

**DEFENSE OR DEVELOPMENT?  
A DECISIVE QUESTION IN  
LATIN AMERICA**

BY

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USAWC STRATEGY RESEARCH PROJECT

**DEFENSE OR DEVELOPMENT? A DECISIVE QUESTION IN LATIN AMERICA**

by

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## **ABSTRACT**

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The purpose of this work is to inform the reader about the recent past, present, and future tendency in the Latin American countries regarding the balance of expenditures between defense and development. First, this paper reviews the theory for establishing the concepts of defense expenditures and development/social expenditures, second, it analyzes the facts and possible relation in the expenses in defense and development in the countries, and finally, it identifies probable future scenarios.



## DEFENSE OR DEVELOPMENT? A DECISIVE QUESTION IN LATIN AMERICA

Perhaps nowhere in the unified command system does this new set of conditions present itself more fully than in U.S. Southern Command. As a traditional military jurisdiction, our area of responsibility is notable by its current lack of conventional military threats; but the region's persistent conditions of poverty, inequality, and corruption provide fertile soil in which international criminals and terrorists can flourish.

— Admiral James G. Stavridis  
Commander United States Southern Command

### Introduction and Expectations

There is no doubt that the globalization which characterizes the new order impacts all around the world, with different intensity derived with the level of development, relative status and relationship with the main powers of each country or region. Latin America, once called the “backyard of the United States,” has lived its own process. Those countries have been years behind The United States or Europe. The route has not been easy for the Latin American countries because of different levels of mismanagement, corruption, natural disasters, struggles of influences, and as a final prize, the positioning of international threats, as expressed by the Commander of the US SOUTHCOM above. In this process, leaders have overweighed or underweighed the threats against their national goals, influenced by their personal experiences the military government, resulting in different levels and balances between military and socio economic development.

The purpose of this paper is to examine the national balance of expenditures between defense and development in the Latin American countries during the last 10 years, present and future tendencies, and probable scenarios. First, this paper reviews the theory for establishing the concepts of defense expenditures and



development/social expenditures, given the number of different positions. Second, it describes the situation by countries (including the 20 countries in Latin America and excluding the foreign territories). Third, it analyzes the facts and possible relation in the expenses in defense and development. Fourth, it identifies probable future scenarios, and draws some conclusions.

### Expenditure in Defense and Development

When trying to find out the exact information related with any country's defense expenditure, we encounter many different problems. First, although every day this issue is more public in most countries of the world, its direct relation with capabilities, vulnerabilities, and current or future operations make it hard to be completely transparent. Another aspect is that there are several formulas for its calculation worldwide and only some international organizations or groups of countries are working to reach a level of mutual trust and understanding by applying a common formula<sup>1</sup>. In spite of that, as expressed in a report to the Congress: "available sets of figures are useful for comparative purposes, but often do not correspond with one another for a variety of reasons".<sup>2</sup> In order to make a good comparison of figures, the more reliable sources are included in the paper. However, the main effort is to apply the same formula and information for each country for both, defense and development. Tables 1 and 2 show the details of expenditures for defense of each Latin American country in the last ten years.

Country	Defense/security spending (U.S. dollars in millions and % of GDP)									
	1997****		1998***		1999*		2000***		2001*****	
	Amount	GDP %	Amount	GDP %	Amount	GDP %	Amount	GDP %	Amount	GDP %
Argentina	3,700.0	1.5	3,530.0	1.3	4,300.0	1.6	2,082.0	1.3	2,048.0	1.4
Belize	N/A	N/A	11.0	1.7	11.0	1.6	7.7	1.9	/	/
Bolivia	150.0	1.9	173.0	2.2	148.0	1.8	126.0	1.7	157.0	2.1
Brazil	14,100.0	1.8	10,200.0	2.0	9,920.0	1.9	11,583.0	1.7	13,428.0	1.9
Chile	2,860.0	3.9	2,330.0	3.6	1,990.0	3.0	2,500.0	3.1	3,164.0	3.7
Colombia	3,460.0	3.7	2,830.0	3.2	2,670.0	3.2	3,300.0	3.4	3,948.0	3.8
Costa Rica <sup>1</sup>	58.0	0.6	71.0	0.5	69.0	0.5	69.0	1.6	/	/
Ecuador	746.0	4.0	640.0	4.4	479.0	3.7	317.0	1.7	439.0	1.8
El Salvador	101.0	0.9	110.0	0.9	110.0	0.9	112.0	0.7	124.0	0.8
Guatemala	N/A	N/A	130.0	0.8	121.0	0.7	120.0	0.6	269.0	0.9
Guyana	8.0	1.1	7.0	1.2	5.0	0.8	N/A	N/A	/	/
Honduras	N/A	N/A	N/A	N/A	34.0	7.0	41.0	0.6	46.8	0.6
Mexico	4,290.0	1.1	2,510.0	0.6	2,700.0	0.6	4,000.0	1.0	3,388.0	0.5
Nicaragua	27.0	1.5	30.0	1.6	24.0	1.2	32.5	0.8	30.2	0.7
Panama <sup>2</sup>	114.0	1.4	118.0	1.4	124.0	1.4	128.0	1.3	/	/
Paraguay	127.0	1.3	111.0	1.4	84.0	1.1	69.1	1.1	64.7	1.0
Peru <sup>3</sup>	1,350.0	2.1	1,140.0	2.3	1,200.0	2.4	1,000.0	1.8	1,141.0	1.9
Suriname	17.0	1.2	29.0	3.6	14.0	1.8	/	/	/	/
Uruguay	279.0	1.4	267.0	1.3	275.0	1.3	250.0	1.1	278.0	1.8
Venezuela	1,860.0	2.2	1,430.0	1.3	1,420.0	1.4	1,257.0	1.3	1,654.0	1.7

Sources:

\* International Institute for Strategic Studies and U.S. Department of State (some information is estimated)

\*\*GlobalSecurity.org/CIA Factbook

\*\*\*CIA Factbook

\*\*\*\*World Military Expenditures and Trade 98 DOS

Notes:

<sup>1</sup>Costa Rica has no armed forces. Expenditure for paramilitary forces, border guard, and maritime and air surveillance is less than 0.05% of GDP.

<sup>2</sup>The Panamanian Defense Forces were abolished in 1990 and replaced by a paramilitary force consisting of the national police and air and maritime services.

<sup>3</sup>The figures for Peru from 2005 do not include the transfer of 20% of gas production revenues from the state-owned company CAMISEA for the armed forces and national police.

Table 1.

Country	Defense/security spending (U.S. dollars in millions and % of GDP)									
	2002*****		2003*		2004*****		2005**		2006***	
	Amount	GDP %	Amount	GDP %	Amount	GDP %	Amount	GDP %	Amount	GDP %
Argentina	1,632.0	1.2	1,500.0	1.4	1,813.0	1.1	1,800.0	1.0	1,847.0	1.3
Belize	/	/	19.0	2.3	/	/	19.0	/	/	1.4
Bolivia	150.0	1.9	125.0	1.6	153.0	1.7	130.0	1.6	155.0	1.9
Brazil	15,369.0	2.1	10,200.0	2.3	11,250.0	1.5	13,100.0	1.6	13,446.0	2.6
Chile	3,374.0	3.8	2,700.0	4.1	4,077.0	3.8	3,900.0	3.8	4,858.0	2.7
Colombia	3,803.0	3.6	3,000.0	3.7	4,431.0	3.8	3,500.0	3.7	4,609.0	3.4
Costa Rica <sup>1</sup>	/	/	94.0	0.6	/	/	83.0	/	/	0.4
Ecuador	578.0	2.1	724.0	2.7	727.0	2.3	650.0	2.6	908.0	2.8
El Salvador	122.0	0.8	164.0	1.2	111.0	0.7	162.0	0.6	106.3	0.5
Guatemala	199.0	0.7	192.0	0.8	130.0	0.4	170.0	0.6	137.0	0.4
Guyana	/	/	5.0	0.7	/	/	17.0	/	/	1.8
Honduras	60.4	0.8	115.0	1.7	53.6	0.7	53.0	0.8	52.6	0.6
Mexico	3,246.0	0.5	5,600.0	0.9	3,119.0	0.4	6,100.0	0.9	3,136.0	0.5
Nicaragua	37.4	0.9	38.1	1.3	33.0	0.7	32.0	0.7	33.5	0.6
Panama <sup>2</sup>	/	/	138.0	1.3	/	/	150.0	/	/	1.0
Paraguay	61.0	0.9	57.0	1.0	53.6	0.7	53.0	0.7	63.5	1.0
Peru <sup>3</sup>	885.0	1.4	914.0	1.6	980.0	1.3	1,088.0	1.4	1,086.0	1.5
Suriname	/	/	9.0	5.0	/	/	7.5	/	/	0.6
Uruguay	241.0	1.7	224.0	1.8	214.0	1.3	371.0	2.5	210.0	1.6
Venezuela	1,229.0	1.3	1,100.0	1.3	1,427.0	1.2	1,600.0	1.2	1,924.0	1.2

Sources:

\* International Institute for Strategic Studies and U.S. Department of State (some information is estimated)

\*\*GlobalSecurity.org/CIA Factbook

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Notes:

<sup>1</sup>Costa Rica has no armed forces. Expenditure for paramilitary forces, border guard, and maritime and air surveillance is less than 0.05% of GDP.

