopolitical influence, as a result of being inextricably affiliated with a nation's political arm.[94] This dynamism contrasts with the clunky bureaucracy of federal and local law enforcement agencies that are attempting in vain to curtail the power of mafia states.

---

[90] Briscoe and Kalkman, 160.

[91] Moisés Naím, "Mafia States: Organized Crime Takes Office," *Foreign Affairs*, May 2012, https://www.foreignaffairs.com/articles/2012-04-20/mafia-states.

[92] Naím.

[93] Naím.

[94] Naím.

III. CHARTER CITIES THEORY

The impetus for charter cities begins with a problem: population growth continues to accelerate and more urbanization is expected in the 21st century than has occurred throughout the rest of human history.[95] Rates of urbanization have already begun increasing and the UN estimates there will be an additional 2.5 billion urban residents by 2050.[96] The developing world is expected to be the site of most of this urban growth.[97] Fuller and Romer believe this urbanization should be well-planned, otherwise "if the existing cities… simply grow by accretion, many people will end up in dangerous slums."[98] Proponents of charter cities correctly identify the problem that as urbanization increases, cities built without a plan tend to leave large swaths of individuals mired in poverty and with limited access to basic needs. However, examination of charter cities theory and its proposed structural framework show that this development initiative is far from an easy fix to a complicated problem.

A. PAUL ROMER'S VISION

Paul Romer introduced the concept of charter cities in a 2009 TED Talk, and much of the literature on the subject is based on this presentation and his subsequent writings. In his talk, Romer begins by observing a problem: bad rules in the developing world prevent technological innovation, limiting economic growth and perpetuating poverty.[99] He proposes changing bad rules and creating a system of "rules for changing rules" based on offering more choices to leaders and citizens. This would create a test bed where alternative ideas could be attempted, and if successful, adopted on a larger scale or become the new

---

[95] Paul Romer and Brandon Fuller, "Cities from Scratch: A New Path for Development," *City Journal*, Autumn 2010, https://www.city-journal.org/html/cities-scratch-13325.html.

[96] Mark Lutter, "Creating the Charter Cities Ecosystem," lecture (San Francisco: Center for Innovative Governance Research Conference, September 26, 2018), https://medium.com/@marklutter/creating-the-charter-cities-ecosystem-b34ca45c2a1a.

[97] Romer and Fuller, "Cities from Scratch."

[98] Romer and Fuller.

[99] Romer, "Why the World Needs Charter Cities."

normal. If leaders have the ability to implement new rules and citizens have the ability to choose between old and new systems, the more beneficial rules will create a more thriving environment and attract citizens who want to operate under those rules.[100]

To support his emphasis on the importance of rules, Romer cites the example of North and South Korea--two countries with similar histories, norms, and values. When the two became independent states, they adopted very different sets of rules and embarked on divergent developmental paths. The result can be seen in satellite images of the two countries, showing much less development in the North.[101] This suggests that in broad terms, the rules a country elects have a significant effect on development outcomes.

Additionally, China has historically been a leader in pioneering new technologies, but they did not develop a set of rules (or profit motive) for spreading their innovation.[102] As a result, China's economy stagnated throughout the 20th century compared to leading world economies.[103] However, this changed in the 1970s when their economy started to boom and gain considerable ground in terms of GDP compared to the United States.[104] Romer attributes the change to Hong Kong, which operated under the rules of a thriving western, market economy and was administered by the British. China's leader Deng Xiaoping decided to align portions of his country with the economic rules and market-based practices in Hong Kong. He did this in 4 special zones, followed by 14 coastal cities, giving citizens the option to opt in or not.[105] Rules in these areas created conditions favorable to foreign investment and spurred economic growth. The success and opportunities in these zones caused people to flock there and eventually created consensus that the whole country should move toward the market model.

---

[100] Romer.

[101] Romer.

[102] Romer.

[103] Romer.

[104] Romer.

[105] Romer.

Romer seeks to apply this theoretical concept within the framework of a charter city. In his talk, Romer identifies two critical elements that should be adopted to foster progress and development. First, preserve choice. The charter city should not be imposed, but built from scratch on uninhabited land giving citizens the choice to opt-in, or remain in the previous system. Second, operate at an appropriate scale. The charter city is an ideal size, as it is large enough to produce conclusive data and shift prevailing practices, but small enough to measure comparative outcomes against a prevailing norm. It is critical that not everyone adopt the new system, because the results will determine if the alternative system is superior to the existing one.[106]

In Romer's plan, a charter would specify the rules under which the city would operate. This would attract businesses, investors, and individuals who believe that the charter offers a favorable set of guidelines. Therefore, a new city could become a test-bed for the rules proposed in its charter.[107] Romer goes on to describe three requirements for a successful charter city:

1. Good rules delineated in a charter

2. Choice for citizens, based on starting cities in uninhabited areas

3. Choices for leaders, based on international partnerships and cooperation

The protection of citizen choice is inherent in his model of building a new city on uninhabited land, in that no one has the charter imposed on them. Because the charter city is based on inhabitants opting-in, there is no need to build a coalition of support. This gives developers carte blanche to try something new without having to negotiate the benefits and drawbacks with potential opponents. Leaders are able to choose new policies, with countries partnering together to implement proven rules, similar to the way China adopted British systems that were successful in Hong Kong. Romer recognizes that the comparison to Hong Kong is likely to draw criticism as a resurrection of colonialism, but he dismisses

---

[106] Romer.

[107] Romer.

this based on identifying the negative elements of colonialism as coercion and condescension, neither of which are present in his model.

Furthermore, it is important to note that charter cities are not explicitly designed to provide growth and development, they are simply a framework to depart from the standard operating practice. In cases where they succeed, it would be expected that their systems become the norm, but in other instances the experiment may fail and prevailing systems would be unlikely to change. Romer also addresses the distinction between academics pioneering these ideas and the policymakers who are implementing them. While he contends that "a failure of imagination" is the most significant impediment to his proposal succeeding (or at least being attempted), he acknowledges that many technical details need to be resolved at the policymaker level.[108] While the academic nature of this proposal represents an opportunity to test novel approaches to pervasive problems, the real implications of its failure or success rests upon the policymakers, investors, and citizens who would inhabit the new city.

Romer's essays further explore many of the concepts presented in his first TED Talk. He emphasizes that rules play a critical role in development, perhaps more than more obvious factors, like technology and capital.[109] He defines rules as "ideas about how to structure interactions among people," and believes that charter cities would require "democratic meta-rules," or rules about changing rules that a population agrees to accept.[110] This would ensure that a rules-based framework is chosen and maintained in a way that benefits charter city investors, legislators, and residents. Romer identifies finding "meta-rules that encourage productive changes in systems of rules" as the key challenge in designing charter cities.[111]

Based on the belief that a partner government is an important component of charter cities, Romer and his colleague Brandon Fuller published a report through a Canadian

---

[108] Romer.

[109] Romer, *Technologies, Rules, and Progress.*

[110] Romer.

[111] Romer.

public policy institute aimed at courting Canadian support. This emphasizes the role of good governance in creating effective rules and giving legitimacy to practical institutions of government. In this model, the developing country would cede some degree of sovereignty as host and source, while the partner country ensures the charter is upheld and imports its norms within the charter city.[112] While this report elaborates on the framework for charter cities, it is thin on identifying incentive for the partner government, other than a beneficial context for foreign investment and potentially more effective form of development aid.

B.   STRUCTURAL FRAMEWORK

The idea of establishing a zone with distinct rules builds upon several historical cases. Romer cites an 11th-century episode in Malta in which freed captives were given the opportunity to remain and work under as tenants under a specified framework.[113] In the 12th Century, Henry the Lion of Germany invested in the fledgling city of Lubeck and drafted a governmental framework that created a trading center and became the powerful Hanseatic League.[114] A more familiar example would be King Charles II giving William Penn authority to write the charter for Pennsylvania, which was one of the first to provide legal guarantees of freedom of religion.[115] This provision attracted colonists who valued the rule and as this system became seen as beneficial, its ideas spread and were adopted in more charters or constitutions.[116] The American frontier is another example of a zone where innovative rules were implemented, seen as beneficial, and came to modify norms and become the prevalent ideology in a state.

The structure of charter cities could vary considerably depending on the context in which it is being implemented, but Romer and his supporters have crafted some general

---

[112] Fuller and Romer, *Success and the City*.

[113] Romer and Fuller, "Cities from Scratch."

[114] Mallaby, "The Politically Incorrect Guide to Ending Poverty."

[115] Romer and Fuller, "Cities from Scratch."

[116] Fuller and Romer, *Success and the City*.

guidelines. Fuller and Romer identify four common elements that all charter cities would share:

1.   An undeveloped piece of land large enough for a city

2.   A charter that specifies the broad governing rules

3.   Voluntary entry and unrestricted exit for residents, employers, and investors

4.   Equal treatment under the law for all residents[117]

They suggest 1,000 square kilometers as an ideal target size, which is roughly the size of Hong Kong and Singapore. The city charter should focus on general principles for establishing and enforcing the city's rules. The specific rules and regulations should be decided upon by the city's policymakers and residents, based on experimentation and consensus on what is preferential. The commitment to choice ensures that host countries enter the project willingly and that investors and residents choose the city's model, as opposed to having it imposed upon them.

In addition to meeting these basic criteria, successful implementation relies on cooperation between nations. Fuller and Romer describe the three potential roles for participating countries: host, source, and partner. The host country provides land where the charter city is located. The source country (or countries) provides individuals who are willing to reside in the charter city under its provisions. The partner country enforces provisions of the city's charter and lends legitimacy to its administration. One country could assume all three roles (as China did when establishing Shenzhen) or divide the responsibilities between several.[118] Romer's idea for charter cities to assist the developing world relies on at least one partner nation to administer its successful systems.

Although Romer's vision for charter cities expands on historical precedents, there is some contemporary engagement with his ideas. Economist Tyler Cowen describes three

---

[117] Fuller and Romer, 7.

[118] Fuller and Romer, *Success and the City*.

types of charter cities: minimal, hegemon-backed, and exported culture.[119] The minimal charter city model involves applying certain rules and policies rather than a broad administrative framework, making it somewhat less applicable to the large-scale proposal Romer advocates. The hegemon-backed charter city requires a foreign country to apply and enforce its laws in an external jurisdiction, similar to British governance in Hong Kong or U.S. influence in Puerto Rico. Charter cities based on an exported culture would adopt both the laws and culture of another country, like Singapore choosing to incorporate British customs and mores into its system of government. Romer's charter cities are most likely to fall into the hegemon-backed category, with the others being either too small-scale or very difficult to successfully implement.

Romer does not see the requirement of uninhabited land as a limiting factor based its prevalence around the world. He contends that only 4% of the earth's arable land is currently urbanized, leaving ample area for development. Although availability may not be a limitation, Romer is unclear on how uninhabited or remote areas might become appealing as centers of development. Figure 1 shows arid land Romer considers suitable for a charter city. To support his argument, he cites Hong Kong and Singapore as planned settlements that developed as centers of commerce and brought in wealth and increased land value. As these cities grew, leadership reinvested in the city and increased its administrative capacity, creating a growth → profit cycle and facilitating the development of a metropolis where little had existed before. These examples carried beneficial charters from their inception, but were also built on areas of existing development and inextricably linked with colonialism.[120] Romer hopes that mutual buy-in from sponsoring and host governments can create the idea-sharing and development of colonialism without the exploitation and subjugation that often came along with it.

---

[119] Tyler Cowen, "The Three Kinds of Charter Cities," *Marginal Revolution* (blog), September 22, 2018, https://marginalrevolution.com/marginalrevolution/2018/09/three-kinds-charter-cities.html.

[120] Emily Hamilton, "Urban Development in Charter Cities," Market Urbanism, September 13, 2012, https://www.marketurbanism.com/2012/09/13/urban-development-in-charter-cities/.

Figure 1.   Romer's Example of Available Land in Africa.[121]

C.   LEGISLATIVE CONSIDERATIONS

A primary challenge of charter city governance comes from working out the details of creating an enclave. In order for the enclave to operate, the host nation would have to cede some of its sovereignty within the designated zone, which Romer describes as a "delegation of control" from one country to another to take over certain administrative responsibilities.[122] The legal status of charter city land is somewhat unclear, as ceding sovereignty implies that the host country would transfer ownership of that land to the sponsor country. Theoretically, the benefits that may come from foreign development in the charter city might be worth giving up control of the charter city and allowing a portion of its benefits to be siphoned off by the sponsor country. However, formulating a legal framework for this is a daunting proposition, especially in the developing world where land titling is often ambiguous and poorly-administered.

Fuller and Romer identify weak governance as the greatest threat to establishing a charter city, and highlight the importance of sponsor-country legal systems in stopping

---

[121] Source: Romer, "Why the World Needs Charter Cities."

[122] Romer.

administrative violations, preventing corruption, and ensuring contracts between the host nation and foreign partners are honored.[123] Rule of law provided by a guarantor legal system is likely to reassure private investors and increase their propensity to provide essential funding for the charter city. They also contend that a sponsor-country-administered legal system would provide neutral public arbitration and reduce conflict between opposing host-country entities. Host-country citizens and residents could carry out the charter city's legal and administrative tasks, but they would follow the sponsor-country model and appeal to its higher bodies as final authority.[124]

Going beyond these broad structural guidelines, founder of the Charter Cities Institute Mark Lutter expands on the complexities in getting a charter city off the ground. He breaks the project down into three primary dimensions: real estate, governance, and politics.[125] Building the physical elements of a charter city will require significant investments in real estate. Lutter estimated that hundreds of millions, if not billions of dollars would be needed to develop a suitable charter city. In the developing world, the required foundation of housing, utilities, and transportation networks would likely be funded by individual or corporate investors. Governance of the charter city would be most effective the host country allowed the charter city to be legally autonomous. The charter city could then create an independent legal system or import one from a partner nation. Lutter cites precedent for this in Dubai's breaking from Islamic law and creating the Dubai International Financial Centre (DIFC) to govern its financial laws. Finally, the host country should grant the charter city enough political autonomy to manage their politics independently. This does not mean that foreigners would exclusively administer the charter city, but that partner nation political guidelines would govern the political systems within the city.

---

[123] Romer and Fuller, "Cities from Scratch."

[124] Romer and Fuller.

[125] Lutter, "Creating the Charter Cities Ecosystem."