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<sup>3</sup>The figures for Peru from 2005 do not include the transfer of 20% of gas production revenues from the state-owned company CAMISEA for the armed forces and national police.

Table 2.

On the other hand, the data for figuring out the level of national expenses used in development, based in the meaning related with the social area of each country, presents another series of factors. The principal is measuring the level of money spent, because there is no a common worldwide formula. The efforts made for some countries to hide large differences between the rich and the poor people, make it even harder. Although it does not have a complete table with the specific figures needed for this

study, the information of the World Bank and the International Monetary Found (IMF) is good enough for the purposes of the project: establishing tendencies for the future based upon experience.

Finally, it is important to establish more than numbers and comparisons among the Latin American countries, the goal is to find experiences, facts, and tendencies within each country, and how those aspects have or might influence or affect the neighbors and the region. This is particularly relevant in Latin America, given the interdependence of groups of countries within the region, and the planned “bi-oceanic corridors” (main routes from the Atlantic to the Pacific Ocean especially for transportation of goods) among Brazil, Uruguay, Argentina, Paraguay, Bolivia, and Chile, currently in the process of construction.

## Argentina

It is the second largest country in South America and eighth largest in the world in territory, has historically fallen prey to a boom and bust cycle<sup>3</sup>, the most formidable of which was a severe economic crisis in 2001-02 that led to violent public protests and the resignation of several interim presidents. Since then its economy recovered strongly and the government renegotiated its public debt in 2005 and paid off its remaining obligations to the IMF in early 2006<sup>4</sup>. However, that unusual condition weighed heavily upon the entrepreneurial structure and trust among the entrepreneurs in the system, making harder the recovery phase of the cycle.

Given the “populist” character of the Argentinean people, many of them followers of leaders with great abilities to make speeches more than to make fundamental decisions for the future of Argentina, the economy relies heavily on the state and macro

decisions. That is why currently, although having a low rate of unemployment, it remains with a high percentage of poverty due to the low level of salaries. For that the World Bank designed the Country Assistance Strategy (CAS) for 2006-08 to assist the government in this reorientation of policies, with an investment and analytical program based on three pillars: (1) sustained growth with equity; (2) social inclusion; and (3) improved governance<sup>5</sup>

Factors (%) / Years <sup>6</sup>	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP (real growth rate)	4.4	4.3	-3.0	0.8	-4.6	-14.7	8.0	8.3	8.7	8.5
Literacy	96.2				97.2					
Unemployment rate	17.3	12.0	14.0	15.0	25.0	21.5	16.3	14.8	11.1	8.7
Population below poverty line	25.5		37.0		37.0		51.7	44.3	38.5	26.9

Table 3. Social indicators Argentina 1997 – 2006

The Argentine military, a very weak force constrained by the country's prolonged economic hardship, is now implementing "Plan 2000," aimed at making the ground forces lighter and more responsive (2005) and it has large number of troops deployed under the United Nations flag working in peace operations.<sup>7</sup> The current Minister of Defense has pursued an aggressive restructuring program based on the Argentine 1988 defense law. Priorities include emphasis on joint operations and peacekeeping. There has been minimal recapitalization due to budget constraints experienced over the past five years<sup>8</sup>. Despite all the above, defense spending has been in a steady decline, falling to just over 1% of the GDP, excluding the Gendarmerie and the Coast Guard, which would increase it another 0.3%.<sup>9</sup>

## Belize

It is a very new country, becoming independent in 1981 from the United Kingdom<sup>10</sup>, with a small size and population of less than 300,000. This reflects clearly in its institutions and rhythm of the economy. In addition, the size of Belize and its few natural resources, play a role in its slower development. Tourism has become the mainstay of the economy and Belize relies on the UK economic support. The next table shows some figures related with the development of Belize.

The conditions explained and a low level of threat keep the Belize Defense Force as they are today, mainly infantry, self-defense oriented, and focused on “dealing with narcotics trafficking or natural disasters”.<sup>11</sup> This need surged because Belize has a problem with violent crime, much of it drug-related, and the trafficking of narcotics to the US. In 2006, the US State Department included Belize in a list of countries, which it said were not doing enough to tackle human trafficking.<sup>12</sup>

Factors (%) / Years <sup>13</sup>	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP (real growth rate)	2.9	0.5	4.0	4.0	3.0	3.7	3.7	3.5	3.8	4.0
Literacy	70.3			76.9						
Unemployment rate	15.0	14.3	12.8	11.5		9.1	12.9			9,4
Population below poverty line			33			33				33

Table 4: Social indicators Belize 1997 – 2006

The national expenditure in defense in the last ten years, as shown previously in the tables 1 and 2, runs between 1.5% and 2% of the GDP.

## Bolivia

Bolivia remains one of the poorest and least developed countries in Latin America, despite the promises given the indigenous president Evo Morales, a representative of the coca farmers. A country of statistical extremes, landlocked Bolivia is the highest and most isolated country in South America and has the largest proportion of indigenous people, who make up around two-thirds of the population<sup>14</sup>. Since the establishment of democratic civilian rule in 1982, leaders have faced difficult problems of deep-seated poverty, social unrest, and illegal drug production. For those reasons, to start the way toward the development relies heavily in external support, being the United States one of the main supporters through the program of coca eradication (Andean Trade Preferences and Drug Eradication Act)<sup>15</sup>. However, this issue has become highly sensitive politically, due to the conflict between what the international system recognizes as morally correct and which are the peasants' day-to-day interests. The country has the second-largest reserves of natural gas in South America<sup>16</sup>, but there have been long-running tensions over the exploitation and export of the resource postponing the possibility of getting better conditions of life, although Morales increased revenues from the gas production.

Factors (%) / Years <sup>17</sup>	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP (real growth rate)	4.4	4.7	2.0	2.5	0.0	1.9	2.1	3.7	4.0	4.5
Literacy	83.1					87.2				
Unemployment rate	10.0	11.4			7.6			9.2	8.0	7.8
Population below poverty line		66.0	70.0					64.0		33

Table 5: Social indicators Bolivia 1997 - 2006

Coca eradication and the prevention of coca trafficking has become a military responsibility along with the police, with U.S. assistance simultaneously with the civil-military support to the people. An extraordinary Cuban-Venezuelan package of military assistance allowed the upgrade of bases and facilities, stimulating the armed forces without imposing on the national budget a higher military expenditure.

## Brazil

It is the largest, more populated, and most influential country in the region. Exploiting vast natural resources and a large labor pool, it is today South America's leading economic power and a regional leader, although a highly unequal income distribution remains a pressing problem.<sup>18</sup> The Real Plan (1994) and the MERCOSUR (Southern Common Market), a regional trade agreement among Argentina, Brazil, Paraguay, and Uruguay, have been the main cornerstones in the expansion of the Brazilian economy.<sup>19</sup>

Factors (%) / Years <sup>20</sup>	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP (real growth rate)	2.9	0.5	0.8	4.2	1.9	1.0	0.1	5.1	2.4	3.7
Literacy	83.3						86.4	88.8		
Unemployment rate	5.2	8.5	7.5	7.1	6.4	6.4	12.2	11.5	9.9	9.6
Population below poverty line	17.4	22.0								

Table 6: Social indicators Brazil 1997 – 2006

The rates indicated in the Table 6 demonstrate the tendency in the Brazilian economy, the poverty level (argued as not as good as the reality by the Brazilian officials) being the only fixed variable. That is because as President Lula da Silva promised; the government is working to narrow the gap between rich and poor, joined



by the World Bank through programs for poverty reduction (Family Funding Program), medical attention to vulnerable groups (Family Health Program), and rural development projects (Land Loans Program), among others.<sup>21</sup> One of the successful measures taken for the poor people has been Brazil's AIDS Program, becoming a model for other developing countries, which has stabilized the rate of HIV infection while the number of AIDS-related deaths has fallen.