Lutter takes a long-term approach to charter cities, arguing that building a foundational "ecosystem" at an almost grassroots level is necessary from the start.[126] He views charter cities as a paradigm shift in development, more than isolated ventures. First, he identifies eight groups of stakeholders: "Silicon Valley, technocrats, development banks, the humanitarian community, financiers, real estate companies, special economic zone operators, and politicians."[127] These groups should establish a community willing to collaborate on implementing their respective element of charter cities. He believes that none of these stakeholders have the capacity to successfully implement a charter city individually, but their collaboration can result in a workable outcome. The next step is for the cohort of stakeholders to devise a "shared mental model" for a charter city.[128] Essentially, this means that the group of charter city proponents should come to agreement on some basic practical elements of charter cities. Questions such as the degree of legal autonomy required, the extent to which a foreign legal system can be imported or should be adapted to host country norms, the ideal legislative structure for governance and infrastructure, and others should be addressed. Lutter does not provide answers to these questions, but highlights the benefit of reaching consensus on many of the most fundamental elements. Instead of courting groups or individuals to be involved in a charter city, Lutter expects that building an ecosystem of knowledgeable and committed proponents will lower transaction costs and streamline implementation of a charter city when the time comes. His "shared mental model" amounts to a broad, formalized set of guidelines that would precede the specific city charter, so that every project would not have to start entirely from scratch.

Fuller and Romer also describe the potential for public-private partnerships in establishing a charter city. Infrastructure would need to be built and public services like police, firefighters, and courts would need to be funded.[129] Cities typically use taxes to fund these kinds of requirements, but Fuller and Romer propose long-term leases as an

---

[126] Lutter.

[127] Lutter.

[128] Lutter.

[129] Romer and Fuller, "Cities from Scratch."

alternative. The owner of charter city land could enter into a lease with a private developer, using rent collected to fund government projects.[130] This assumes that land is either owned by the state or an individual willing or obligated to invest rents into the administration of the charter city. Theoretically, if charter cities were developed on uninhabited land, one would expect individuals or the state to own the land outright and debt-free. This system operates on a cyclical relationship between developers who want to increase the value of their leased land, and the government who wants to make their city a desirable place that benefits developers, whose success yields greater rents.[131] Importantly, Fuller and Romer also touch on the idea that charter city and host country citizens may vote to potentially return the charter city to the host nation after some time. Based on the potential for this to cause conflict and uncertainty, it may be helpful to have a proposed transfer of control (and direction on whether the city charter rules will remain in effect) written into the charter, so that all players are aware of the long-term expectations for the charter city.

The host country might be willing to enter this type of relationship because sponsor-country backing would provide legitimacy and encourage investors to pump money into the special zone, where they would normally not entertain the idea of investing in the host country. Investors are likely to see charter cities as a desirable proposition, able to reap the benefits of a developed country's stable administration system and favorable economic policies of a developing country. Sponsor-country incentives to promote development of the host country are least clear, other than increasing its own prosperity based on the success of the charter city. Many sponsor-country citizens would be required to handle the ground-level administration work, but host nation citizens would also be integrated into the fabric of the new city.

---

[130] Romer and Fuller.

[131] Romer and Fuller.

THIS PAGE INTENTIONALLY LEFT BLANK

IV. THE HONDURAS EXPERIMENT

Romer followed up his 2009 TED Talk with another in 2011, in which he gave an optimistic update based on Honduras' interest in implementing the world's first charter city.[132] His first TED Talk caught the attention of Honduran government officials, who contacted and subsequently met with him. In January 2011, at the request of Honduran President Porfirio "Pepe" Lobo, Romer visited Honduras and spoke in the National Congress. According to Romer, at this point Honduras was on track. It had a congressionally-approved constitutional mandate, a site had been selected, technocrats were traveling to Singapore and South Korea to study urban development, and potential inhabitants could be seen in those migrating in search of alternatives to the status quo in Honduras.

This chapter demonstrates how the project in Honduras departed from Romer's theoretical model and became an entirely different venture. It is necessary to identify significant stakeholders and their impact, as well as understand the chronology of what transpired. An assessment of the legal and constitutional challenges to the project also shows how questions of legitimacy have stymied the project in its nascent stages. The charter cities project in Honduras is an example of an auspicious development initiative that failed to take off as anticipated. Figure 2 shows two primary areas that remain identified for potential ZEDE development. Although the Honduran government is still promoting the idea, it is vastly different from the original concept and an entirely different project from what Romer envisioned.

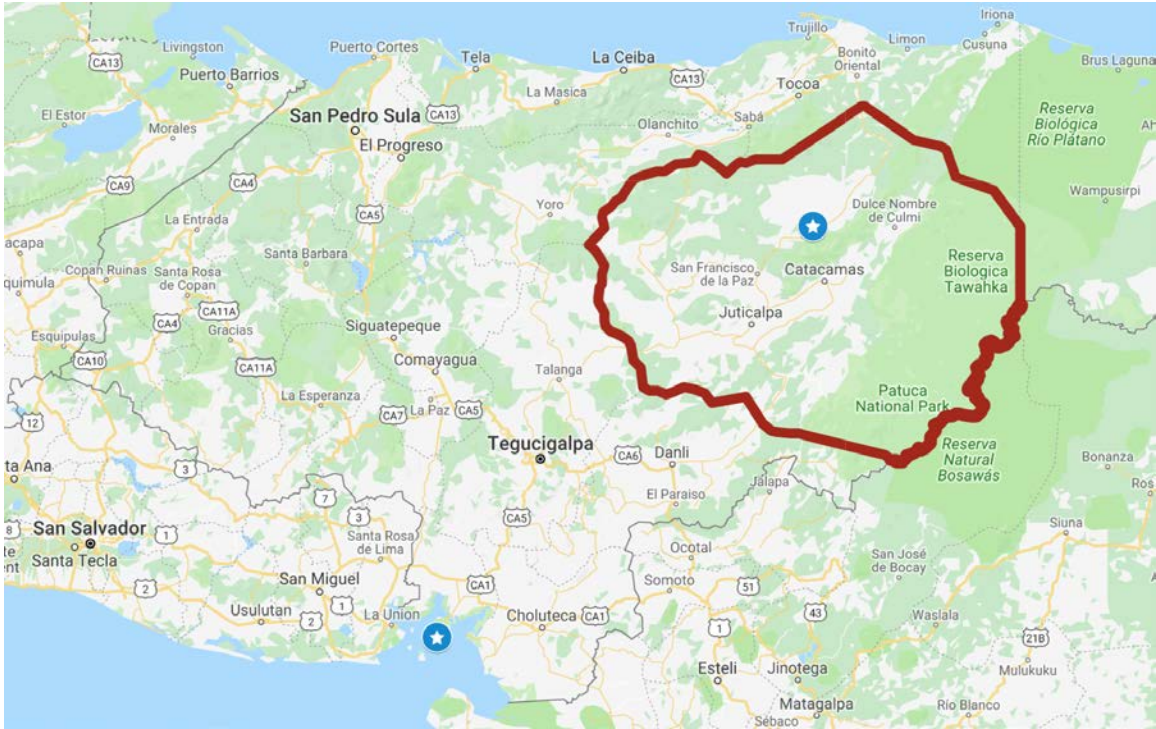[132] Romer, "The World's First Charter City?"

Figure 2. Approved ZEDE Locations in Olancho Department and Ampala.[133]

A. PARTICIPANTS AND STAKEHOLDERS

As an introduction to the case study of Honduras, this section examines key parties and stakeholders involved in the project. This includes political and legislative actors, international partners, and residents who stand to be affected by charter cities. Clearly, those pursuing the project are its strongest supporters, international partners have provided mixed levels of support, and local citizens have tended to be the most vocal opponents of the project.

In his 2011 TED Talk, Romer identifies "Xavier and Octavio" as two key players, referring to Xavier Carazo (private secretary to Honduran President Roberto Maduro--President Zelaya's predecessor) and Octavio Sanchez (advisor to President Maduro and later chief of staff for President Lobo--Zelaya's successor following post-coup

---

[133] Adapted from Google Maps, *Approved ZEDE Locations*, August 13, 2019, https://drive.google.com/open?id=1sL-GR1rR8Zw7UXKseHAqHfsgL6H_oSHp&usp=sharing.

elections).[134] According to Romer, Carazo and Sanchez came across his 2009 TED Talk and arranged a meeting with him. After this, President Lobo became interested in the idea and invited Romer to Tegucigalpa, where he presented a lecture to the National Congress advocating his proposal. As two of the early proponents of charter cities, Carazo and Sanchez establish a link between supporters of charter cities and the administrations that preceded and succeeded Zelaya. Politically, while Zelaya had begun to move the country left, the coup brought the political leadership back to the right and more closely aligned with U.S. partnership and ideology. Thus, it was the right-leaning, post-coup administration that first expressed interest and offered-up Honduras as a test bed for the first charter city according to Romer's model.

Romer attempts to highlight the strength of Honduras' support for his idea, stating that Congress voted 124–1 in favor of constitutionally legitimizing REDs. He contends that, "all parties, all factions in society backed this,"[135] but that is not entirely true. All of Congress may have supported it, but that same Congress opposed Zelaya's presidency enough to authorize his removal by the military. Furthermore, opposition parties boycotted the election after the coup, giving the conservative National Party an overwhelming majority of representation.[136] Congress' unanimous support for the idea is more an indication of that body's political leanings than proof of broad support across all segments of society. The fact that Congress supported the removal of a democratically elected president suggests many Hondurans may disagree with its positions.

Romer also emphasizes the importance of a partner country, as they provide and enforce the rules upon which the charter is based.[137] The assurance that the charter's rules will be enforced is necessary to make foreign investors comfortable investing or assisting in

134 Annie Bird, "Privately Owned 'Charter Cities' in Honduras: Entire Urban Areas Handed Over to Corporations," Centre for Research on Globalization, Global Research, September 15, 2012, https://www.globalresearch.ca/privately-owned-charter-cities-in-honduras-entire-urban-areas-handed-over-to-corporations/5304672.

135 Romer, "The World's First Charter City?"

136 Casey R. Lynch, "'Vote with Your Feet': Neoliberalism, the Democratic Nation-State, and Utopian Enclave Libertarianism," *Political Geography* 59 (July 2017): 88, https://doi.org/10.1016/j.polgeo.2017.03.005.

137 Romer, "The World's First Charter City?"

the new city's development. The importance of this cannot be overstated--without enforcement from a credible partner nation, Honduran institutions would remain as the enforcement mechanism inside any special zones, and the premise of the charter city breaks down. The Supreme Court of Mauritius has agreed to be the court of final appeal for Honduran charter cities' judicial systems.[138] He also mentions South Korea and Singapore as two countries interested in developing cities, potentially in foreign areas. However, only South Korea conducted serious feasibility studies, and in 2017, after spending millions of dollars analyzing coastal Ampala, its development agency concluded the region is not suitable for a "megaport."[139]

The Transparency Commission is another entity that emerged as an advisory group to oversee the establishment of a charter city. This can be thought of as a compliment to the administrative role of a foreign partner, similar to a board of trustees.[140] Its members should be experts in economics and development, but have little to gain, other than the altruistic satisfaction of seeing a novel development initiative succeed. It is also designed as a mechanism to review agreements and guard against corruption. Initially, President Lobo appointed Romer and four others to the commission, but the decree creating this body was never officially published.[141] This allowed deals to be made without oversight, leaving the Honduran Congress as the only approval authority for decisions within charter city zones.[142] A second iteration of the Transparency Commission was later established in 2014 as the Committee for the Adoption of Best Practices (abbreviated in Spanish as CAMP).[143] This body was given expanded power and holds the authority for most administrative functions and decision making in a hypothetical charter city, independent of the Honduran

---

[138] "Hong Kong in Honduras," *Economist*, December 10, 2011, https://www.economist.com/international/2011/12/10/hong-kong-in-honduras.

[139] *Economist*, "Honduras Experiments with Charter Cities."

[140] Geglia, "Honduras."

[141] Tyler Cowen, "Paul Romer on What Happened in Honduras," *Marginal Revolution* (blog), September 24, 2012, https://marginalrevolution.com/marginalrevolution/2012/09/paul-romer-on-what-happened-in-honduras.html.

[142] Cowen.

[143] Maya Kroth, "Under New Management," *Foreign Policy*, September 1, 2014, https://foreignpolicy.com/2014/09/01/under-new-management/.

government.[144] Of the 21 members on the CAMP, only four are Honduran, including former President Maduro.[145] Beth Geglia has critically noted that, "the rest of the CAMP reads like a 'who's who' list of cold warriors and market fundamentalists."[146] Among the notable members are Mark Klugmann, former speechwriter to Presidents Ronald Reagan and George H. W. Bush and advisor to several right-wing Latin American presidents (including Maduro and Lobo); Ryan Whittlesey, former special assistant to President Reagan who rallied congressional and public support for the right-wing "Contras" in Nicaragua; Barbara Kolm, a libertarian economist with ties to Austria's populist Freedom Party; anti-tax crusader Grover Norquist; President Reagan's son Michael; and Archduchess Gabriela von Habsburg (yes, *those* Habsburgs).[147] While members of an oversight committee might be expected to be supporters of charter cities, the ideological homogeneity of this group gives a clear indication of its leanings and raises some questions of cronyism.

Some citizens who stand to be affected by ZEDEs are encouraged at the prospect of new jobs, but others have expressed concern and opposition based on both local consequences and the greater implications of charter cities in Honduras. Part of their criticism highlights a key departure from Romer's vision. Romer specified charter cities should be on uninhabited land, whereas Honduras has identified some populated areas as candidates for ZEDE locations. The uninhabited land provision is meant to allow freedom of choice for residents, as well as a clean slate from the entrenched interests and corruption of the status quo.[148] Ampala is one area where the local mayor supported ZEDE creation, but residents protested the imposition of foreign autonomy as a violation of their democratic freedoms and territorial sovereignty.[149] About 500 protestors demonstrated in nearby Zacate Grande in October 2014,

---

[144] Geglia, "Honduras," 357.

[145] Geglia, 358.

[146] Geglia, 358.

[147] Geglia, 359.

[148] Lauren Carasik, "Hondurans Don't Need yet Another Neoliberal Boondoggle," *Al Jazeera America*, July 20, 2014, http://america.aljazeera.com/opinions/2014/7/honduras-neoliberaleconomicdevelopmentcorruptionviolence.html.

[149] "Hondurans March Against Charter Cities in Zacate Grande," Telesur, October 24, 2014, https://www.telesurenglish.net/news/Hondurans-March-Against-Charter-Cities-in-Zacate-Grande-20141024-0021.html.

claiming the government had been forcing evictions to make room for private investment, which they did not feel would benefit the local community.[150] Many residents in these areas with humble livelihoods as fishermen have been reluctant to embrace a sweeping development initiative that may put their traditional way of life at risk, worrying that it will only enrich investors and concentrate wealth.[151] There is already tension between local communities and the handful of landowning families and oligarchs who own the majority of land in and around Ampala.[152] Because of this dynamic, development and increases in land value are likely to benefit a small group, at the expense of non-landowning locals who may be pushed aside to make room for more profitable ventures.

B.   SEQUENCE OF EVENTS

With an understanding of the theoretical framework and stakeholders involved, it is possible to explore what went wrong in Honduras. When he presented his 2011 TED Talk, Romer was noticeably excited about Honduras wanting to attempt his idea. He also felt that they were on sure footing and taking many of the right steps. However, Honduras made choices along the way that deviated from Romer's model, caused him to distance himself from the project, and transformed the entire venture into something different from what was originally proposed.

The 2009 coup set the stage for Honduras' experimentation with charter cities. Democratically elected President Zelaya had begun to move Honduras left and proposed constitutional changes, which were used as justification for his removal. Opposition parties boycotted political participation in subsequent elections, allowing the right-leaning National Party to consolidate its power. Romer gives a very surface level treatment of the 2009 coup, describing it instead as a constitutional crisis and uncritically accepting the so-called landslide victory that President Lobo won in subsequent elections.[153] Octavio Sanchez, chief of staff

---

[150] Telesur.

[151] Danielle Marie Mackey, "'I've Seen All Sorts of Horrific Things in My Time. But None as Detrimental to the Country as This.,'" *The New Republic*, December 14, 2014, https://newrepublic.com/article/120559/ive-seen-sorts-horrific-things-time-none-detrimental-country-this.

[152] Geglia, "Honduras," 360.

[153] Romer, "The World's First Charter City?"

to President Lobo, had an independent interest in models of government Honduras could copy to promote development that aligned with Romer's vision for charter cities.[154] After he saw Romer's TED Talk, Sanchez flew to Washington, DC in 2010 and asked him to assist Honduras in implementing his idea. The next month, Romer addressed the Honduran Congress and met with President Lobo, who agreed to attempt charter cities in Honduras.

In January 2011, just two months after Romer and Sanchez first met, the Honduran Congress approved a constitutional amendment authorizing the government to create REDs.[155] In December 2011, President Lobo authorized a Transparency Commission consisting of Romer[156] and four other international economists and executives.[157] However, in September 2012, the Honduran government signed a memorandum of understanding with the business consortium MGK without consulting the Transparency Commission.[158] MGK is a U.K.-based group of free-market, libertarian-leaning investors whose vision for model cities is based more on deregulation than good governance.[159] The Honduran government refused to share the details of this agreement with the Transparency Commission, informing Romer that the authorization creating the Transparency Commission was never finalized or implemented, meaning that technically the commission did not exist.[160] Later that month, Romer stepped down from the project.[161]

The next challenge to the project came a month later in October 2012, when the Honduran Supreme Court ruled the amendment authorizing REDs unconstitutional, as a

---

[154] Jacob Goldstein and Chana Joffe-Walt, "Can a Poor Country Start Over?," in *NPR: Planet Money*, 19:45, 2012, https://www.npr.org/templates/transcript/transcript.php?storyId=164813887.

[155] Paul Romer, "A New City in Honduras," *Paul Romer* (blog), February 2, 2011, https://paulromer.net/a-new-city-in-honduras/index.html.

[156] Cowen, "Paul Romer on What Happened in Honduras."

[157] *Economist,* "Hong Kong in Honduras."

[158] Jonathan Watts, "Honduras to Build New City with Its Own Laws and Tax System to Attract Investors," *The Guardian*, September 6, 2012, https://www.theguardian.com/world/2012/sep/06/honduras-new-city-laws-investors.

[159] Hannah Stone, "Honduras 'Model City' Plan in the Spotlight," Council on Hemispheric Affairs, October 4, 2012, http://www.coha.org/honduras-model-city-plan-in-the-spotlight/.

[160] Cowen, "Paul Romer on What Happened in Honduras."

[161] Malkin, "Charter City Plan to Fight Honduras Poverty Loses Initiator."

violation of sovereignty.[162] While this ruling validated the concerns of many Honduran citizens, Sanchez contends that it demonstrates a misunderstanding of charter cities. Although the project was pioneered by an American economist and the governance may include foreign entities, the territory, most citizens, and key administrators would be Honduran. In other words, Honduran advocates feel that the "ghost of colonialism" is preventing citizens from understanding the novel arrangement charter cities represent.[163] Ironically, it seems that the Honduran Supreme Court found REDs unconstitutional based on interpretations of Romer's theoretical model, rather than the project Honduran legislators actually sought to implement.

In December 2012, President of the Honduran Congress Juan Orlando Hernández brought lawmakers together in an after-midnight session to investigate the four judges who ruled against charter cities.[164] Within two hours, Congress had decided to unseat the four judges in question.[165] Orlando Hernández justified the action based on these four justices rejecting an unrelated police reform bill.[166] Honduran media outlets characterized this as a "technical coup,"[167] while supporters of REDs were quick to classify the decision as "unrelated to Charter Cities."[168] Regardless of the motivation, a new law was passed in September 2013 which enacted a similar concept under a new name.[169] Instead of REDs, this law created rebranded ZEDEs.[170] In February 2014, the CAMP was established as the

---

[162] "Honduras Court Bans Private Cities Project," BBC News, October 18, 2012, https://www.bbc.com/news/world-latin-america-19999536.

[163] Goldstein and Joffe-Walt, "Can a Poor Country Start Over?"

[164] Mackey, "I've Seen All Sorts of Horrific Things in My Time."

[165] Mackey.

[166] Bosworth, "Honduran Lawmakers Fire Four Supreme Court Judges."

[167] Carasik, "Hondurans Don't Need yet Another Neoliberal Boondoggle."

[168] Jorge Colindres, "Democratic Compliance: A Charter City's Obligations Under International Law: The Case of the Honduran ZEDE Regime" (Charter Cities Institute, April 11, 2018), https://www.chartercitiesinstitute.org/post/democratic-compliance-a-charter-citys-obligations-under-international-law.

[169] Lauren Carasik et al., *Report of the National Lawyers Guild Delegation Investigation of Zones for Economic Development and Employment in Honduras* (New York: National Lawyers Guild, 2014), http://www.nlginternational.org/report/Final_NLG_ZEDE_Report.pdf.

[170] Colindres, "Democratic Compliance."

successor to the Transparency Commission.[171] In March 2014, with four new judges in place, the Supreme Court ruled favorably on the new ZEDE law, and the project in Honduras obtained legal authorization under this statute.[172]

There have been several draft plans for ZEDEs, none of which have come to fruition.[173] A Brazilian software firm has discussed implementing a "startup village" in Tegucigalpa--an urban iteration that departs from Romer's original model.[174] A Canadian group of investors has shown interest in a public-private partnership to create an "energy district" in Olancho.[175] A South Korean development agency spent millions of dollars on feasibility studies for a "megaport" in Ampala, only to conclude that the area is unable to support their project.[176]

Former president of the Honduran Congress Juan Orlando Hernández became President of Honduras in January 2014, and has continued to support charter cities.[177] He leveraged their perceived popularity among his supporters in the run up to the 2017 election, promoting the idea as a mechanism toward development and foreign investment.[178] Yet despite Orlando Hernández's reelection, domestic political support, and glimmers of interest from international partners, proposals have not progressed beyond the drawing board.

With the changes Honduran lawmakers have made, the framework for ZEDEs is significantly different from what Romer envisioned with charter cities. Figure 3 shows land Romer hoped would become the first charter city, which retains legal authorization for future

---

[171] Carasik et al., *Report of the NLG Delegation Investigation.*

[172] Colindres, "Democratic Compliance."

[173] Geglia, "Honduras."

[174] *Economist,* "Honduras Experiments with Charter Cities."

[175] *Economist.*

[176] *Economist.*

[177] Michael Castle-Miller, "The Ciudades Modelo Project: Testing the Legality of Paul Romer's Charter Cities Concept by Analyzing the Constitutionality of the Honduran Zones for Employment and Economic Development," *Willamette Journal of International Law and Dispute Resolution* 22, no. 2 (May 28, 2015): 283, http://dx.doi.org/10.2139/ssrn.2459137.

[178] El País, "Juan Orlando Hernández Promete Una Zona Especial De Empleo En Olancho," *Diario El País Honduras*, October 23, 2017, http://www.elpais.hn/2017/10/23/juan-orlando-hernandez-promete-una-zona-especial-empleo-olancho/.

ZEDE development. However, as a distinctly Honduran project, central elements such as foreign partnership and focus on improved administration and governance have been abandoned. Corporations have been offered greater autonomy within ZEDEs, giving them the opportunity to choose regulations more beneficial to their bottom line, than the development of Honduras or improvement of life for its citizens.

Figure 3.   Land in Olancho Identified as a Potential ZEDE[179]

C.   LEGAL AND CONSTITUTIONAL CHALLENGES

The National Lawyers Guild (NLG), an American association of progressive jurists and lawyers, traveled to Honduras in 2014 and conducted an in-depth review of the ZEDE program. They call into question the process that allowed the ZEDE statute to become Honduran law, as well as the specific provisions of that ruling. The ZEDE authorization

---

[179] Source: Romer, "The World's First Charter City?"

problematically contradicts the Honduran Constitution and removes commonly accepted legal protections. Their report found that, "the current plan for ZEDEs is distinctly different than Romer's vision, excluding several safeguards he deemed critical to their operation."[180] The Honduran leaders continuing to promote ZEDEs no longer claim to be following Romer's model and have instead chosen a more controversial path. Some constitutional analysts have been less critical of the ZEDE statute, but concede a delicate relationship with the Honduran Constitution and emphasize the need for care and discretion in implementing specific laws.

The removal of the four judges who found the RED authorization unconstitutional has been condemned by various legal observers, as it did not comply with constitutional procedure.[181] According to the NLG, President Lobo handpicked the replacement judges via the National Congress, ensuring that judicial review would uphold the firings. The Executive and Legislative branches have effectively co-opted the Judicial, removing the check that would be expected of an independent judiciary.[182] Judges in Honduras have been killed, threatened with assassination, and arbitrarily suspended when their position did not align with the political regime.[183] A sound and unbiased legal system is simply not possible in a context where the threat of violence influences judges' decisions.

The NLG provides additional analysis on the constitutional challenge surrounding charter cities in Honduras. The Supreme Court found the RED authorization unconstitutional because it changed elements of the Honduran Constitution that were protected from amendment.[184] Specifically, there were four protected constitutional elements that the RED authorization violated:

1.   Denying Hondurans access to sovereign territory

---

[180] Carasik et al., *Report of the NLG Delegation Investigation*, 7.

[181] Carasik et al., 7.

[182] Carasik et al., 19.

[183] Carasik et al., 19.

[184] Carasik et al., 6.

2.   Removing control of Honduran leadership over certain territory

3.   Denying inhabitants of these zones democratic governance

4.   Creating parallel branches of government that derive power from bodies other than the Honduran government[185]

Residents inside ZEDEs would have no opportunity to participate in the essential public duties of government, such as lawmaking, taxation, and criminal prosecution.[186] The NLG concludes that in addition to contradicting the Honduran constitution, the governmental structure of ZEDEs violates international law based on the mass disenfranchisement of citizens and stripping of legal protections of those who may reside there.[187]

According to the revised ZEDE statute, only six of the Honduran Constitution's 379 articles would be guaranteed in the special zones. This would bring into question many fundamental rights of residents, including the right to life (Article 65), freedom of the press (Article 73), and freedom from illegal detainment (Articles 84 and 85).[188] Instead, the CAMP is given broad, unchecked powers, such as appointment of the Technical Secretary (the ZEDE's chief executive) and approval of all ZEDE regulations.[189] Without guaranteed rights and administratively independent of the oversight of the Honduran government, operating procedures within ZEDEs are vague and at the discretion of the largely unaccountable CAMP.

The NLG acknowledges that Honduras is overtly not purporting to follow Romer's charter city model, but finds that ZEDEs are a more precarious iteration of his general ideas. They find three primary areas in which the ZEDE model raises greater concern than Romer's charter cities:

---

[185] Carasik et al., 7.

[186] Carasik et al., 22.

[187] Carasik et al., 22.

[188] Carasik et al., 8.

[189] Carasik et al., 9.

1. ZEDEs can be imposed on communities without public referendum

2. ZEDEs provide no eventual transition to democratic governance

3. ZEDEs offer an almost complete lack of transparency

The first provision was guaranteed by Romer's insistence on using uninhabited land for charter cities. The ZEDE statute requires a local referendum for approval, except in areas with "lower than average population density."[190] Even with a referendum, Romer's guarantee of individual choice and opting-in has been lost. The second statute differs from the original RED legislation in that it does not require an eventual return to democratic governance. This was intended to provide an element of accountability and self-determination after the initial "vote with your feet" phase.[191] The ZEDE authorization gives permanent governing authority to the CAMP, which residents have no power to elect or replace. Furthermore, because the CAMP appoints the Technical Secretary (who holds executive and legislative powers)[192] and judicial authorities, there is no democratic representation or separation of powers within the ZEDE.[193] Finally, the Transparency Commission that almost existed has been completely done away with. Its replacement, the CAMP, is actually the primary governing body, rather than an instrument of oversight.[194] Romer's involvement in the original Transparency Commission provided an element of legitimacy and encouraged investors that this project would not be business-as-usual in traditionally corrupt Central America.[195] A group of over 50 NGOs presented a formal challenge to the ZEDE statute, but unsurprisingly, the same Supreme Court who upheld the ZEDE statute rejected the challenge.[196]

---

[190] Carasik et al., 10.

[191] Carasik et al., 11.

[192] Castle-Miller, "The Ciudades Modelo Project."

[193] Carasik et al., *Report of the NLG Delegation Investigation*, 17.

[194] Carasik et al., 12.

[195] Carasik et al., 12.

[196] Carasik et al., 12.

Michael Castle-Miller reached slightly more affirming conclusions in considering the constitutionality of the *Ciudades Modelo* project, although some of his findings seem rooted more in technicalities than practice.[197] He argues that the ZEDE amendment is constitutional because it does not alter any elements of the Constitution protected from amendment. This is based on the interpretation that the ZEDE amendment does not actually cede sovereignty. Though the CAMP has administrative control, its authority ultimately comes from Congress, who presumably retains power to intervene or amend the powers conferred to the CAMP.[198] While this interpretation may placate constitutional challengers, acknowledging that Congress retains *de jure* control over the ZEDE is a further departure from the charter city model Romer pioneered.