Thanks to the lack of a regional traditional threat, Brazil has oriented its efforts toward the interior of the country, reaching especially the most distant and less populated zones like the Amazonia. In relation with the non-traditional threats, the unruly region at the convergence of the Argentina-Brazil-Paraguay borders and the shared frontier with Colombia constitute likely future problems. The large Brazilian Armed Forces, highly respected not only by the Brazilians but also internationally, because of their role in the United Nations peace operations, are very professional and equipped, mainly because of the large national military industry. However, based on the priorities established on the "Brazil for All" Plan 2004-2007, which places social and infrastructure programs first, the defense expending is likely to remain modest and with probabilities of increasing as the GDP rises.<sup>22</sup>

## Chile

It is one of the most stable and most secure democracies in Latin America<sup>23</sup> and has been the fastest growing economy during the last 15 years.<sup>24</sup> The reason of that has been a mix of good copper prices,<sup>25</sup> new products (fruit, wine, lumber, and industrial products) and its financial system, large and well diversified relative to its regional competitors viewed as resilient to shocks, with a sound regulatory and supervisory

framework.<sup>26</sup> However, most important has been a carefully calibrated fiscal policy, which has balanced an expanding program of investments in social programs with an unquestioned commitment to countercyclical and disciplined fiscal policy. Since the return of democracy in 1990, the country has established a record of committed economic reform, proactive social investments, clean, transparent public sector management, and stable, consensual governance. Sound economic policies, maintained consistently since the 1980s, have contributed to a steady growth, reduced poverty rates by over half, and helped secure the country's commitment to democratic and representative government.<sup>27</sup>

Factors (%) / Years <sup>28</sup>	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP (real growth rate)	6.5	3.5	-1.0	5.5	3.1	1.8	3.2	5.8	6.0	4.0
Literacy	95.2						96.2			
Unemployment rate	6.5	6.4	9.0	9.0	10.1	9.2	8.5	8.5	8.0	7.8
Population below poverty line	20.5	21.0		22.6				20.6	18.2	

Table 7: Social indicators Chile 1997 – 2006

The Chilean attitude of openness toward the region and the world has allowed it to assume increasingly regional and international leadership roles befitting its status as a stable, democratic nation. Also, the change of perspective for national defense, expressed in the White Book of National Defense of Chile 2002, which relegated the local hypothesis of conflict to a second place and replaced the idea of a military solution for a prevention system, has turned the whole orientation of the military services toward a force projection overseas, mainly in peace operations. However, the instability in neighboring countries influences the determination of maintaining a force with dual

capabilities: not only overseas, but also within Chilean territory, against either a foreign conventional or non-conventional threat.

The Armed Forces (Army, Navy, Air Force, and eventually Carabineros<sup>29</sup>) are coming to the end of an extensive restructuring and modernization process, changing the traditional “in presence” national distribution for a projection force. That has been possible thanks to the two-way system of allocation of resources for the Armed Forces: the yearly budget (mainly for salaries and operational costs) and the so-called Copper Law (10% of the annual revenue of the copper exports of the state used only for buying or renewing systems of weapons). Those funds make possible the acquisition and incorporation of 200 German Leopard II tanks, 5 Deutsch Class L Frigates, 10 American F-16 C/D Block 50/52 aircraft, among others.

## Colombia

One of the three countries that emerged from the collapse of Gran Colombia in 1830 (the others are Ecuador and Venezuela), is the fourth largest country in South America and the continent's third most populous.<sup>30</sup> Despite substantial oil reserves and a major production of gold, silver, emeralds, platinum and coal, it has been ravaged by a decades-long violent conflict involving outlawed armed groups, drug cartels and gross violations of human rights.<sup>31</sup> During the 1990s the 40-year conflict between government forces, anti-government insurgent groups, and illegal paramilitary groups (the two latter heavily funded by the drug trade) escalated. Drug related crime together with the political violence has made Colombia one of the most violent countries in the world, deterring investors and tourists alike, until recent improvement in security. In 2004, the Alvaro Uribe government established for the first time in Colombian history a

government presence in all of the country's 1,099 municipalities (county seats). Attacks conducted by illegally armed groups against rural towns decreased by 91% from 2002 to 2005. Between 2002 and 2006, Colombia saw a decrease in homicides by 37%, kidnappings by 78%, terrorist attacks by 63%, and attacks on the country's infrastructure by 60%.<sup>32</sup>

Factors (%) / Years <sup>33</sup>	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP (real growth rate)	2.1	0.2	-5.0	3.0	1.5	2.0	3.4	3.6	5.1	6.8
Literacy	91.3						92.5	92.8		
Unemployment rate	11.5	15.7	20.0	20.0	17.0	17.4	13.6	13.6	10.2	11.1
Population below poverty line	17.7		55.0					55.0	49.2	49.2

Table 8: Social indicators Colombia 1997 – 2006

Colombia's economy has experienced growth over the past three years despite a serious armed conflict. The economy continues to improve in part because of austere government budgets, focused efforts to reduce public debt levels, an export-oriented growth strategy, an improved security situation in the country, and high commodity prices.

Costa Rica, the strongest economy in Central America<sup>34</sup>, has remained free from the combination of internal political stability and external threats that characterized the region. Costa Rica's stable economy depends on tourism, agriculture, and electronics exports. The poverty in Costa Rica, ranked 5<sup>th</sup> lowest among 108 developing countries,<sup>35</sup> has remained at roughly 20% for nearly 20 years, and the strong social safety net, put into place by the government, has eroded due to increased financial constraints on government expenditures.<sup>36</sup> A short civil war in 1949 opened the way for

institutional reforms that led to a long period of rapid economic growth, resulting in significant improvements in human development. Since a debt crisis in the early 1980s, however, performance has been mixed as Costa Rica has struggled to define a new economic model. The country has succeeded in attracting high-tech investment, but income inequality and social tension have grown.<sup>37</sup> The World Bank is closely working with Costa Rica through three active projects with a commitment of US\$74 million: health, education, and environmental management.<sup>38</sup>

Factors (%) / Years <sup>39</sup>	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP (real growth rate)	3.0	5.5	7.0	3.0	0.3	2.4	5.2	3.9	4.0	7.9
Literacy	94.8		95.5		96.0					
Unemployment rate	5.7	5.6		5.2		6.3	6.7	6.6	6.6	
Population below poverty line			20.6					18.0		

Table 9: Social indicators Costa Rica 1997 – 2006

Being the leader for integration in the region, although with a different style under the president Oscar Arias who has opened arms toward China and the Arabs countries, Costa Rica seems to have no traditional threats. Nonetheless, the non-traditional threats represented are the illegal immigration from Nicaragua<sup>40</sup> and drug trafficking, thanks to its strategic position in Central America.

Since the 1949 civil war, after which the armed forces were abolished, Costa Rica has no regular military forces, but a strong multi-functional public security system, allocating just the minimum part of its Gross Domestic Product for maintenance and equipment. In addition, because of the lack of military power Costa Rica has looked for different ways to solve conflicts in the area.<sup>41</sup>

## Ecuador

A country that is relatively small is one of the most biodiversity-rich in the world, has a long story of domestic instability, political fragmentation, and widespread popular distrust of the political system.<sup>42</sup> Although marked more than 25 years of civilian governance, the people are so unhappy that protests in Quito have contributed to the mid-term ouster of Ecuador's last three democratically elected presidents.<sup>43</sup> President Rafael Correa, a former elected congressman who did not take office, charged the Congress with corruption and self interests, had no problem being elected with the popular support but does not have support of any traditional party within the legislative power, using presidential power to achieve his goals.

Traditionally a farming country, Ecuador's economy was transformed after the 1960s by the growth of industry and the discovery of oil. There was rapid growth and progress in health, education, and housing<sup>44</sup>. Ecuador has declining petroleum resources, which have accounted for 40% of the country's export earnings and one-third of central government budget revenues in recent years. However, the national rate of growth remains heavily dependent on the growth of the revenues, especially those from the exports. The large and explicit inequality has bolstered the government in forms of strikes, demonstrations, and street protests.<sup>45</sup>

Factors (%) / Years <sup>46</sup>	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP (real growth rate)	3.4	1.0	8.0	0.8	4.3	3.3	2.6	5.8	3.9	4.1
Literacy	90.1							92.5		91.0
Unemployment rate	6.9	12.0		13.0	14.0	7.7	9.8	11.1	9.7	10.6
Population below poverty line	35.0			50.0		70.0	65.0	45.0	41.0	38.5

Table 10: Social indicators Ecuador 1997 – 2006

That lack of control over the people finds a way in the well known connection between discontent and non-conventional threats, like drug trafficking and terrorism, especially in the porous border with Colombia, through which have crossed more than 250,000 displaced people, making clear the need for armed forces to deter or deal with the current and future scenarios. The Ecuadorian armed forces are relatively well-equipped thanks to an addition to the national budget allocation, some USD140 million per year from a petroleum export tax. The armed forces carry out military civic functions of great importance in the less developed regions of the country.

#### El Salvador

It is the smallest country in Central America and the most densely populated state on the mainland of the Americas. In 1992, twelve years of civil war, which cost about 75,000 lives, finished when the government and leftist rebels signed a treaty that provided for military and political reforms.<sup>47</sup> El Salvador began to recover when it was hit by a series of natural disasters, notably Hurricane Mitch in 1998 and earthquakes in 2001. These left at least 1,200 people dead and more than a million others homeless. That is why, although Costa Rica is the third largest economy in Central America, the growth has been minimal in recent years. Still, an overwhelming majority of the population live in abject squalor.<sup>48</sup>

The current government has pursued economic diversification, with some success in promoting textile production, international port services, and tourism. It is committed to opening the economy to trade and investment, and has embarked on a wave of privatizations extending to telecom, electricity distribution, banking, and pension funds.<sup>49</sup>

Nevertheless, social inequality and a susceptibility to earthquakes have shaped much of modern El Salvador.

Factors (%) / Years <sup>50</sup>	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP (real growth rate)	3.0	3.7	2.2	2.5	1.4	1.9	1.4	1.8	2.8	4.2
Literacy	76.5						80.2			
Unemployment rate	7.7			10.0	10.0	10.0*	6.5*	6.3*	6.5*	6.0*
Population below poverty line	48.3		48.0				36.1			35.2

\* Underemployment

Table 11. Social indicators El Salvador 1997 – 2006

The economy depends heavily on the money sent home by Salvadorans living in the United States. Poverty, civil war, natural disasters, and their consequent dislocations have left their mark on El Salvador's society, which is among the most crime-ridden in the Americas.<sup>51</sup>

President Elias Antonio Saca's administration came to power in June 2004 with a comprehensive development program that addresses growth, fiscal consolidation and poverty alleviation. The plan features an agenda of policies and investments aimed at restoring growth, generating employment and improving equity through expanding access to basic infrastructure and markets, along with parallel efforts to redress the recent trends of fiscal deterioration and to deepen improvements in public financial management.<sup>52</sup>

The armed forces of El Salvador, especially the army, are very professional and experienced in actual roles and mission, due to the large civil war and the participation in the coalition of the willing, with the United States, in Iraq. The “Plan Arce 2000”



allowed the modernization of the force through the refurbishing of the infantry vehicles, and the “Plan Arce 2010” calls for navy and air force priority in the modernization.<sup>53</sup>

## Guatemala

It is the largest and most populous of the Central American countries. In 1996, after a 36-year guerrilla war, the government signed a peace agreement formally ending the conflict, which had left more than 100,000 people dead and had created, by some estimates, some 1 million refugees.<sup>54</sup> Guatemala is a multi-cultural middle-income country that faces some particularly difficult development challenges. Poverty in Guatemala is high and deep, and the country has remarkably unequal distribution of income, resources, and opportunities. Fortunately, Guatemala also has significant potential to accelerate broad-based economic growth and poverty reduction through trade, regional integration, and tourism.<sup>55</sup> Ten years after the signing of the Peace Accords, Guatemala is striving to create a more inclusive society and strengthen public institutions. Key challenges include improving the business climate to attract more investment that is private and securing revenues to finance public expenditure for basic education, health, and rural infrastructure. However, potential investors, both foreign and domestic, cite corruption, lack of physical security, a climate of confrontation between the government and private sector, and unreliable mechanisms for contract enforcement as the principal barriers to new business.

The distribution of income and wealth remains highly skewed. The wealthiest 10% of the population receives almost one-half of all income; the top 20% receives two-thirds of all income. As a result, about 80% of the population lives in poverty, and two-thirds of that number--or 7.6 million people--live in extreme poverty. Guatemala's social

development indicators, such as infant mortality and illiteracy, are among the worst in the hemisphere. Chronic malnutrition among the rural poor worsened with the onset of the crisis in coffee prices.

Factors (%) / Years <sup>56</sup>	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP (real growth rate)	3.0	5.0	3.5	3.0	2.3	2.0	2.2	2.6	3.2	4.6
Literacy	55.6			63.6			70.6			
Unemployment rate	5.2		7.5			7.5	7.5		7.5	3.2
Population below poverty line				60.0		75.0		56.2		

\* Underemployment

Table 12. Social indicators Guatemala 1997 – 2006

Guatemala's major diplomatic interests are regional security and, increasingly, regional development and economic integration. Its armed forces are less than 16,000 and were recently reorganized (2004) in much simpler brigade-type formations. Given their experience, totally focused, and trained in counterinsurgency, for a long time they neglected the conventional military capabilities. Nevertheless, today they are capable and equipped with armaments and material from United States, Israel, Taiwan, and Argentina, among others.<sup>57</sup> Similarly, with other Latin American countries, the most likely employment would be in peace operations rather in large-scale combat operations.

## Guyana

One of the poorest countries in Latin America, is also the third-smallest country in South America after Suriname and Uruguay; Venezuela and Suriname claim substantial portion of its territory. Its population, based mostly in two large groups, the descendants

from African slaves and those from indentured Indian agricultural workers, presents deep divisions at every level of society. That has led to an ethnically based hostility and political instability.<sup>58</sup>

Guyana's economic conditions and social development are the result of a shifting history between dependence on external aid or the adoption of a national state-owned system. That is why during Forbes Burnham's government attempts to build a socialist society, including banning importing of basic foodstuffs, caused a massive emigration of skilled workers, and, along with other economic factors, led to a significant decline in the overall quality of life in Guyana.<sup>59</sup> The poor, limited by welfare and geographic constraints, are particularly affected by the low quality of services offered because they cannot afford to seek the better services now being offered by the private sector.

Factors (%) / Years <sup>60</sup>	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP (real growth rate)	7.9	1.8	1.8	3.0	2.8	2.1	0.3	1.9	-2.5	4.7
Literacy	98.1						98.8			
Unemployment rate	12.0			9.1*						
Population below poverty line				43.0+						

\*Understated

+Information included in a World Bank study of poverty

Table 13. Social indicators Guyana 1997 – 2006

The major security risk in Guyana stems from racial and political tensions between the two majorities indicated before. However, the use of Guyana as a transshipment of Colombian cocaine en route to Europe constitutes a threat to the stability. For that reason the 2,550 strength of the Guyana Defense Force (GDF), a single multi-service institution, under resourced and under developed looks insufficient. Nonetheless, given

the national conditions of poverty, the GDF is not going to be a high priority for a long time.<sup>61</sup>

## Honduras

The second poorest country in Central America and one of the poorest countries in the Western Hemisphere, with an extraordinarily unequal distribution of income and massive unemployment,<sup>62</sup> is considered one of the most vulnerable countries.<sup>63</sup>

Malnutrition, poor housing, and infant diseases are widespread. Because of that, its youthful population has been attracted to the easy money from the drug trafficking instead of being indefinitely sticking around looking for the job or opportunities. They are mostly part of the “maras”.<sup>64</sup> On the other hand, thousands of Hondurans leave the country each year, most of them for the US, sending an important percentage of the family income.

The economy relies heavily on a narrow range of exports, notably bananas and coffee, making it vulnerable to natural disasters and shifts in commodity prices, but in recent years, it has experienced a rapid rise in exports of light manufacturing. Growth remains dependent on the economy of the US, its largest trading partner, and on reduction of the high crime rate, as a means of attracting and maintaining investment.<sup>65</sup>

In order to decrease its deep economic problem, was aggravated by the disaster caused by Hurricane Mitch in 1998, Honduras embarked on a very ambitious poverty reduction strategy in consultation with civil society and donors, agreeing to a set of actions aimed at reducing the incidence of extreme poverty by half by 2015. As a result, increased public spending on health and education has shown significant results.

However, Honduras still is one of the most corrupt countries in the world roster, as published by Transparency International.<sup>66</sup>

Factors (%) / Years <sup>67</sup>	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP (real growth rate)	3.0	3.0	-3.0	5.0	2.1	2.0	2.5	4.2	4.2	6.0
Literacy	72.7		74.0		80.0					
Unemployment rate	6.3*	6.3	12.0	28.0	28.0	28.0	27.5	28.5	28.0	27.9
Population below poverty line	53.0							50.7		

Table 14: Social indicators Honduras 1997 – 2006

With the cessation of the 1980s civil wars in El Salvador and Nicaragua, the Honduran armed forces refocused their orientation toward combating transnational threats such as narco-terrorism and organized crime. Honduras supports efforts at regional integration and deployed troops to Iraq in support of Operation Iraqi Freedom. Defense expenditures seem to be low, because it is based upon the allocated part of the national budget; however, the Honduran armed forces have the peculiarity of involvement in economic activity, as source for its funding. An estimated 35 million dollars per year comes from revenues generated by its proper network of businesses.<sup>68</sup>

## Mexico

Birthplace of ancient Amerindian communities, is a country of large numbers and strong ownership of its development strategy. Steady economic performance and official responsiveness to poverty concerns like the “Progresa – Oportunidades” program, oriented to break the vicious cycle of poverty in all extremely poor households,<sup>69</sup> have contributed to rising income levels, but poverty rates remain high, as does income inequality.<sup>70</sup> Ongoing economic and social concerns include low real

wages, underemployment for a large segment of the population, inequitable income distribution, and few advancement opportunities for the largely Amerindian population in the impoverished southern states.<sup>71</sup> Combined with growing economic inequality, a renewed campaign by the Popular Revolutionary Army (a guerrilla group), and a bloody campaign against the drug cartels, Mexico currently appears less stable than when the transition to democracy took place in 2000.<sup>72</sup> Mexico's strategic position for drug trafficking and illegal immigration and the fact that the transgressors are mostly Mexicans have had a great influence in its relations with the neighbors, especially with U.S. and Guatemala.