Castle-Miller also offers a generous perspective on the representativeness of ZEDEs, proposing that the ZEDE statute does not specifically impede people's ability to elect representatives, but instead leaves it undefined. He argues that for the ZEDE statute to remain constitutional, the people will have to be given greater democratic participation than specifically mandated in the statute. He also suggests that because the CAMP is appointed by the President and Congress, who are popularly elected, it retains an element of representativeness by extension. His slightly more positive interpretation of the ZEDE statute rests on viewing it as a limited piece of legislation. He contends that because the ZEDE amendment does not cede political sovereignty, the constitution should still apply even if not specifically stated in the ZEDE statute. However, it remains unclear to what extent the CAMP will choose to mirror rights and privileges elaborated in the Honduran constitution on its own volition, if given leeway to circumvent them.

---

[197] Castle-Miller, "The Ciudades Modelo Project."

[198] Castle-Miller, 3.

V.   APPLICATION TO MIGRATION

According to Romer, the Honduran political advisors who reached out to him originally sought reforms similar to charter cities to address the issue of 75,000 Hondurans emigrating to the United States yearly. After the 2009 coup, homicides rose significantly and emigration subsequently increased.[199] This problem is a key impetus for charter cities. Many migrants seek refugee status based on the desperate conditions they are fleeing, leaving development economists and political leaders wondering if they could create the same opportunities in Honduras that are available in the United States.[200] Even as Honduras has detoured from the original idea, development-based options remain salient as the United States struggles to address increased migration from Central America. One article categorized the debate in the United States as unnecessarily focused on two extremes: either welcome all migrants seeking safety and security or accept that billions of people around the world will remain impoverished and at risk under dysfunctional governments.[201] Charter cities offer a third option.[202] However, being an unprecedented proposal, it is difficult to find examples of the theoretical framework in practice.

This chapter analyzes the factors driving migration from Honduras and conducts a case study of Mexico's development-based refugee policies in the 1980s. This is relevant because it is one of the few attempts to couple development programs with assistance to vulnerable populations. CIREFCA sought international assistance to develop areas where the displaced could live and work in a manner similar to the charter cities project. Honduras currently hosts significant portions of its own population who are overwhelmed by the threat of violence and lack of options. Similarly, Mexico received unprecedented refugee arrivals following the Central American civil wars of the 1980s, leaving them with a

---

[199] Jorge Colindres and Mark Lutter, "Make Honduras Great: Charter Cities as a Development Program" (Charter Cities Institute, February 4, 2019), https://www.chartercitiesinstitute.org/post/make-honduras-great.

[200] Romer, "The World's First Charter City?"

[201] Reihan Salam, "The Solution to the Caravan Crisis Is in Honduras," *The Atlantic*, October 24, 2018, https://www.theatlantic.com/ideas/archive/2018/10/solution-caravan-crisis-honduras/573832/.

[202] Salam.

surplus vulnerable population. Supporters of charter cities suggest that they will offer flight alternatives to those who might otherwise migrate to a country with greater opportunities. This approach is similar to Mexico's attempt to leverage international aid and investment to develop remote areas of their country by crafting development initiatives around a potential labor force.

While CIREFCA encouraged remarkable cooperation and served an important role in post-conflict reconstruction, its success was not unanimous across all its focus areas, with refugee protection being largely neglected and inconsistent. Furthermore, inadequate protections for vulnerable populations led to minimal economic development. Although CIREFCA is not identical to the charter cities project, its outcomes are relevant for any development-based initiative with the objective of improving opportunity and quality of life for citizens. Understanding the outcomes of CIREFCA provides a cautionary tale for policymakers considering development projects as part of a comprehensive response to current migration flows from Central America.

A.   MIGRATION FROM HONDURAS

Based on violence in Central America, current migration flows from Honduras could be considered a refugee situation, with individuals fleeing for reasons of security and persecution more than economic motivations. Arrivals fleeing a credible fear of persecution would likely meet the general standard for refugee status. A report from the Brookings Institute treats this virtually as a given, claiming that "it is an outdated notion that people from El Salvador, Guatemala, and Honduras are primarily looking for economic opportunity in the United States and, therefore, should wait in line for a visa."[203] This is not due to a sense of prideful exceptionalism, but because waiting for the visa process may cost them their lives. Displaced persons under these conditions fall into a different category from economic migrants, and a different standard applies to them.

---

[203] Sarah Bermeo, "Violence Drives Immigration from Central America," *Future Development: The Brookings Institution* (blog), June 26, 2018, https://www.brookings.edu/blog/future-development/2018/06/26/violence-drives-immigration-from-central-america/.

Although statistics of homicide in Honduras are alarming, multiscalar representations showing violence broken down by province render a more specific image of the source of the problem. As seen in Figure 4, violence in certain areas seems disproportionately high, such as on the North coast of Honduras where there are few large urban areas, or in San Pedro Sula province, which has a higher rate than Tegucigalpa, despite being about half the size.
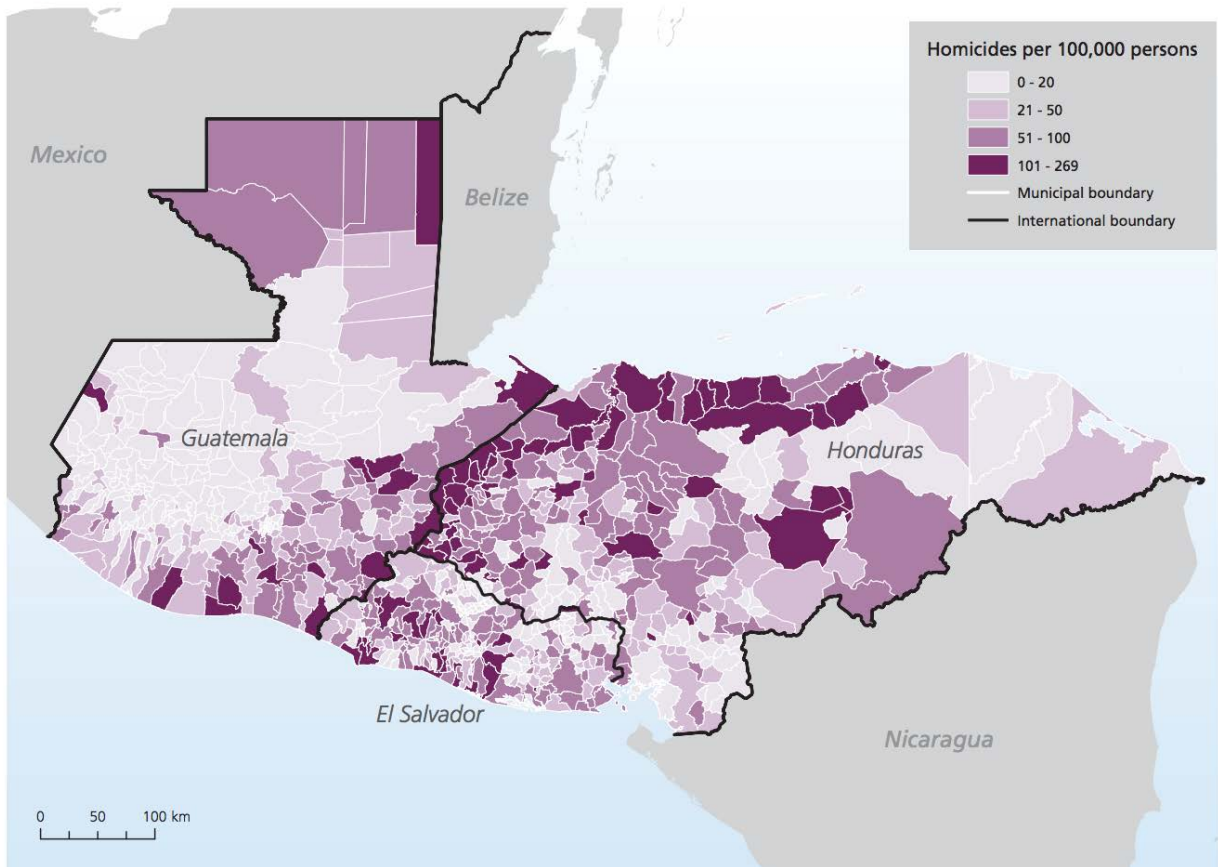
Figure 4.   Homicide Rate by Municipality in 2011.[204]

When this more detailed representation of violence is compared with apprehensions at the U.S. border, it reveals a clearer picture showing that arrivals at the border generally

[204] Source: United Nations Office on Drugs and Crime, *Transnational Organized Crime in Central America and the Caribbean*.

come from the most troubled areas in Honduras. Figures 5 and 6 corroborate the notion that Central Americans arriving at the U.S. border are fleeing the most violent communities.
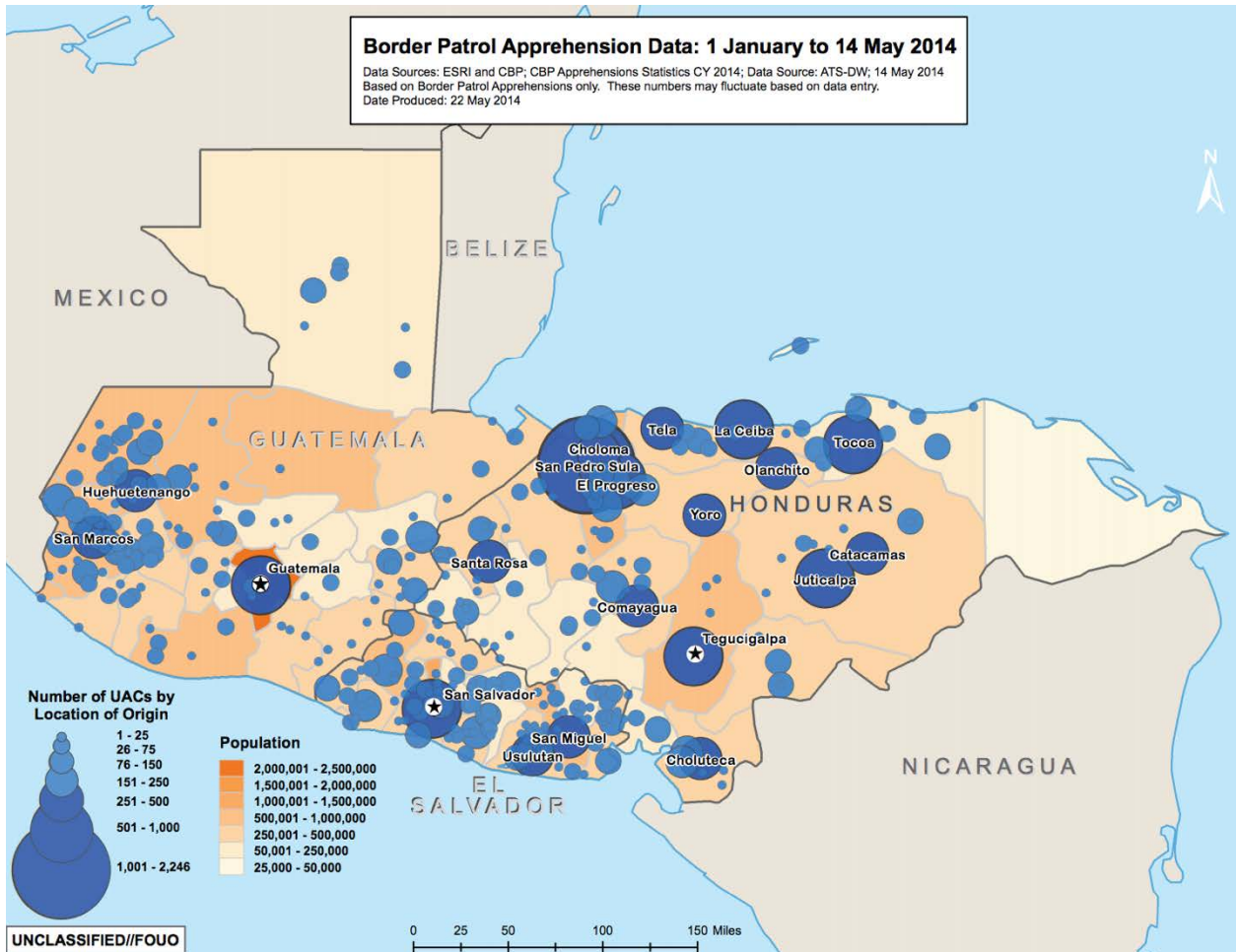
Figure 5.   Apprehended Unaccompanied Alien Children (UAC) by Location of Origin.[205]

As the scale of this situation increases, proponents of charter cities have suggested their developmental model as an alternative to migration. One of the desired effects of

---

[205] Source: Ana Gonzalez-Barrera, Jens Manuel Krogstad, and Mark Hugo Lopez, "DHS: Violence, Poverty Drive Children to Flee Central America to U.S.," Pew Research Center, July 1, 2014, https://www.pewresearch.org/fact-tank/2014/07/01/dhs-violence-poverty-is-driving-children-to-flee-central-america-to-u-s/.

charter cities is to provide an option for those desiring safety, without having to make the treacherous journey to the United States. Charter cities inside of ZEDEs would mean that "Hondurans threatened by the country's ubiquitous gangs could find security and livelihoods in ZEDEs."[206] Despite being located in sparsely populated areas, proponents argue that charter cities could provide an outlet and become "a magnet for most of the region's migrants."[207] The goal would be to establish a zone of rules and institutions that give "people the chance to move to a region in Honduras that offers the protections many people seek by migrating—often under perilous conditions—to North America."[208]
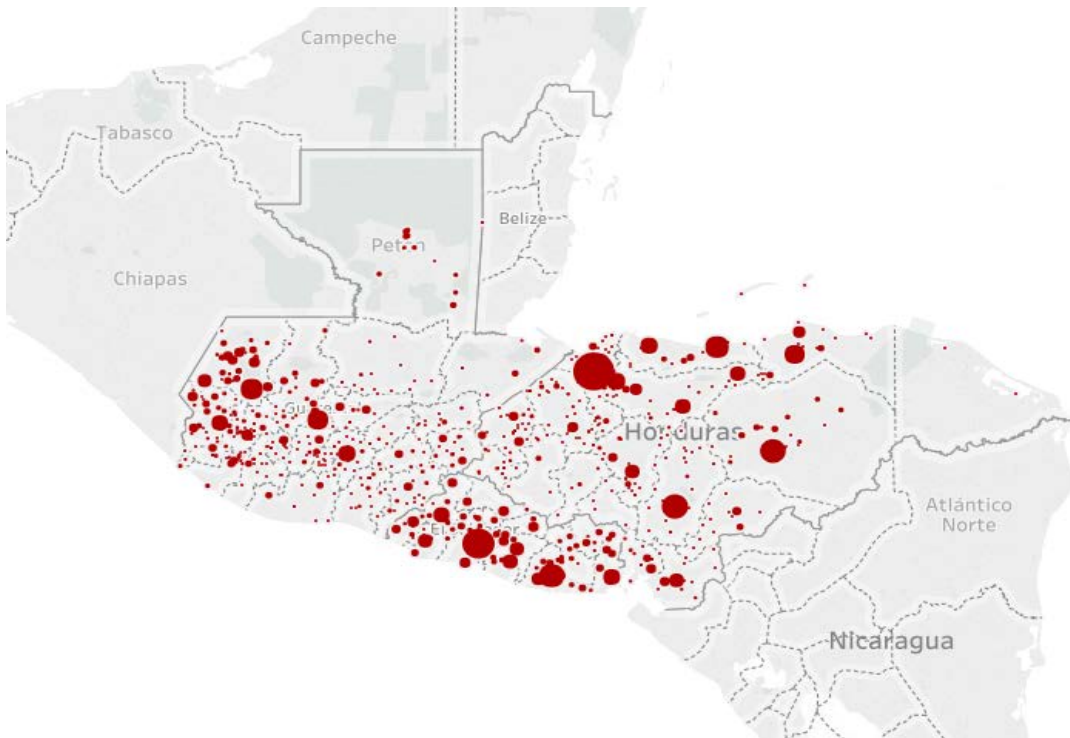
Figure 6.   Hometowns of Apprehended Central American Family Units.[209]

---

[206] *Economist,* "Honduras Experiments with Charter Cities."