Factors (%) / Years <sup>73</sup>	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP (real growth rate)	5.1	4.8	3.7	7.1	-0.3	1.0	1.2	4.1	3.0	4.8
Literacy	89.6						92.2	91.0		
Unemployment rate	10.0	2.6	2.5	-2.2*	-3.0*	-3.0*	3.3	3.2*	3.6*	3.2*
Population below poverty line		27.0			40.0		40.0	17.6*		

\*Number has no relation with previous tendency and is the only available information.

Table 15. Social indicators Mexico 1997 – 2006

Mexico is among the world's most open economies, but it is dependent on trade with the U.S., which bought 86% of its exports in 2005. Top U.S. exports to Mexico include electronic equipment, motor vehicle parts, and chemicals. Top Mexican exports to the U.S. include petroleum, cars, and electronic equipment.

On the other hand, Mexico faces a number of low-intensity terrorist rural-based groups, whose threats to officials, government, economy, and people preoccupy a great part of the armed forces. This could escalate anywhere inside the country with incalculable consequences. Not only because of that, but also because of the improbability of having a traditional military confrontation with its neighbors given the

imbalance among them, the primary role of the Mexican armed forces is to assure internal security. Because of that, the armed forces have neglected its training and equipment for traditional missions.<sup>74</sup>

## Nicaragua

The largest country in Central America, contains the largest freshwater body in the isthmus, Nicaragua Lake. Furthermore, it is extremely poor and has few immediate prospects for rapid economic growth, worsened by frequent natural disasters, including hurricanes and flooding<sup>75</sup>. In fact, Nicaragua is the second poorest country in Latin America after Haiti. Although the economic achievements have reduced the scale and severity of poverty, it is still high, since 48% of the population lives below the poverty line.<sup>76</sup> Over the past 12 years, Nicaragua has witnessed a very significant transformation: from a nation torn by war, with its economy plunged into chaos, it has re-emerged as an inclusive democracy with some foundations for economic growth and sustainable development.<sup>77</sup>

However, broader democratic practices are less well established; corruption and self-serving partisanship still dominate politics to a worrying extent. Corruption has long been a major problem in Nicaragua, under governments of all political complexions. In 2006, the pressure group Transparency International ranked Nicaragua 111th out of 179 countries in its Corruption Perceptions Index.

Traditionally, the Nicaraguan economy has relied on agricultural exports and now it is starting a modest tourist industry. In addition, Nicaragua has widespread underemployment and the third lowest per capita income in the Western Hemisphere. Distribution of income is one of the most unequal on the globe. While the country has

progressed toward macroeconomic stability in the past few years, GDP annual growth has been far too low to meet the country's needs, forcing the country to rely on international economic assistance to meet fiscal and debt financing obligations.

The long-term development vision and poverty reduction strategy are summarized in the 2005-2009 National Development Plan (PND) for Nicaragua, which gives greater importance to economic growth than the strategic document preceding it. The PND focuses on five strategic themes: (1) generation of economic growth and employment to reduce poverty, (2) development of human capital and social protection, (3) development of the productive and social public infrastructure, (4) governance and reform of the state, and (5) macroeconomic stability.<sup>78</sup>

Factors (%) / Years <sup>79</sup>	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP (real growth rate)	6.0	4.0	6.3	5.0	2.5	2.4	1.4	4.0	4.0	3.7
Literacy	65.7		68.2				67.5			
Unemployment rate	14.0*		20.0*		23.0*	24.0*	22.0*	7.8*	6.9*	3.8*
Population below poverty line	50.3		50.0	50.0	50.0				48.0	

Table 16: Social indicators Nicaragua 1997 – 2006

The Sandinista regime (1979-1990) maintained the largest military establishment in Central America. Since the peace accords (1980s), the governments have made efforts for decreasing its size to benefit efficiency. Also, they made sustained efforts to bring the military under civilian control and increase the professionalism of the force. As a result, civil-military relations continue to normalize, although all changes and decisions still involve a negotiation process between the government and the armed forces leaders. The equipment came from the Soviet influence period and was employed extensively during the war, being mostly old fashioned but with a large arsenal, for



which, there are no plans for new acquisitions in the near future. For that reason, defense spending is low and, with the new government keen to demonstrate its fiscal responsibility, it is unlikely to increase substantially in the near future. Co-operation with and military aid from foreign armed forces will therefore become increasingly important.<sup>80</sup>

## Panama

It is a country with strategic importance because of its location on the isthmus forming land bridge connecting North and South America. It controls the Panama Canal that links North Atlantic Ocean via Caribbean Sea with North Pacific Ocean.<sup>81</sup> It has, also, the largest rainforest in the Western Hemisphere outside the Amazon Basin, its jungle is home to an abundance of tropical plants, animals, and birds - some of them live nowhere else in the world.<sup>82</sup> With US backing, Panama seceded from Colombia in 1903 and promptly signed a treaty with the US allowing for the construction of a canal and US sovereignty over a strip of land on either side of the structure (the Panama Canal Zone).<sup>83</sup> This would change forever the life of the quiet country. The entire Panama Canal, the area supporting the Canal, and remaining US military bases was transferred to Panama by the end of 1999. However, this strategic location is also a major cocaine transshipment point and primary money-laundering center for narcotics revenue; it is especially heavy in the Colon Free Zone.

In October 2006, Panamanians approved an ambitious plan to expand the Canal. The project, which is to begin in 2007 and could double the Canal's capacity, would take 7-8 years. The Government of Panama expects the project to be a transforming event for Panama that will provide 7,000-9,000 direct new jobs during the peak construction

period of 2009-2011 and set the tone economically for years to come. This would help even more the already good economic condition, because Panama has the highest GDP per capita in Central America, in spite of the fact that about 40% of its population remains mired in poverty.<sup>84</sup> The Panamanians' decision to expand the Panama Canal, combined with the conclusion of a free trade agreement with the United States, is expected to boost and extend economic expansion for some time. This presents an historic opportunity to make progress in reducing persistent poverty and inequality.<sup>85</sup>

Factors (%) / Years <sup>86</sup>	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP (real growth rate)	1.5	2.7	4.4	2.5	1.4	0.8	3.2	6.0	6.4	4.8
Literacy	90.8						92.6			
Unemployment rate	13.1		13.1	13.0		16.0	14.5	12.6	8.7	8.8
Population below poverty line			37.0							

Table 17: Social indicators Panama 1997 – 2006

An amendment to the constitution abolished the armed forces, but there are security forces (Panamanian Public Forces or PPF includes the Panamanian National Police, National Maritime Service, and National Air Service) prohibiting the creation of a standing military force, but allowing the temporary establishment of special police units to counter acts of "external aggression."<sup>87</sup> The PPF has more than 11,000 members and recent suggestions to create the Guardia Costera (Coast Guard) by combining the current maritime and air services have been met with resistance. The Coast Guard's role would be to protect the canal, fight narcotics trafficking and terrorism. Since its creation, the PPF equipment needs have been satisfied by the United States. However, the projected increase in mission and scope will set new requirements from a national perspective.<sup>88</sup>

## Paraguay

It is a landlocked country bordering Argentina, Brazil, and Bolivia. The name "Paraguay" comes from the Guaraní word "pararaguay" meaning "from a great river", the Paraná River, which produces the greatest amount of hydroelectric power in the world. The river materializes the southeastern border of Paraguay, containing the Itaipú dam, shared with Brazil, the largest hydroelectric power plant in the world, generating nearly all of Paraguay's demand for electricity.<sup>89</sup>

In the disastrous War of the Triple Alliance (1865-70) - between Paraguay and Argentina, Brazil, and Uruguay - Paraguay lost two-thirds of all adult males and much of its territory. It stagnated economically for the next half century. In the Chaco War of 1932-35, Paraguay won large, economically important areas from Bolivia. It suffered a 35-year military dictatorship until 1989. After almost a decade of another economic stagnation and a recession that began in 1998, economic growth in Paraguay recovered during the past three years.<sup>90</sup>

Paraguay has a market economy marked by a large informal sector. This sector features both export of imported consumer goods to neighboring countries, as well as the activities of thousands of microenterprises and urban street vendors. Because of the importance of the informal sector, accurate economic measures are difficult to obtain. A large percentage of the population derives its living from agricultural activity, often on a subsistence basis. Paraguay's economy today is fundamentally agrarian, with over 40% of the population living in rural areas according to official statistics. Agriculture and agribusiness represent also about 40% of output and employment and account for almost all registered exports.<sup>91</sup> The commercialization of agriculture, population growth and forest clearances, have led to a dramatic increase in the number of landless

families, boosting migration into urban areas. The government and private sector have made a concerted effort to spend more in education. However, the human base to support growth and diversification is in need of stronger development. On the health side, the agenda is very significant: Paraguay's maternal mortality rates are among the worst in Latin America and progress has been minimal.