[207] *Economist,* "Hong Kong in Honduras."

[208] Fuller and Romer, *Success and the City*.

[209] Source: Stephanie Leutert, "Who's Really Crossing the U.S. Border, and Why They're Coming," Lawfare, June 23, 2018, https://www.lawfareblog.com/whos-really-crossing-us-border-and-why-theyre-coming.

Understanding the situation in Honduras as a refugee crisis, Mexico's attempt to couple development initiatives with refugee resettlement in the 1980s is an applicable case study of a similar situation. Both present-day Honduras and 1980s Mexico contained a large population of vulnerable people. Mexico's implementation of CIRECFA attempted to link development with refugee protection, similar to the model supporters of charter cities propose.

B.   MEXICO'S TRADITION

Mexico remained largely outside the purview of the United Nations High Commissioner for Refugees (UNHCR) until it encountered a refugee crisis in the 1980s, and did not sign the 1951 Convention and the 1967 Protocol on Refugees until 2000.[210] The influx of refugees along Mexico's southern border following the Central American civil wars of the 1980s was an unwelcome stressor for the government, as this was an impoverished area riddled with social unrest.[211] During this time, Mexico's economy was also struggling, with the price of oil falling and its debt burden increasing.[212]

Throughout the 1980s, Mexico's refugee policy evolved and began to fall more in accordance with international norms. When Guatemalans first arrived seeking asylum, Mexican authorities initially turned them back.[213] This response reflected prioritization of state security interests and foreign policy goals over compliance with international norms.[214] Mexico's liberalization of its refugee policy can be attributed to UNHCR

---

[210] United Nations High Commissioner for Refugees, *States Parties to the 1951 Convention Relating to the Status of Refugees and the 1967 Protocol* (Geneva, Switzerland, 2015), https://www.unhcr.org/protect/PROTECTION/3b73b0d63.pdf.

[211] Kevin Hartigan, "Matching Humanitarian Norms with Cold, Hard Interests: The Making of Refugee Policies in Mexico and Honduras, 1980–89," *International Organization* 46, no. 3 (Summer 1992): 713, https://www.jstor.org/stable/2706993.

[212] Hartigan, 714.

[213] Gil Loescher, "Humanitarianism and Politics in Central America," *Political Science Quarterly* 103, no. 2 (Summer 1988): 302–6, https://doi.org/10.2307/2151185.

[214] Hartigan, "Matching Humanitarian Norms with Cold, Hard Interests," 716.

intervention, as their refugee crisis prompted unprecedented interaction with the organization.[215]

Hartigan argues that Mexico embraced the UNHCR not because of a newfound desire to comply with international norms, but based on a calculation of what the agency could do for their country. According to his analysis, UNHCR administration of camps removed the burden from Mexican immigration officers, but did not instill within them a realization of the need for a more humanitarian policy. In 1983, the Mexican Commission to Aid Refugees (COMAR) was reorganized and empowered to partner with the UNHCR.[216] This led to funding for over 80 camps that were able to house about 45,000 refugees.[217] They were also willing to sacrifice some degree of state sovereignty for temporary relief of the refugee burden because they believed the refugee situation would be a short-term problem.[218] The key change that occurred in the subsequent CIREFCA project was to move away from refugee camps and toward a more autonomous development model. While CIREFCA was funded through the UNHCR and international assistance, charter cities would draw their backing from private investment, attaching a profit motive to the development program. While this distinction may affect outcomes, the basic notion of a development-based refugee assistance program validates comparison between CIREFCA and theoretical charter cities.

In light of this limited support for UNHCR provisions, it is unsurprising that Mexican policies first complied with the minimum standard of protection for refugees. Even after the UNHCR offered resources to deal with refugee populations, Mexico provided limited services within camps as a means of discouraging further arrivals.[219] The practice of relocating refugees from Chiapas to more-remote Mexican states such as

---

[215] Hartigan, 717.

[216] Loescher, "Humanitarianism and Politics in Central America," 298.

[217] Loescher, 299.

[218] Hartigan, "Matching Humanitarian Norms with Cold, Hard Interests," 720.

[219] Loescher, "Humanitarianism and Politics in Central America," 299.

Campeche or Quintana Roo occurred with little UNHCR oversight.[220] While the UNHCR brought Mexico into compliance with some refugee protection norms, their limited capacity for enforcement and deference to Mexican state sovereignty hindered application of their refugee protection agenda.

Like Mexico in the 1980s, Honduras in the early 21st century has inadequate state capacity to assist its vulnerable populations. UNHCR funding allowed Mexico to attempt development projects that intended to simultaneously provided opportunities for refugees. This framework mirrors what charter cities advocates propose. Thus, Mexico's experience with CIREFCA can predict potential outcomes that charter cities may produce.

C.   INTERNATIONAL CONFERENCE ON CENTRAL AMERICAN REFUGEES (CIREFCA)

The CIREFCA meeting in 1989 is one of the only attempts at an integrative approach to refugee protection and development that has been attempted. This conference, held in Guatemala City, sought to address the needs of refugees displaced during the Central American civil wars of the 1980s. In terms of sheer numbers, these conflicts displaced about 2 million people, of which about 150,000 were recognized as refugees by the UNHCR.[221] CIREFCA approached its goals as part of the greater post-conflict peace and reconstruction process.[222] The convention focused on five primary focus areas:

1.   Regional solutions for the displaced

2.   Inter-agency collaboration within the UN framework

3.   Mediation between the needs of the displaced and assistance from the
       international community

---

[220] Loescher, 300.

[221] United Nations High Commissioner for Refugees, *Review of the CIREFCA Process* (Geneva, Switzerland: Central Evaluation Section, 1994), https://www.unhcr.org/research/evalreports/3bd410804/review-of-the-cirefca-process.html.

[222] Alexander Betts, "The International Conference on Central American Refugees (1987-1995)," in *Protection by Persuasion: International Cooperation in the Refugee Regime* (Ithaca, NY: Cornell University Press, 2009), 78–111, http://ebookcentral.proquest.com/lib/ebook-nps/detail.action?docID=3137993.

4.   Protection for the displaced

5.   Lasting solutions for the displaced[223]

These objectives were pursued through linking emergency assistance with existing regional development plans.[224] This required Mexico to coordinate closely with UNHCR and UNDP, as well as seek financial resources from the international community.[225] The result was a complex conceptual framework that faced many obstacles in its employment.[226] It is impossible to determine how effective refugee policies would have been in Central America without CIREFCA, but combining the post-conflict reconstruction process with refugee protection and empowerment allowed these issues to progress in tandem.

CIREFCA was notable in that refugee policy was addressed as part of a greater political, economic, and humanitarian regional strategy. It built on the 1987 Esquipulas II agreement, which sought to advance a regional peace process that included refugee protection.[227] Its primary donors were European governments, who believed they had a stake in the regional peace process and saw an opportunity to strengthen economic and trade interests in the region.[228] In total, it is estimated that CIRECFA invested about $422.3 million[229] in approximately 126 programs in 7 countries, with Mexico being the largest recipient.[230] The projects were advanced along parallel lines of effort from UNHCR and UNDP, who strove to align their goals into actionable policy measures.[231] In this way,

---

[223] United Nations High Commissioner for Refugees, *Review of the CIREFCA Process*.

[224] United Nations High Commissioner for Refugees.

[225] United Nations High Commissioner for Refugees.

[226] United Nations High Commissioner for Refugees.

[227] United Nations High Commissioner for Refugees.

[228] United Nations High Commissioner for Refugees.

[229] Megan Bradley, "Unlocking Protracted Displacement: Central America's 'Success Story' Reconsidered," Working Paper, Refugee Studies Centre (Oxford: University of Oxford, August 2011), 6, https://www.rsc.ox.ac.uk/files/files-1/wp77-unlocking-protracted-displacement-central-america-2011.pdf.

[230] Margarita Puerto Gomez and Asger Christensen, *The Impacts of Refugees on Neighboring Countries: A Development Challenge* (Washington, DC: World Bank, 2010), http://siteresources.worldbank.org/EXTWDR2011/Resources/6406082-1283882418764/ WDR_Background_Paper_Refugees.pdf.

[231] United Nations High Commissioner for Refugees, *Review of the CIREFCA Process*.

55

"CIREFCA was a package: it implied a series of humanitarian commitments in the [concerted plan of action] and commitment to a particular strategy of assistance to bring about lasting solutions. This strategy was described as link [ing] solution programmes for refugees, returnees, and displaced persons with economic and social development in the region."[232]

One of CIREFCA's projects was the Mexican government's resettlement of Guatemalan refugees in its southern states of Chiapas, Campeche and Quintana Roo. By 1984, about 46,000 Guatemalan refugees had settled in Chiapas, mostly in improvised camps.[233] Prior to CIREFCA programs, Mexico identified the states of Campeche and Quintana Roo as rural areas they wished to develop and began relocation of about 20,000 refugees to those areas. CIREFCA programs delivered resources to sustain these projects, and provided for the construction of housing, health, and educational facilities that achieved a standard comparable to the local population.[234] Agriculture, livestock, and handicrafts were prioritized as sectors that could be developed to generate employment opportunities for refugees.[235] According to their report, Mexico also sought to develop economic opportunities for the 23,000 refugees remaining in Chiapas, mostly in small, informal camps. CIREFCA resources in that state focused on general development of infrastructure and economic production sectors, which would benefit refugees as well as local communities.[236]

Proponents of development-based approaches to the international refugee regime point out compelling flaws in the current system, but others are hesitant to support their policy prescriptions. Betts and Collier's idea for mutually-beneficial SEZs has been criticized as simplistic. Crawley points out that previous UNHCR attempts to link refugee

---

[232] United Nations High Commissioner for Refugees.

[233] United Nations, *Progress Report on the Implementation of the Joint Plan of Action for Refugees, Returnees, and Displaced Persons in Central America* (New York, 1990), 6, https://www.refworld.org.es/cgi-bin/texis/vtx/rwmain/opendocpdf.pdf?reldoc=y&docid=5ad7c0604.

[234] United Nations, 20.

[235] United Nations, 21.

[236] United Nations, 6–8.

aid and development programs have resulted in only marginal success.[237] She argues that the renewed interest in this framework is primarily an attempt to find ways of keeping refugees out of developed countries.

SEZs provide an interesting opportunity for uniting humanitarian and development objectives, but critics argue the model does not provide adequate refugee protections. Charter cities may be an avenue for development in some refugee situations, but development-based models cannot replace regulations based strictly on protection.[238] That is to say, global capitalism is an unlikely guardian of refugee protection.[239] Without specific provisions for refugee protection, modernizing the refugee regime toward a development-based model may tend to sacrifice fundamental protections on which many depend. Romer and proponents of charter cities argue that they will be a panacea, spurring economic growth alongside opportunity and security for citizens in a crisis zone. However, experience has shown that those things do not necessarily go together and neglecting refugee protection may sabotage economic development.

D.   CIREFCA ASSESSMENT

Overall, CIREFCA has received a mixed scorecard from scholars and refugee policy centers. The UNHCR's review of the process after five years states that its primary successes were reinforcement of the regional peace process, increasing awareness of obligations and legal protections toward uprooted populations, and attraction of resources for refugee protection and regional development.[240] Much of the shortcomings of CIREFCA occurred due to logistical obstacles. The parallel efforts of NGOs and governments with conflicting priorities created inefficiency, as both groups sought funding

---

[237] Heaven Crawley, "Why Jobs in Special Economic Zones Won't Solve the Problems Facing the World's Refugees," The Conversation, April 6, 2017, http://theconversation.com/why-jobs-in-special-economic-zones-wont-solve-the-problems-facing-the-worlds-refugees-75249.

[238] Crawley.

[239] Heaven Crawley, "Migration: Refugee Economics," *Nature* 544 (April 6, 2017): 26–27, https://doi.org/10.1038/544026a.

[240] United Nations High Commissioner for Refugees, *Review of the CIREFCA Process*.

for their respective projects.[241] Furthermore, differences in the structure and operations of UNHCR and UNDP hindered the application of a unified policy.[242] Despite successful innovation in the theoretical approach to refugee policy and development, CIREFCA's projects only benefited a portion of refugees, excluding many internally displaced and unregistered individuals from its protection.[243] In this case, the consolidation of development programs and refugee protection seems to have prioritized the former at the expense of the latter.

CIREFCA managed to achieve an unprecedented level of coordination between governments, inter-governmental agencies, and NGOs in pursuit of the common goal of durable solutions to refugee situations,[244] but its impact on refugees seldom met the program's lofty ambitions. Many displaced individuals embraced voluntary return or resettlement through CIREFCA programs, but development assistance often failed to arrive.[245] With little program oversight, many refugees faced violence and discrimination, while others were simply neglected from development programs altogether.[246] Access to support was highly uneven, with only an estimated 10% of forced migrants benefitting from CIREFCA programs.[247]

Despite the cooperation that CIREFCA encouraged, the majority of resources was channeled to the minority of displaced persons who obtained formal refugee status.[248] Internally displaced people (IDP) and undocumented migrants were the least likely to benefit from the program. Their status outside the formal refugee regime allowed national

---

[241] United Nations High Commissioner for Refugees.