Most observers attribute Paraguay's poor economic performance to political uncertainty, corruption, and lack of progress on structural reform, substantial internal and external debt, and deficient infrastructure. In addition to that, the unruly region at convergence of Argentina-Brazil-Paraguay borders is locus of money laundering, smuggling, arms, and illegal narcotics trafficking, and fundraising for extremist organizations.<sup>92</sup> The country assistance strategy 2004 - 2007 of the World Bank for Paraguay included three projects: Pilot Community Development, Secondary Education Reform, and Road Maintenance Project.<sup>93</sup>

Factors (%) / Years <sup>94</sup>	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP (real growth rate)	1.5	-0.5	-1.0	1.0	0.0	-2.5	1.3	2.8	2.7	4.0
Literacy	92.1						94.0			
Unemployment rate	8.2		12	16	17.8	18.1	16.4	15.1	9.4	9.4
Population below poverty line	21.8			36.0	36.0				32.0	

Table 18. Social indicators Paraguay 1997 – 2006

The defense structure, with the services organized in 6 military regions, covering most of the territory, is going to be reorganized toward less present but more deployable force, based on 5 infantry brigades and one single armored unit. Defense spending has also been increased, but this will translate into better wages and operational capability rather than an overall or major modernization program. Paraguay has no immediate

need to upgrade its military capability, yet it is weary of neighboring Bolivia's political climate. A long time relationship with the US and increasing economic ties with some MERCOSUR countries, especially Brazil and Argentina are seen as the best guarantees against foreign aggression.<sup>95</sup>

## Peru

It was the seat of several prominent Andean civilizations, most notably that of the Incas whose empire was captured by the Spanish conquistadores in 1533. After that, the Spanish representative for all the America's colonies was the Viceroy of Peru, in Lima. Peru declared its independence in 1821, and the remaining Spanish forces were defeated in 1824. Since 1980, Peru experienced economic problems and the growth of a violent insurgency, which produced 60,000 internally displaced, still far from their homes. Fujimori's presidency made a significant progress in curtailing guerrilla activity.<sup>96</sup>

Peru's economy reflects its varied geography: there are abundant mineral resources (copper, silver, lead, zinc, oil, and gold) in the mountainous areas, and Peru's coastal waters provide excellent fishing grounds. However, overdependence on minerals and metals subjects the economy to fluctuations in world prices, and a lack of infrastructure deters trade and investment. Despite the strong macroeconomic performance and its resources, Peru's progress has been held back by corruption and the failure of successive governments to deal with social and economic development and underemployment and poverty are still persistently high.

For the past five years, Peru has enjoyed economic stability, a stable exchange rate, and evident dynamic activity in the production sector, as well as the raw materials, and industrial sectors. The country is now in a position to build on the impact achieved

with economic growth and extend it to improving employment and narrowing the social gap.<sup>97</sup>

Factors (%) / Years <sup>98</sup>	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP (real growth rate)	2.8	1.8	2.4	3.6	-0.3	4.8	4.0	4.5	6.7	8.0
Literacy	88.3						90.9	87.7		
Unemployment rate	7.7*				9.0*	9.4	13.4	9.6*	8.7*	7.2*
Population below poverty line	49.0			50.0			54.0	53.1		

\*Widespread underemployment

Table 19. Social indicators Peru 1997 – 2006

Peruvian defense structure started the program “Nucleo Basico Eficaz” (NBE), with an inversion of more than 650 million dollars within the next four years for capital acquisitions. For this program, Peru has decided shifting investment to the modernization of the air force instead of dividing evenly the resources. The two main objectives of the NBE are to increase the country's capability to control its airspace, national waters, and territory as well as generating an "essential response capability" against internal or external threats. This decision comes partly in response to Chile's purchase of F-16 aircraft from the US, and also stems from the fact that a severe shortage of spares and essential maintenance has grounded much of the armed forces' helicopter and transport fleet, making effective operations against domestic insurgent groups difficult.<sup>99</sup>

The Peruvian armed forces' existing arsenal is impressive but is extraordinarily heterogeneous in origin and much of it is ageing, in storage, or out of service. Plans to retire most of the unnecessary equipment will improve the overall readiness status. In the present context, procurements are likely to remain limited.

## Suriname

The smallest independent country on South American continent; mostly tropical rain forest; great diversity of flora and fauna, was explored by Spaniards but settled by English, and later by Dutch 1667, becoming independent in 1975. The government followed the same path of changes: civilian government, military regime, a socialist republic, and a democratically elected government from 1991 until nowadays.<sup>100</sup>

Suriname has also a large diversity of peoples, whose tendency is to become a closed group within a determined area, especially in the countryside.

The economy, dominated by the mining industry (mainly by the bauxite, which accounts for more than 15% of GDP and 70% of export earnings)<sup>101</sup> which accounts for more than a third of GDP, subjects government revenues to mineral price volatility.

Suriname enjoys a relatively high standard of living but also faces serious political and economic challenges. On the other hand, agriculture is a major employer, and therefore key to the economy, but the outlook does not look good. The sector with the most promising outlook for rapid, near future expansion is the oil sector. A 2000 study by the U.S. Geological Survey suggests that there may be up to 15 billion barrels of oil in the Guyana Plateau.<sup>102</sup>

The Dutch relationship continued to be an important factor in the economy, with the Dutch insisting that Suriname undertake economic reforms and produce specific plans acceptable to the Dutch for projects on which aid funds could be spent. In 2000, the Dutch revised the structure of their aid package and signaled to the Surinamese authorities their decision to disburse aid by sector priorities as opposed to individual projects<sup>103</sup>.

Factors (%) / Years <sup>104</sup>	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP (real growth rate)	3.0	2.0	-1.0	-1.0	-5.5	1.2	1.5	4.2	2.0	5.0
Literacy	93.0			88.0				89.6		
Unemployment rate	20.0			17.0				9.5		
Population below poverty line	20.0					70.0				

Table 20: Social indicators Suriname 1997 – 2006

In the security and defense area, Suriname is becoming a growing transshipment point for South American drugs destined for Europe via the Netherlands and Brazil; as well as a transshipment point for arms-for-drugs dealing.<sup>105</sup>

The national armed forces comprise some 2,200 personnel, the majority deployed as light infantry security forces. A small air force, navy, and military police also exist. The Netherlands has provided limited military assistance to the Surinamese armed forces since the election of a democratic government in 1991. In recent years, the U.S. has provided training to military officers and policymakers to promote a better understanding of the role of the military in a civilian government, and also offers significant humanitarian aid. Since the mid-1990s, the People's Republic of China has been donating military equipment and logistical material to the Surinamese Armed Forces. The Netherlands, France, Venezuela, and Brazil also have working relationships with the Surinamese military.<sup>106</sup>

## Uruguay

It is the second-smallest South American country (after Suriname) with a vast low-lying landscape (three-quarters of the country) covered with grassland, ideal for cattle and sheep raising. Strategically positioned between Argentina and Brazil, and desired by both of them, declared its independence from Brazil in 1828, after a three-year struggle.



With a population over 3.3 million, almost a 40% live in Montevideo, founded by the Spanish in 1726 as a military stronghold with a natural harbor. Colonial towns, beach resorts and a year-round mild climate have contributed to a growing tourist industry.<sup>107</sup>

The Uruguayan political and labor conditions are among the freest on the continent.<sup>108</sup> In 1973, a violent Marxist urban guerrilla movement named the Tupamaros, launched in the late 1960s, made Uruguay's president cede control of the government to the military in 1973. The military continued to expand its hold over the government until 1985 when civilian rule restored.