[242] United Nations High Commissioner for Refugees.

[243] United Nations High Commissioner for Refugees.

[244] Bradley, "Unlocking Protracted Displacement," 6.

[245] Bradley, 6.

[246] Bradley, 6.

[247] Bradley, 6.

[248] Megan Bradley, "Forced Migration in Central America and the Caribbean: Cooperation and Challenges," in *The Oxford Handbook of Refugee and Forced Migration Studies*, ed. Elena Fiddian-Qasmiyeh et al. (Oxford, UK: Oxford University Press, 2014), https://doi.org/10.1093/oxfordhb/9780199652433.013.0051.

governments to neglect them without consequence.[249] This suggests that genuine refugee protection requires structural administrative reform and cannot rely on state benevolence alone. Without overhauling administration of the refugee program, even significant investment and development will not likely improve the standing of large segments of the population. The charter cities framework on this topic is vague, instead prioritizing development without specifying how local and vulnerable populations may access its benefits.

CIREFCA was only marginally successful in providing durable solutions for refugees and IDPs, with many individuals perpetually requiring assistance and failing to either integrate or repatriate.[250] CIREFCA-funded projects often benefited the interests of national elites, at the expense of vulnerable populations.[251] Critics of charter cities have voiced similar concerns, arguing that unregulated development initiatives will not translate to improved lives for a majority of the population, particularly with a widespread perception of corruption.

While CIREFCA proposed a theoretical option for development-based refugee solutions, in practice, "the small fraction of the displaced who were formally recognised [sic] as refugees received disproportionately more assistance than other, equally needy forced migrants."[252] Where CIREFCA promoted positive conditions, like autonomy to choose between durable solutions, not all refugees had equal access to the range of options. Despite being based on the ability to opt-in, charter cities proponents have not adequately specified how accessible these zones would be to host country citizens, or how host-country problems would be kept out.

UN reports that CIREFCA neglected traditional elements of refugee protection highlight that a development-based approach may supplement existing protections, but will not likely replace them. Through CIREFCA, tens of thousands of refugees were voluntarily

---

[249] Bradley, "Unlocking Protracted Displacement," 11.

[250] Bradley, 27.

[251] Bradley, 27.

[252] Bradley, 28.

repatriated and provided some level of assistance, while others integrated into host regions.[253] However, these numbers represent a small percentage of the approximately 150,000 recognized refugees and 2 million displaced people seeking assistance at the time. As such, CIREFCA is seen as a success based more on its role in the peace and reconstruction process, than a revelation on the future of the refugee regime.[254] Even if CIREFCA resulted in some benefit for some refugees, its model is primarily useful as a framework for integrating development and humanitarian programs in a way that encourages cooperation in volatile times.[255] CIREFCA represents a case where a comprehensive, post-conflict peace and reconstruction process sought to include refugee development, but this approach is likely inadequate if it represents the only resources allocated to refugee populations.

The prioritization of resources toward national development over refugee needs highlights the propensity for conflicting objectives between stakeholders. Refugees who were relocated to regions where they could contribute to economic development received more direct benefit from CIREFCA programs. In areas where refugees were not as desired or easily absorbed into local society, CIREFCA resources were directed toward general (and often less consequential) development. Some of these benefits may apply to refugees organically, but without guidelines for specific refugee-focused programs, refugee protection tended to be neglected. Much as Mexico prioritized their national development, charter cities funded by private investors would be expected to seek a profitable return. If investment in development or vulnerable populations requires sacrificing profits, proponents of charter cities have not identified an incentive for investors to prioritize host country needs. Furthermore, charter cities do not include a built-in framework for directing economic growth to vulnerable populations, creating concerns that power-holding elites may be the primary beneficiaries.

---

[253] Ron Redmond, "The Human Side of CIREFCA," *Refugees*, March 1, 1995, https://www.unhcr.org/publications/refugeemag/3b5426de4/refugees-magazine-issue-99-regional-solutions-human-side-cirefca.html.

[254] Redmond.

[255] Puerto Gomez and Christensen, *The Impacts of Refugees on Neighboring Countries*.

While the current refugee regime has its shortcomings, those seeking to improve the system should be wary of committing full support to an unproven idea. The UNHCR was effective in persuading Mexico to liberalize its refugee policies, but the Mexican priority was consistently to support their national interests. CIREFCA's priority was to leverage UN funding to promote humanitarian initiatives alongside development programs. While this is an enticing model, it often pushed refugee protection to the bottom of its competing priorities. Charter cities would attempt to solve similar problems to the one Mexico faced, but with private investment rather than UN assistance.

However well-intentioned, attempts to pursue a development model in Honduras without addressing the issue of citizen security would be unlikely to reduce the dangers citizens face in their homeland. Proponents of charter cities in Honduras have not specified adequate safeguards that would keep domestic problems from affecting their enclaves. Furthermore, charter cities are expected to improve a country over the course of several decades, but local populations may continue to seek more immediate opportunities to better their lives. CIREFCA achieved many administrative and peace-building victories, but its results for refugees were no substitute for traditional models of protection and it subsequently fell short of its long-term objectives.

THIS PAGE INTENTIONALLY LEFT BLANK

VI.   CONCLUSIONS

This project began with a twofold purpose: analyze the efficacy of Paul Romer's charter city model as an avenue toward development in a troubled country and conduct a case study of Honduras' engagement with his idea to determine why they have been unsuccessful in implementing it. If charter cities have the potential to succeed in Honduras or elsewhere, the project should be advanced without delay. However, if the model of charter cities is flawed or the context in Honduras unsupportive, the idea may need to be altered or abandoned. The case study of Honduras does not provide conclusive findings about Romer's charter cities model, because the implementation departed from his theoretical framework in critical ways, but can be instructive in identifying problematic areas where the project may tend to go astray.

A.   THOUGHTS ON ROMER'S THEORY

While Romer's idea might have theoretical potential, several elements rest on questionable premises and assumptions. Romer seems to idealize Western economic norms, for example in claiming that Britain inadvertently did more to reduce world poverty through providing China the Hong Kong model than all the aid programs in the last century.[256] While the British model likely contributed to China's economic surge, that claim simplifies the complex nature of development initiatives and diminishes the persuasiveness of Romer's proposal. His theory is premised on the notion that coupling a profit motive to development initiatives will cause superior systems to rise and flourish. However, the inherent flaw in this argument is that projects motivated by profit will attempt to maximize profits, not necessarily improve opportunities for the general population. This emphasis on free-market deregulation has been accurately categorized as neoliberalism, which has been attempted with middling results in Latin America and the developing world.[257]

---

[256] Romer, "Why the World Needs Charter Cities."

[257] Romer.

An element of Romer's proposal that remains unclear is what incentive partner governments have to be involved in the project--what motivates them to commit resources to developing a foreign country? They are being asked to contribute not just money or an administrative blueprint, but to also be the ones executing the project. The advantages for the sponsor country would have to be similar to those of colonialism. This sets up a potential conflict between sponsor and host countries, each wanting to reap the benefits of charter cities, reminiscent of the tension that came from a colonial system. It also begs the question of whether an arrangement resembling colonialism could be entered into voluntarily, or whether it is necessarily imposed. For a developed country to help a developing one according to Romer's model, the developed country must be given adequate sovereignty to implement a system according to (and backed up by) its norms and institutions. This requires at least temporarily suspending democracy for citizens inhabiting the zone.[258] Critics of the program see charter cities as an extension of Chicago School economic policies including the "shock doctrine," which advocated deregulation and free markets with a neocolonial bent.[259] Others have echoed the neocolonial alarm, characterizing the project as a gimmick dreamed up in the developed world and foisted on the developing one.[260] Yet another concern is that enclave-based development in a country that is already struggling will pull resources from the rest of the country, making problems worse for a majority of people.[261]

The premise of using uninhabited land appears more problematic than Romer suggests. Even if only 4% of the earth's arable land is urbanized, people choose not to live on the other 96% for a reason. Remote or inhospitable areas seem an unlikely candidate for the next utopian metropolis, as neither host or sponsor country citizens are likely to want to move there. Urbanization follows certain patterns and people often prefer to live in areas that have resources or family and community networks. Opponents to the project have argued that developing countries should devote resources to strengthening their institutions

[258] *Economist,* "Hong Kong in Honduras."

[259] Carasik, "Hondurans Don't Need yet Another Neoliberal Boondoggle."

[260] *Economist.*

[261] *Economist,.*

and providing security for marginalized groups, rather than embarking on an enclave-based development model.[262] The idea of starting a new development is a utopian concept--to start a city from scratch based on alternative rules a-la-Burning Man. But this requires buy in from investors and citizens, or perhaps an initial ecosystem of supporters.[263] The idea of building a charter city without the infrastructure and networks that naturally and organically create urbanization seems unlikely to succeed at the levels Romer and others predict.

Other scholars have raised the question of whether free market capitalism is the best solution for refugee issues and migration alternatives. While charter cities proponents want to test an experiment that begins separated from ineffective rules and policies, effective development work and poverty reduction measures are needed in areas where people currently live. Furthermore, the goals of investment and development different and may not be complimentary. Pursuing profit will tend to neglect or fail to prioritize avenues for development. Profit drives corporations, not humanitarian obligation, making them an unlikely administrator of a development initiative.[264] In Mexico, when CIREFCA gained UN support to resettle refugees in uninhabited areas to promote development, little growth resulted and inadequate resources were provided to the vulnerable inhabitants seeking relocation. Even if charter cities could provide an alternative in Honduras, the crime and poverty pervasive throughout the country would likely hinder efforts to expand the model, without a foreign partner to assist in addressing these issues directly.

B.   ANALYSIS OF THE PROJECT IN HONDURAS

Today in Honduras, the prospect of charter cities appears stuck in limbo without sufficient impetus to bring the idea to fruition. In a society where the institutional structure is lacking and corruption is rampant, many would-be investors remain wary to commit funding to the project. Rather than serving as a panacea for these issues, the problems

---

262 Carasik, "Hondurans Don't Need yet Another Neoliberal Boondoggle."

263 Lutter, "Creating the Charter Cities Ecosystem."

264 Carasik, "Hondurans Don't Need yet Another Neoliberal Boondoggle."

already in existence have cast doubt on Honduras' ability to administer such a project and deterred investors and foreign partners from signing on.

In Honduras, the right-leaning, post-coup administration supported neoliberal free-market capitalism and rejected the notion of state programs guiding development initiatives. This became enough of a priority that the administration conducted a "judicial coup" to circumvent the oversight of dissenting judges and obtain legal authorization. The NLG questions whether the neoliberal framework of "foreign investment... alongside deregulation, lower taxes, and diminished environmental protections," is the best method to reduce poverty in Central America.[265] The Honduran Center for the Promotion of Community Development (CEHPRODEC) worries that charter cities will become another iteration of the banana enclaves that pervaded the country in the past century.[266] These arrangements turned portions of Honduras into "fiscal and legal paradises for outside investors at the expense of local communities."[267] The notion of trickle-down economic improvement that ZEDEs seem to embrace has yet to be proven to benefit poor citizens of a developing country.[268] The NLG concurs that Honduras needs economic development initiatives, but argue that these programs "cannot replicate decades of neoliberal initiatives that have done nothing to alleviate the suffering of the majority of Hondurans, and served only to enrich the country's economic and political elites."[269]

The focus on neoliberal policies has also precipitated a shift away from foreign partner governance assistance to reliance on corporate governance overseen by an ideologically united CAMP. This raises concern that the program will "undermine democracy and exacerbate inequality."[270] ZEDEs are expected to have their own judiciaries, laws, and security apparatus, but without the sponsorship of an independent

---

[265] Carasik et al., *Report of the NLG Delegation Investigation*, 18.

[266] Carasik et al., 18.

[267] Carasik et al., 18.

[268] Carasik et al., 18.

[269] Carasik et al., 26.

[270] Carasik, "Hondurans Don't Need yet Another Neoliberal Boondoggle."

partner country, these institutions will allow foreign investors to circumvent national laws and business practices to implement the policies that benefit them most.[271] Supporters of the project in Honduras have painted their opponents as anti-progress, but poor communities who have protested ZEDEs are actually most in need of successful economic reforms.[272] They simply prefer locally-owned avenues to development over projects controlled by domestic and international elites whose initiatives have entrenched their poverty for centuries.[273] The neoliberal philosophy of granting unfettered access to a country's resources without any obligation to its citizenry is likely to continue to incite popular resistance.[274] The critique is not so much that charter cities or ZEDEs will not work, but that if not administered properly, the benefits will flow exclusively to investors and elites, bypassing the impoverished citizens that Romer originally devised the idea to help.

As of 2019, the government continues to express interest and optimism in launching the project, but without committed foreign investors or institutional bodies, it appears unlikely to yield the desired outcomes. Honduras is still courting foreign investment but is no longer prioritizing foreign administration. Romer and the backing of a sponsor country provide legitimacy that the project no longer has. It is unreasonable to expect Honduras to administer well in an enclave what it does poorly outside of one. Weak institutions and poor administration are the problem Romer is trying to fix with charter cities. These institutions cannot successfully administer a charter city that is intended to fix the very conditions they facilitate. In a developing country, foreign partnership is essential, despite having to cede a measure of sovereignty and accept some vestiges of colonialism. An oversight committee appointed by and accountable only to inept policymakers is an inadequate substitute to the foreign administrative partner Romer envisioned.

---

[271] Carasik.

[272] Carasik.

[273] Carasik.

[274] Carasik.

Honduras' adaptation of Romer's idea has created tension between needing to suspend democracy and cede sovereignty with constitutional obligations to citizens. Because Honduras elected not to build charter cities on uninhabited land or partner administratively with a foreign country, it has failed in both its constitutional obligation to democratic governance and in facilitating proven administrative systems within ZEDEs. The partner government is a key feature for Romer, but Honduras spurned this idea as a relic of colonialism or U.S. intervention. As a result, they are attempting to manage the administration of an ambitious free trade and development project on their own. In choosing not to pursue a foreign partner, Honduras has effectively consolidated administrative and investment decision-making into the hands of the CAMP, without specifying a system of checks and balances within the zone.

Honduras' implementation departed from Romer's model, so a case study cannot lead to definitive judgements on his idea. However, it can serve as a cautionary tale for mistakes in execution that can derail the project before it even starts. The group MGK that Honduras sought to partner with in the RED project disagreed with Romer's basic notion on the role of governance.[275] Its leader, Michael Strong is "a self-taught intellectual and libertarian economic theorist,"[276] who believes that government involvement in charter cities should be minimal, whereas Romer contends that weak governance is the greatest threat to charter cities.[277] Romer is skeptical of libertarians who have co-opted his idea and argued that corporate actors are more critical to development than government actors.[278] He comments that, "there is no evidence to support that view."[279] The fallout between Romer and Honduras exemplifies the difficulty in putting his theory into practice. In this case, two parties who agreed on the basic roadmap for improving conditions in Honduras were still unable to reach a workable solution for reducing the gulf between rich

---

[275] Tim Fernholz, "Behind the Race to Build Utopian City-States in the Honduran Jungle," Quartz, October 10, 2012, https://qz.com/12436/behind-the-race-to-build-utopian-city-states-in-the-honduran-jungle/.

[276] Fernholz.

[277] Romer and Fuller, "Cities from Scratch."

[278] Fernholz, "Behind the Race to Build Utopian City-States in the Honduran Jungle."

[279] Fernholz.

and developing nations.[280] Those interested in developing charter cities in the future would be wise to consider these factors in devising their partnerships and structural framework.

For their part, Honduran officials still interested in the idea no longer claim to be following the charter cities development model. Romer was brought in to provide expertise and legitimacy to the project, and then circumvented when Honduras sought to pursue an independent course. Ironically, Honduras now seems keen to distance themselves from Romer, whose principle of ceding sovereignty to a foreign administrator has led to constitutional challenges and weak public support.[281] Project leader Octavio Sanchez addresses concern about Romer's principle of ceding sovereignty by clarifying that, "what we did here isn't a charter city."[282] To be clear, at this point, it is not any kind of city at all.

C.   POLICY RECOMMENDATIONS

While Romer's idea holds interesting potential for the future of development and urbanization, some of its underlying principles should be critically examined. The examples of China or Singapore are inadequate predictors of the potential of charter cities in the developing world, as the context differs in several important ways. In those cases, national governments elected a framework of rules without bringing in a foreign partner to administer their zone. Therefore, these projects were exclusively national programs, as opposed to the unique arrangement Romer proposes with charter cities. This was only possible because the national government had an adequate degree of administrative capabilities and institutional legitimacy. Additionally, corruption is at a crippling level in Honduras that distinguishes it from China or Singapore.[283] While China's Deng Xiaoping sought to establish China as a leading world economy, development projects in Latin America are often promoted to line the pockets of elites and policymakers. Furthermore,

---

[280] Goldstein and Joffe-Walt, "Can a Poor Country Start Over?"

[281] Goldstein and Joffe-Walt.

[282] Goldstein and Joffe-Walt.

[283] Sarah Chayes, *When Corruption Is the Operating System: The Case of Honduras* (Washington, DC: Carnegie Endowment for International Peace, 2017), https://carnegieendowment.org/2017/05/30/when-corruption-is-operating-system-case-of-honduras-pub-69999.

the Chinese and Singaporean projects sprang up around existing settlements, allowing the cities to grow and attract residents organically.

However, critiques of Romer's theory are not to suggest that the idea is doomed to failure. Planned development initiatives have shown that rules and institutions tend to determine development outcomes. The premise of charter cities is that transporting the rules-based system of well-governed countries to those that are poorly run can promote growth and narrow the development gap.[284] This may be more complicated than Romer suggests, as Honduras' experiment with his proposal suggests. Their difficulties implementing ZEDEs does not disprove the potential of charter cities, but it shows some ways that the project can go astray. It also highlights the potential for constitutional challenges, critiques of neoliberalism, and accusations of neocolonialism. I would also question Romer's assertion that starting from scratch in an enclave removes the necessity to negotiate among competing interests. Citizens and policymakers outside of an enclave may still opine regarding its development or policies. Even if local communities stand to be most affected, should Hondurans not have some say in what happens even in their country's uninhabited lands?

Charter cities also represent an innovative approach to the issues of violence and migration that have eluded traditional solutions. Instead of ratcheting up enforcement or seeking international aid for domestic improvements, charter cities propose a model in which private or international investment establishes a rules-based framework that encourages development within an enclave and tends to spread throughout a region. Private investment thus serves as a replacement for traditional aid, which some studies have suggested may be an inefficient path to development.[285] Charter cities proponents have highlighted the shortcomings of traditional development initiatives as justification for attempting their project, but failure of one project does not increase the chances of success

---

[284] Greg Lindsay, "Chartered Territory: Can a New Model for Cities Thrive in Honduras," *Forefront* 1, no. 5 (May 14, 2012), https://nextcity.org/features/view/honduras-charter-cities-paul-romer-private-investment.

[285] Michael A. Clemens et al., "Counting Chickens When They Hatch: Timing and the Effects of Aid on Growth," *The Economic Journal* 122 (June 2011): 590–617.

for another. The stakes of dedicating resources to an unproven model which may fail to placate or exacerbate problems are high, at least for Hondurans.

For these reasons, while Romer's proposal for charter cities may hold potential for development, it is fraught with complications and opportunities for the implementation to go astray. One simple step that academics and policymakers can adopt is to use correct nomenclature in referring to Romer's charter cities and Honduran REDs and ZEDEs. Proponents of ZEDEs that use the terms interchangeably, such as Mark Lutter and Jorge Colindres in a paper for the Charter Cities Institute,[286] ascribe the legitimacy of Romer's name and ideas to a project that no longer represents either. Reihan Salam suggests in *The Atlantic* that Romer's decision to step away from the project was likely based in-part on "a recognition that his continued participation would lend legitimacy to an enterprise he now considered badly compromised."[287] Therefore, Romer's charter cities and Honduran ZEDEs are independent projects and the outcome of either should have little bearing on the validity of the other.

Those seeking to apply Romer's idea should learn from the challenges that have stalled the project in Honduras. First, in order to truly test Romer's model, it should be followed precisely. Altering certain elements led to complications in Honduras. It would also be beneficial to keep Romer on as an advisor to ensure the project progresses according to his intent. Transparency is crucial and should be handled by an independent committee with no profit-motive or interest in the zone. National consensus is also likely to benefit the success of the project. This could be done through a national referendum, ensuring that the development has some degree of popular support. Political consensus may require a constitutional amendment authorizing this type of arrangement, as Honduras achieved although via questionable procedures. The relationship with an international partner is another key component and would require tactful negotiation. This may involve an agreement to cede sovereignty for a set time or a long-term lease. It is yet to be seen whether a charter city's positive elements would spread to the surrounding country, or whether that

---

[286] Colindres and Lutter, "Make Honduras Great."

[287] Salam, "The Solution to the Caravan Crisis Is in Honduras."

path could be implemented without foreign influence. According to Romer, if something is seen to work, it should be replicated. The question is whether that country will have the resources or capacity to do so.

Those seeking to pursue the ZEDE project in Honduras should recognize that it currently rests on shaky foundations. The legitimacy of the government and constitutional justification is questionable, based on the 2009 coup and subsequent removal of judges. Romer sensed corruption when the Transparency Commission was circumvented and stepped away from the project. Local communities have protested the selling off of their lands and expressed concern that economic growth will not reach them. Foreign investors have expressed interest but not commitment. The country now seems focused on launching ZEDEs as expanded economic zones, rather than reforming their underlying government institutions. However, bad institutions cannot be expected to administer the zones well. Honduran policymakers should heed the critiques of concerned citizens and international observers in pursuing ZEDEs. Increasing transparency and political consensus might increase the legitimacy of economic development initiatives. If popular consensus cannot be reached, the project may need to be amended or abandoned. ZEDEs are an intriguing development proposal, but Honduras should focus on strengthening its domestic institutions and administrative capacity. They should implement policies that distribute benefits and provide opportunities to a broad range of citizens, not just policymakers and elites. If Honduras can make small strides in its domestic governance, foreign partners may be more willing to invest and assist, trusting that the country will continue beneficial policies.

In conclusion, Romer's charter cities idea represents a novel approach to development that has yet to be attempted or proven. Honduras began pursuing Romer's idea, but quickly departed from many of its core tenets, causing the project to stagnate and become mired in controversy. Those seeking to implement or support Romer's idea in the future can glean lessons from the case study of Honduras concerning challenges that may hinder implementation and areas that may be susceptible to deviation from the theoretical framework, to the detriment of the project.

LIST OF REFERENCES

Aggarwal, Aradhna. "Impact of Special Economic Zones on Employment, Poverty and Human Development." Working Paper. Econstor, 2007. https://www.econstor.eu/handle/10419/176213.

Bagley, Bruce. "The Evolution of Drug Trafficking and Organized Crime in Latin America." *Sociologia, Problemas e Práticas*, no. 71 (January 2013): 99–123. https://doi.org/10.7458/SPP2013712333.

BBC News. "Honduras Court Bans Private Cities Project." BBC News, October 18, 2012. https://www.bbc.com/news/world-latin-america-19999536.

Bell, Tom W. "Special International Zones in Practice and Theory." *Chapman Law Review* 21, no. 2 (2018): 273–302. https://digitalcommons.chapman.edu/cgi/viewcontent.cgi?article=1408&context=chapman-law-review.

Bermeo, Sarah. "Violence Drives Immigration from Central America." *Future Development: The Brookings Institution* (blog), June 26, 2018. https://www.brookings.edu/blog/future-development/2018/06/26/violence-drives-immigration-from-central-america/.

Betts, Alexander, and Paul Collier. "Help Refugees Help Themselves." *Foreign Affairs*, November 2015. https://www.foreignaffairs.com/articles/levant/2015-10-20/help-refugees-help-themselves.

Betts, Alexander, and Paul Collier. *Refuge: Rethinking Refugee Policy in a Changing World*. New York: Oxford University Press, 2017.

Betts, Alexander. "The International Conference on Central American Refugees (1987-1995)." In *Protection by Persuasion: International Cooperation in the Refugee Regime*, 78–111. Ithaca, NY: Cornell University Press, 2009. http://ebookcentral.proquest.com/lib/ebook-nps/detail.action?docID=3137993.

Bialik, Kristen. "Border Apprehensions Increased in 2018—Especially for Migrant Families." Pew Research Center, January 16, 2019. http://www.pewresearch.org/fact-tank/2019/01/16/border-apprehensions-of-migrant-families-have-risen-substantially-so-far-in-2018/.

Bird, Annie. "Privately Owned 'Charter Cities' in Honduras: Entire Urban Areas Handed Over to Corporations." Centre for Research on Globalization. Global Research, September 15, 2012. https://www.globalresearch.ca/privately-owned-charter-cities-in-honduras-entire-urban-areas-handed-over-to-corporations/5304672.

Booth, John A., Christine J. Wade, and Thomas W. Walker. *Understanding Central America: Global Forces, Rebellion, and Change*. 6th ed. Boulder, CO: Westview Press, 2015.

Bosworth, James. "Honduran Lawmakers Fire Four Supreme Court Judges." *Christian Science Monitor*, December 12, 2012. https://www.csmonitor.com/World/Americas/Latin-America-Monitor/2012/1212/Honduran-lawmakers-fire-four-Supreme-Court-judges.

Bradley, Megan. "Forced Migration in Central America and the Caribbean: Cooperation and Challenges." In *The Oxford Handbook of Refugee and Forced Migration Studies*, edited by Elena Fiddian-Qasmiyeh, Gil Loescher, Katy Long, and Nando Sigona. Oxford, UK: Oxford University Press, 2014. https://doi.org/10.1093/oxfordhb/9780199652433.013.0051.

Bradley, Megan. "Unlocking Protracted Displacement: Central America's 'Success Story' Reconsidered." Working Paper. Refugee Studies Centre. Oxford: University of Oxford, August 2011. https://www.rsc.ox.ac.uk/files/files-1/wp77-unlocking-protracted-displacement-central-america-2011.pdf.

Briscoe, Ivan, and Pamela Kalkman. "Illicit Networks: Rethinking the Systemic Risk in Latin America." *PRISM: The Journal of Complex Operations* 5, no. 4 (2015): 151–71. https://search.proquest.com/docview/1762303419/abstract/344D02519389457EPQ/1?accountid=12702.

Bruneau, Thomas. "The United States and Central America: From Stopping Communism to Stopping Kids." Occasional Paper. Washington, DC: William J. Perry Center for Hemispheric Defense Studies, 2016. https://www.williamjperrycenter.org/publication-types/occasional-papers.

Carasik, Lauren, Tyler Ingraham, Christopher Martin, Steven M. Quesinberry, and Mark Sullivan. *Report of the National Lawyers Guild Delegation Investigation of Zones for Economic Development and Employment in Honduras*. New York: National Lawyers Guild, 2014. http://www.nlginternational.org/report/Final_NLG_ZEDE_Report.pdf.

Carasik, Lauren. "Hondurans Don't Need yet Another Neoliberal Boondoggle." *Al Jazeera America*, July 20, 2014. http://america.aljazeera.com/opinions/2014/7/honduras-neoliberaleconomicdevelopmentcorruptionviolence.html.

Castle-Miller, Michael. "The Ciudades Modelo Project: Testing the Legality of Paul Romer's Charter Cities Concept by Analyzing the Constitutionality of the Honduran Zones for Employment and Economic Development." *Willamette Journal of International Law and Dispute Resolution* 22, no. 2 (May 28, 2015): 271–312. http://dx.doi.org/10.2139/ssrn.2459137.

Chayes, Sarah. *When Corruption Is the Operating System: The Case of Honduras*. Washington, DC: Carnegie Endowment for International Peace, 2017. https://carnegieendowment.org/2017/05/30/when-corruption-is-operating-system-case-of-honduras-pub-69999.

Clemens, Michael A., Steven Radelet, Rikhil R. Bhavnani, and Samuel Bazzi. "Counting Chickens When They Hatch: Timing and the Effects of Aid on Growth." *The Economic Journal* 122 (June 2011): 590–617.

Colindres, Jorge, and Mark Lutter. "Make Honduras Great: Charter Cities as a Development Program." Charter Cities Institute, February 4, 2019. https://www.chartercitiesinstitute.org/post/make-honduras-great.

Colindres, Jorge. "Democratic Compliance: A Charter City's Obligations Under International Law: The Case of the Honduran ZEDE Regime." Charter Cities Institute, April 11, 2018. https://www.chartercitiesinstitute.org/post/democratic-compliance-a-charter-citys-obligations-under-international-law.