Uruguay recovered from the 2002 economic crisis that left over 30% of the population in poverty and the country focuses on maintaining its high growth rates. The first steps taken to combat the crisis had a positive effect and allowed the recovery of 22% of the economic activity level for the period 2003-2005. During the first semester of 2007, poverty levels fell by 25% while the percentage of people in a situation of extreme poverty is currently under 2%. Given this economic recovery scenario, the government priorities are to reach higher investment rates, improve the quality of public spending in social sectors, implement the necessary structural reforms to make the economy more competitive and ensure greater integration into the global economy by diversifying its export markets. An additional government goal is to encourage social participation and increase inclusion.<sup>109</sup>

Factors (%) / Years <sup>110</sup>	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP (real growth rate)	4.9	3.0	-2.5	-1.1	-1.5	-10.5	0.3	11.2	6.5	7.0
Literacy	97.3						98.0			
Unemployment rate	12.0	10.5	12.0	14.0	15.2	19.4	16.1	13.0	12.5	10.8
Population below poverty line	6.0					23.7	21.0	22.0		27.4

Table 21: Social indicators Uruguay 1997 – 2006

Given the current diplomatic and economic situation, by offering early retirement incentives, the government has trimmed the armed forces to about 14,500 for the army, 6,000 for the navy, and 3,000 for the air force. In spite of it, as of February 2005, Uruguay's contributions amounted to 44% of the total UN peacekeeping troops sent by the region (2,486 soldiers and officers in 11 UN peacekeeping missions). As of August 2006, Uruguay had nearly 1,150 military personnel deployed to Haiti in support of MINUSTAH; its other major PKO troop deployment was in the Congo.<sup>111</sup>

The armed forces are engaged in various forms of civic action to an even greater degree than is the case in most other Latin American countries. The army is heavily involved in public works projects and has an engineer unit dedicated to the maintenance of the internal telecommunications network. It also assists in civil defense and civil protection operations, including emergencies and natural disasters. It manages national parks, where it runs ecological projects, including a rare breed project. In association with the state water company, it operates portable water purification units in 55 towns and villages as well as in humanitarian missions abroad. In 2001, it participated in the campaign to eradicate the foot and mouth epidemic. It has also been involved in a preventive campaign against the invasion of the *Aedes Aegypti* mosquito carrier of the dengue fever. During the 2002 economic crisis, it distributed food to more than 15,000 people. The Uruguayan armed forces, which are to varying degrees equipped with ageing equipment, are facing up to the problem of a major procurement program.<sup>112</sup>

## Venezuela

Another of the countries that emerged from the collapse of Gran Colombia in 1830,<sup>113</sup> is rich in natural resources, with one of the largest petroleum and mineral

reserves (iron ore, bauxite, and gold) in Latin America and the Caribbean, having a great potential to achieve sustainable economic and social development. Venezuela is among the most highly urbanized countries in Latin America. Yet most Venezuelans live in poverty, many of them in shantytowns, some of which sprawl over the hillsides around the capital, Caracas.<sup>114</sup>

Venezuela's economic fortune depends on world oil prices. A 1970s boom largely benefited the middle classes, but a subsequent price collapse condemned many of this class to poverty while eroding the living standards of the already impoverished. Long-standing inefficiencies in the public sector have blocked the creation of effective poverty-reduction policies. Educational and health programs aimed at strengthening human capital have been stymied. The banking system has been weakened by capital flight, making access to credit difficult for consumers and business people alike.

Venezuelan President Hugo Chávez has promoted his "Bolivarian Revolution" as a model for other countries to follow. The policy calls for the establishment of a "multi-polar" world devoid of U.S. influence and for greater integration among developing countries. Venezuela is currently advocating regional integration through its PetroCaribe and PetroSur petroleum initiatives, the creation of a South American Community of Nations, and the establishment of the Bolivarian Alternative for the Americas (a social integration project proposed by President Chavez as an alternative to the Free Trade Area of the Americas).<sup>115</sup>

Factors (%) / Years <sup>116</sup>	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP (real growth rate)	-1.6	0.9	-7.2	3.2	2.7	-8.9	-9.2	16.8	9.3	10.3
Literacy	91.1				93.0		93.4			
Unemployment rate	11.5	11.5	18.0	14.0	14.1	17.0	18.0	17.1	12.3	8.9
Population below poverty line		47.0							37.9	

Table 22. Social indicators Venezuela 1997 – 2006

One of the most dangerous situations in Venezuela is its condition as source, transit, and destination country for women and children trafficked for the purposes of sexual exploitation and forced labor. Another condition argued internationally, is the lack of control in the porous border with Colombia, through which FARC's members or supporters bring material and take drugs.<sup>117</sup> In 2006, some 220 tons of cocaine were transshipped through Venezuela.

Since 2005, President Chávez has deepened relations with Iran, a state sponsor of terrorism, by signing multiple economic and social accords and publicly supporting Iran's controversial nuclear program. President Chávez has also reached out to North Korea, Belarus, and Syria<sup>118</sup>

President Chávez has also launched a major renovation of the Venezuelan armed forces by purchasing new advanced weaponry. In 2005-06, Venezuela purchased 100,000 AK-103 rifles from Russia and signed an agreement to construct a rifle and ammunition complex. Venezuela has also purchased dozens of Russian attack and transport helicopters, and has begun receiving 24 Russian Sukhoi Su-30MK 2-seat fighters.<sup>119</sup>

## Relation in the Expenses in Defense and Development in the Countries

Given the conditions explained for each country and the figures of their economy in the defense and development areas, we are going to pass that information through several questions.

### Are there Any Similarities or Groups?

Even though there is no country equal to another or moment within a country fixed in the same time, some commonalities allow grouping them. In addition, it is necessary to take in consideration that there is not only a kind of hierarchy but also a bilateral or multilateral relationship among the countries that could shape this environment.

The first is the group of the large and most autonomous countries, which have the ability to legitimate influence others, because of some special conditions:

- Brazil, no doubt is the largest and most influential country. Its proportion of expenditures defense/development is heavily dependent on the party in government. Without a high imbalance in favor of defense, the fact that it has its own large military industry makes the numbers variable and closely related with the stage of modernization of the military. Moreover, the lack of conventional state-to-state threat allows them to focus on national development and security. The proportion has remained stable and the tendency should be to maintain the same level in defense and maybe get larger funds for development.
- Mexico, strategically placed, with large armed forces, behaves very independently in its decisions and strategies. Without a foreseeable need of employment abroad, (even nor in peace operations) it prioritizes its national

security. Its level of defense expenditures is below 1% of the GDP and there is no large plan of renovation that could diminish the expenditures spent in development, which is so far, its first priority.

- Argentina, an influential and well natural resourced country with a large capability for economic rebirth, suffers permanently (since the back of the democracy) with the tension between the civilian authorities and the military. The latter are now paying the bill for the military rule, and the latter (most of them were not in the military at that time) are trying to preserve as best as possible its resources, reducing installations and facilities and the number of troops maintaining its operational status. The tendency should be the same as now, a low level of defense expenditures and a high level for development.

The second group includes the small and poorer countries, very dependent on foreign assistance:

- Central America. From north to south, with different levels of poverty but all of them far below the internationally accepted levels, we find Guatemala, Belize, Honduras, El Salvador, and Nicaragua. All of them with low levels of expenditures in defense, mainly because of their priority toward being a more developed country. They should continue to be very dependent and committed more in peace or support operations abroad than in kinetic employment within the country.
- South America. Although not all of them closely interconnected, because of their geographical position, they share some regional issues. From north, we

find the area Guyana-Suriname, area Ecuador-Peru-Bolivia-Paraguay, and isolated within the condition, Uruguay.

The first area, with a short history of democracy, a multi racial population, and low levels of development, the defense structure and forces dedicate more to deal with internal problems than looking outside for the traditional threats to the national sovereignty. In fact, if their neighbors (Brazil and Venezuela) decided to start actions they would have no possibility of attaining good results because of the imbalance of military power. The level of expenditures directly relates with the minimum needs for maintenance.

The second area, with different realities there are some common issues related with the defense. Ecuador and Peru have regular and still large armed forces, still having neighboring threat as a part of their concerns. Both countries have had problems dealing with the problems of drugs trafficking (mainly from Colombia, but also from Bolivia and Peru) and corruption in the structure of the government. However, given experience, they could embrace the adventure of using the national resources for buying military equipment in case of any potential external threat, like Peru is doing now in response to the Chilean modernization plan.

Bolivia and Paraguay also share a great issue: both have no shores in any ocean. Also they are very poor and face various worrying problems within their countries: Bolivia, the plantations of coca, drug trafficking, and the internal conflict with the secessionist movement "Media Luna", and Paraguay, besides the drugs theme, there is the three-frontier ungoverned area, which is mainly

placed inside Paraguay. The expenditures in defense are only for national internal needs and the maintenance of the armed forces.

Uruguay, in its part, with a very poor condition, has made efforts for renovating its organization and doctrine, with a large number of domestic initiatives.

The third group includes countries with special realities in the region, sometimes very different with their neighbors: Costa Rica, Panama, Venezuela, Colombia, and Chile.