Costa, Gino. "Citizen Security and Transnational Organized Crime in the Americas: Current Situation and Challenges in the Inter-American Arena." *Sur: International Journal of Human Rights* 9, no. 16 (June 2012): 127–49. https://search.proquest.com/docview/1629332215?rfr_id=info%3Axri%2Fsid%3Aprimo.

Cowen, Tyler. "Paul Romer on What Happened in Honduras." *Marginal Revolution* (blog), September 24, 2012. https://marginalrevolution.com/marginalrevolution/2012/09/paul-romer-on-what-happened-in-honduras.html.

Cowen, Tyler. "The Three Kinds of Charter Cities." *Marginal Revolution* (blog), September 22, 2018. https://marginalrevolution.com/marginalrevolution/2018/09/three-kinds-charter-cities.html.

Crawley, Heaven. "Migration: Refugee Economics." *Nature* 544 (April 6, 2017): 26–27. https://doi.org/10.1038/544026a.

Crawley, Heaven. "Why Jobs in Special Economic Zones Won't Solve the Problems Facing the World's Refugees." The Conversation, April 6, 2017. http://theconversation.com/why-jobs-in-special-economic-zones-wont-solve-the-problems-facing-the-worlds-refugees-75249.

Cruz, José Miguel "The Root Causes of the Central American Crisis." *Current History* 114, no. 769 (February 2015): 43–48. https://search.proquest.com/docview/1700671401?rfr_id=info%3Axri%2Fsid%3Aprimo.

Cruz, José Miguel. "Criminal Violence and Democratization in Central America: The Survival of the Violent State." *Latin American Politics and Society* 53, no. 4 (Winter 2011): 1–33. https://www.jstor.org/stable/41342343.

Dalby, Chris, and Camilo Carranza. "InSight Crime's 2018 Homicide Round-Up." InSight Crime, January 22, 2019. https://www.insightcrime.org/news/analysis/insight-crime-2018-homicide-roundup/.

Dudley, Steven S. "MS-13 Is a Street Gang, Not a Drug Cartel—and the Difference Matters." The Conversation, March 20, 2018. http://theconversation.com/ms-13-is-a-street-gang-not-a-drug-cartel-and-the-difference-matters-92702.

Economist. "Honduras Experiments with Charter Cities." August 12, 2017. https://www.economist.com/the-americas/2017/08/12/honduras-experiments-with-charter-cities.

Economist. "Hong Kong in Honduras." December 10, 2011. https://www.economist.com/international/2011/12/10/hong-kong-in-honduras.

El País. "Juan Orlando Hernández Promete Una Zona Especial De Empleo En Olancho." *Diario El País Honduras*, October 23, 2017. http://www.elpais.hn/2017/10/23/juan-orlando-hernandez-promete-una-zona-especial-empleo-olancho/.

El Salvador, Guatemala, and Honduras. *Plan of the Alliance for Prosperity in the Northern Triangle: A Road Map*. Washington, DC: Inter-American Development Bank, 2014. http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=EZSHARE-917344851-9888.

Farah, Douglas. "Central America's Northern Triangle: A Time for Turmoil and Transitions." *PRISM: The Journal of Complex Operations* 4, no. 3 (September 2013): 88–109. https://search.proquest.com/docview/1441703627?rfr_id=info%3Axri%2Fsid%3Aprimo.

Farole, Thomas, and Lotta Moberg. "It Worked in China, so Why Not in Africa?: The Political Economy Challenge of Special Economic Zones." Working Paper. World Institute for Development Economics Research (WIDER). United Nations University, 2014. https://www.wider.unu.edu/publication/it-worked-china-so-why-not-africa.

Fernholz, Tim. "Behind the Race to Build Utopian City-States in the Honduran Jungle." Quartz, October 10, 2012. https://qz.com/12436/behind-the-race-to-build-utopian-city-states-in-the-honduran-jungle/.

Fuller, Brandon, and Paul Romer. *Success and the City: How Charter Cities Could Transform the Developing World*. Ottawa, Canada: Macdonald-Laurier Institute, 2012. http://www.macdonaldlaurier.ca/files/pdf/How-charter-cities-could-transform-the-developing-world-April-2012.pdf.

Fuller, Brandon, and Paul Romer.. "Urbanization as Opportunity." Working Paper. The World Bank, 2014. http://documents.worldbank.org/curated/en/775631468180872982/Urbanization-as-opportunity.

Geglia, Beth. "Honduras: Reinventing the Enclave." *NACLA Report on the Americas* 48, no. 4 (October 2016): 353–60. https://doi.org/10.1080/10714839.2016.1258278.

Goldstein, Jacob, and Chana Joffe-Walt. "Can a Poor Country Start Over?" In *NPR: Planet Money*, 19:45., 2012. https://www.npr.org/templates/transcript/transcript.php?storyId=164813887.

Gonzalez-Barrera, Ana, Jens Manuel Krogstad, and Mark Hugo Lopez. "DHS: Violence, Poverty Drive Children to Flee Central America to U.S." Pew Research Center, July 1, 2014. https://www.pewresearch.org/fact-tank/2014/07/01/dhs-violence-poverty-is-driving-children-to-flee-central-america-to-u-s/.

Google Maps. "Approved ZEDE Locations." August 13, 2019. https://drive.google.com/open?id=1sL-GR1rR8Zw7UXKseHAqHfsgL6H_oSHp&usp=sharing.

Gordon, Todd, and Jeffrey R. Webber. "The Overthrow of a Moderate and the Birth of a Radiclizing Resistance: The Coup Against Manuel Zelaya and the History of Imperialism and Popular Struggle in Honduras." In *The New Latin American Left: Cracks in the Empire*, edited by Barry Carr and Jeffrey R. Webber, Chapter 15. Lanham, MD: Rowman & Littlefield, 2013. https://ebookcentral.proquest.com/lib/ebook-nps/reader.action?docID=1034722.

Hamilton, Emily. "Urban Development in Charter Cities." Market Urbanism, September 13, 2012. https://www.marketurbanism.com/2012/09/13/urban-development-in-charter-cities/.

Hartigan, Kevin. "Matching Humanitarian Norms with Cold, Hard Interests: The Making of Refugee Policies in Mexico and Honduras, 1980–89." *International Organization* 46, no. 3 (Summer 1992): 709–30. https://www.jstor.org/stable/2706993.

Jaffee, David. *Levels of Socio-Economic Development Theory*. New York: Praeger Publishers, 1990.

Kroth, Maya. "Under New Management." *Foreign Policy*, September 1, 2014. https://foreignpolicy.com/2014/09/01/under-new-management/.

Leutert, Stephanie. "Who's Really Crossing the U.S. Border, and Why They're Coming." Lawfare, June 23, 2018. https://www.lawfareblog.com/whos-really-crossing-us-border-and-why-theyre-coming.

Lindsay, Greg. "Chartered Territory: Can a New Model for Cities Thrive in Honduras." *Forefront* 1, no. 5 (May 14, 2012). https://nextcity.org/features/view/honduras-charter-cities-paul-romer-private-investment.

Loescher, Gil. "Humanitarianism and Politics in Central America." *Political Science Quarterly* 103, no. 2 (Summer 1988): 295–320. https://doi.org/10.2307/2151185.

Loveman, Brian. *No Higher Law: American Foreign Policy and the Western Hemisphere since 1776*. Chapel Hill: The University of North Carolina Press, 2010.

Lutter, Mark. "Creating the Charter Cities Ecosystem." Lecture. San Francisco: Center for Innovative Governance Research Conference, September 26, 2018. https://medium.com/@marklutter/creating-the-charter-cities-ecosystem-b34ca45c2a1a.

Lynch, Casey R. "'Vote with Your Feet': Neoliberalism, the Democratic Nation-State, and Utopian Enclave Libertarianism." *Political Geography* 59 (July 2017): 82–91. https://doi.org/10.1016/j.polgeo.2017.03.005.

Mackey, Danielle Marie. "'I've Seen All Sorts of Horrific Things in My Time. But None as Detrimental to the Country as This.'" *The New Republic*, December 14, 2014. https://newrepublic.com/article/120559/ive-seen-sorts-horrific-things-time-none-detrimental-country-this.

Malkin, Elisabeth. "Charter City Plan to Fight Honduras Poverty Loses Initiator." *The New York Times*. September 30, 2012. https://www.nytimes.com/2012/10/01/world/americas/charter-city-plan-to-fight-honduras-poverty-loses-initiator.html?mtrref=undefined&gwh=5CDF51F1FCFB5B6B464A7397CB2685BA&gwt=pay.

Mallaby, Sebastian. "The Politically Incorrect Guide to Ending Poverty." *The Atlantic*, July 2010. https://www.theatlantic.com/magazine/archive/2010/07/the-politically-incorrect-guide-to-ending-poverty/308134/.

Martínez Fernández, Sofía. "Mass Deportations Only Fuel a Cycle of Violence and Migration." International Crisis Group, June 25, 2018. https://www.crisisgroup.org/latin-america-caribbean/mass-deportations-only-fuel-cycle-violence-and-migration.

Meyer, Peter J. *U.S. Strategy for Engagement in Central America: Policy Issues for Congress*. CRS Report No. R44812. Washington, DC: Congressional Research Service, 2019. https://crsreports.congress.gov/product/pdf/R/R44812.

Naím, Moisés. "Mafia States: Organized Crime Takes Office." *Foreign Affairs*, May 2012. https://www.foreignaffairs.com/articles/2012-04-20/mafia-states.

Passel, Jeffrey S., and D'Vera Cohn. "U.S. Unauthorized Immigration Total Lowest in a Decade." Pew Research Center, November 27, 2018. http://www.pewhispanic.org/2018/11/27/u-s-unauthorized-immigrant-total-dips-to-lowest-level-in-a-decade/.

Pierce, Sarah. "Sessions: The Trump Administration's Once-Indispensable Man on Immigration." Migration Policy Institute, November 8, 2018. https://www.migrationpolicy.org/article/sessions-trump-administrations-once-indispensable-man-immigration.

Puerto Gomez, Margarita, and Asger Christensen. *The Impacts of Refugees on Neighboring Countries: A Development Challenge*. Washington, DC: World Bank, 2010. http://siteresources.worldbank.org/EXTWDR2011/Resources/6406082-1283882418764/WDR_Background_Paper_Refugees.pdf.

Rapley, John. *Understanding Development: Theory and Practice in the Third World*. Boulder, CO: Lynne Rienner Publishers, 2007.

Redmond, Ron. "The Human Side of CIREFCA." *Refugees*, March 1, 1995. https://www.unhcr.org/publications/refugeemag/3b5426de4/refugees-magazine-issue-99-regional-solutions-human-side-cirefca.html.

Romer, Paul, and Brandon Fuller. "Cities from Scratch: A New Path for Development." *City Journal*, Autumn 2010. https://www.city-journal.org/html/cities-scratch-13325.html.

Romer, Paul. "A New City in Honduras." *Paul Romer* (blog), February 2, 2011. https://paulromer.net/a-new-city-in-honduras/index.html.

Romer, Paul. "The World's First Charter City?" Presentation. Long Beach: TED Conference, March 2011. https://www.ted.com/talks/paul_romer_the_world_s_first_charter_city?language=en.

Romer, Paul. "Why the World Needs Charter Cities." Presentation. Oxford: TED Global, July 2009. https://www.ted.com/talks/paul_romer?language=en.

Romer, Paul. *Technologies, Rules, and Progress: The Case for Charter Cities*. Washington, DC: Center for Global Development, 2010. https://www.cgdev.org/publication/technologies-rules-and-progress-case-charter-cities.

Salam, Reihan. "The Solution to the Caravan Crisis Is in Honduras." *The Atlantic*, October 24, 2018. https://www.theatlantic.com/ideas/archive/2018/10/solution-caravan-crisis-honduras/573832/.

Savenije, Wim, and Chris van der Borgh. "Youth Gangs, Social Exclusion, and the Transformation of Violence in El Salvador." In *Armed Actors: Organized Violence and State Failure in Latin America*, edited by Kees Koonings and Dirk Kruijt. London: Zed Books, 2004.

Stone, Hannah. "Honduras 'Model City' Plan in the Spotlight." Council on Hemispheric Affairs, October 4, 2012. http://www.coha.org/honduras-model-city-plan-in-the-spotlight/.

Telesur. "Hondurans March Against Charter Cities in Zacate Grande." October 24, 2014.
https://www.telesurenglish.net/news/Hondurans-March-Against-Charter-Cities-in-Zacate-Grande-20141024-0021.html.

United Nations Development Programme. *Citizen Security with a Human Face: Evidence and Proposals for Latin America*. New York, 2013. http://hdr.undp.org/en/content/citizen-security-human-face.

United Nations High Commissioner for Refugees. *Review of the CIREFCA Process*. Geneva, Switzerland: Central Evaluation Section, 1994. https://www.unhcr.org/research/evalreports/3bd410804/review-of-the-cirefca-process.html.

United Nations High Commissioner for Refugees. *States Parties to the 1951 Convention Relating to the Status of Refugees and the 1967 Protocol*. Geneva, Switzerland, 2015. https://www.unhcr.org/protect/PROTECTION/3b73b0d63.pdf.

United Nations Office on Drugs and Crime. *Global Study on Homicide: Executive Summary*. Vienna, Austria, 2019. https://www.unodc.org/unodc/en/data-and-analysis/global-study-on-homicide.html.

United Nations Office on Drugs and. "Intentional Homicide Victims." UNODC. Accessed March 20, 2019. https://dataunodc.un.org/crime/intentional-homicide-victims.

United Nations Office on Drugs and. *Transnational Organized Crime in Central America and the Caribbean: A Threat Assessment*. Vienna, Austria, 2012. https://www.unodc.org/toc/en/reports/TOCTACentralAmerica-Caribbean.html.

United Nations. *Progress Report on the Implementation of the Joint Plan of Action for Refugees, Returnees, and Displaced Persons in Central America*. New York, 1990. https://www.refworld.org.es/cgi-bin/texis/vtx/rwmain/opendocpdf.pdf?reldoc=y&docid=5ad7c0604.

Watts, Jonathan. "Honduras to Build New City with Its Own Laws and Tax System to Attract Investors." *The Guardian*, September 6, 2012. https://www.theguardian.com/world/2012/sep/06/honduras-new-city-laws-investors.

INITIAL DISTRIBUTION LIST

1.   Defense Technical Information Center
        Ft. Belvoir, Virginia

2.   Dudley Knox Library
        Naval Postgraduate School
        Monterey, California