- Central America: Costa Rica and Panamá. Both do not have regular armed forces and base its defense in a nationalized police-force kind structure, reinforced with other specialized assets. Without economic problems, both still have a non-optimum level of development for putting most of their national budget in defense. Given the current conditions in the area and their close relation with United States, they are likely to maintain the same levels of forces and expenditures.
- South America: Venezuela, Colombia, and Chile. Venezuela has nowadays a special status. Since 1997, the defense budget has not passed 2.0% of the GDP. However, because of its large GDP the amount is significant. President Chavez has embarked the country in the line of buying materiel from eastern countries, changing the previous tendency and showing a long list of different kinds of military equipment, vehicles, and crafts. The volatility of the decision maker and the unpredictability of his decisions can change the current balance of expenditures. In spite of having a good economic tempo, Venezuela shows



low levels of development and its isolation from the “US-led-world” puts its people vulnerable to the decisions of the president.

Colombia has its own particular reality. The long war against the guerrilla and the narco-terrorism has brought several consequences: A large and very well trained, equipped, proved in irregular warfare armed forces, every day more professionalized; a permanent threat to the country and its people from inside but funded from outside; and the international and national support. The probable close scenario is maintaining the same level of expenditure in defense, although the development area could need more founding.

Colombian armed forces need to expand significantly.

Chile, with its special armed forces funding from the Copper Law and a well-trained and equipped services, should maintain its good military status. The old differences between civilian authorities and the military, with a tendency to diminish every day; have not affected the operational condition the armed forces must have. The orientation for the modernization of the armed forces is maintaining its operational shape for flexible roles: traditional warfare (within the country or overseas) and peace operations are where the forces are receiving its experience, especially in Haiti. Given the Chilean government development plans for the elimination of poverty, plus the basing law of military funding, the balance defense/development should be the same in the future.

Is the “Butter or Guns Theory”<sup>120</sup> Still Valid and Applicable for this Issue?

In the current conditions, as shown in the country analyses, where results are easy to establish that any country is sacrificing funds for development to have a better

defense structure, there is really no application of the theory. The truth is that the countries with more resources are spending as much money in defense as in development. Also, there is international pressure for maintaining a minimum social status through the funding of national programs in that direction.

Is There Any Long-Term Strategy for this Tendency in the Balance of Expenses?

Although the yearly national expenses are debated in each national legislative corps or maybe some of it is based in national laws, the tendency should go toward the stabilization of the expenses, changing only in case of exceptions. Other influences are the regional openness through the publication of white books of defense and the agreement in the use of a common formula for the calculation of the military expenses. On the other hand, in terms of a long-term strategy regards the development of the defense forces, there are some countries like Chile and Colombia following a ten or fifteen years for their modernization, avoiding in that way an overcharge of the budget.

How do the Political Swings in the Countries Influence the Expenditures?

Given the fact that all the countries in Latin America are democracies and that, although having some differences, there is a balance among the executive, legislative, and judicial powers, the general tendency is having a stable enough distribution of each national budget. The line of leaders applying the military-under-civil-control lesson has restricted the missions of their military forces (almost all of them are restricted to act against a foreign threat and not against an internal threat, but if expressly required by the civilian authorities), but had not imbalanced the national expenses. Moreover, even existing particularities like those of the President of Venezuela, the rule is almost the same. Another aspect that shows the democracies are very balanced is the fact that the

last held elections have been so tied, that there has been recounting of votes and public allegations with respect to the results. Finally, the leftist or socialist tendency of most of the presidents currently on office or recently elected, has not shown any “socialization” of the national expenses, but for the real needs of each country. In this respect, this has been more a local trend and a tendency, because there has been no political agreement further than good wishes words.

Is there Any Regional Leader Currently Influencing Others That Could Drive to a Different Balance?

Currently in Latin America there are several clearly different situations. Mexico, as expressed, is so large and so interdependent with United States, has almost never received any major foreign influence from Latin America. Central America, on the other hand, focuses on trying to deal with its poverty and underdevelopment, having had no influence from Hugo Chavez, like some Caribbean countries. In South America, the only country under direct foreign influence is Bolivia, where Venezuelan money is used for building schools and helping with the poorest people. Argentina, although having paid its debt to the IMF with a Venezuelan lend, remains independent of Chavez in its internal decisions and issues.

Is there Any Armament Race in Latin America?

In general terms, there has been no armament race in Latin America, since the small scale and local ones during the Cold Ward and among specific countries. The influence of the globalization and the higher importance of the economy over military power during the last two decades in Latin America made that the cooperation could win the conflict in the relationship among the nation-states in the region. Sometimes, armed

forces modernizations plans, including important acquisition of equipment, make feel the traditional rivals that they are facing an armament race. However, the final result is a more open communications among the countries regarding future plans and intentions.

## Conclusions

The purpose of this paper was to examine the national balance of expenditures between defense and development in the Latin American countries during the last 10 years, present, future tendencies, and probable scenarios. As a first conclusion we can say that there is a general trend in Latin America: the balance of expenditures is very stable among defense and development, prioritizing the latter over the former.

The current status of relations among the countries and the reign of different styles democracies show there is unlikely a different tendency postponing the social development in benefit of the defense. If any economic crisis or disaster could affect one or more countries, the national budget is going to be employed in the social area encountering the military their piece diminished.

Finally, although having the power of the money or other possible ability to get a leadership position, it is improbable a person or country could influence other countries very deeply making them lose their capability of taking sovereign decisions, postponing their national interest in behalf of the group.

The military in Latin America will continue fighting everyday for getting a more professional status and better equipment, but the social needs of the people they defend is probably going to remain high, making the leaders take the appropriate decision: always the people first.

## Endnotes

<sup>1</sup> For example, the formula regionally established in South America that started with the “Common Standardized Methodology for the Defense Spending Measurement between Chile and Argentina”, published by the United Nations, Economic Council for Latin American Countries (Santiago, Chile: ECLAC, 2001) now actualized on the “Methodology for the Comparison of the Military Expenditure” (same source, 2005).

<sup>2</sup> Jeffrey Chamberlin, “*CRS Report for Congress: Comparisons of U.S. and Foreign Military Spending: Data from Selected Public Sources*”, Order Code RL32209, (Washington, D.C.: Library of the Congress, 2004), 1.

<sup>3</sup> “ARGENTINA country profile” linked from *BBC NEWS Home Page* at Country Profiles, America, available from [http://news.bbc.co.uk/2/hi/americas/country\\_profiles/1192478.stm](http://news.bbc.co.uk/2/hi/americas/country_profiles/1192478.stm); Internet; accessed 21 November 2007.

<sup>4</sup> “ARGENTINA” linked from *United States Central Intelligence Agency Home Page* at World Factbook, available from <https://www.cia.gov/library/publications/the-world-factbook/>; Internet; accessed November 2007.

<sup>5</sup> “Argentina Country Brief” linked from *World Bank Home Page* at Countries, Argentina, Overview, available from <http://www.worldbank.org/>; Internet, accessed November 2007.

<sup>6</sup> The information of the table belongs mainly to a CIA World Factbooks from 1996 to 2007 and secondly to the World Bank country report.

<sup>7</sup> Although during the 1990’s Argentina contributed with more than a 2% of the total of the armed forces personal to the UN-sponsored peace operations, the yearly average reaches over 900 military, according with the “UN Mission’s contribution by country” (21 DEC 2007), available from [www.un.org/Depts/dpko/dpko/contributors/2007/dec07\\_5.pdf](http://www.un.org/Depts/dpko/dpko/contributors/2007/dec07_5.pdf); Internet; accessed January 23, 2008.

<sup>8</sup> “Background Note: Argentina” linked from *United States Department of State*, at Countries, Background Notes, available from <http://www.state.gov/>; Internet; accessed November 2007.

<sup>9</sup> “Argentina - Jane's Sentinel Security Assessment - South America” linked from *Jane’s Client Area Home Page*, available from <http://client.janes.com.library.carlisle.army.mil/MyAccount/index>; Internet; accessed December 2007

<sup>10</sup> “BELIZE” linked from *United States Central Intelligence Agency Home Page* at World Factbook, available from <https://www.cia.gov/library/publications/the-world-factbook/>; Internet; accessed November 2007.

<sup>11</sup> “Belize - Jane's Sentinel Security Assessment - South America” linked from *Jane’s Client Area Home Page*, available from <http://client.janes.com.library.carlisle.army.mil/MyAccount/index>; Internet; accessed December 2007.

<sup>12</sup> “BELIZE country profile” linked from *BBC NEWS Home Page* at Country Profiles, America, available from [http://news.bbc.co.uk/2/hi/americas/country\\_profiles/1192478.stm](http://news.bbc.co.uk/2/hi/americas/country_profiles/1192478.stm); Internet; accessed 21 November 2007.

<sup>13</sup> The information of the table belongs mainly to a CIA Factbooks from 1996 to 2007, and secondly to a Belize official sources.

<sup>14</sup> “BOLIVIA country profile” linked from *BBC NEWS Home Page* at Country Profiles, America, available from [http://news.bbc.co.uk/2/hi/americas/country\\_profiles/1192478.stm](http://news.bbc.co.uk/2/hi/americas/country_profiles/1192478.stm); Internet; accessed 21 November 2007.

<sup>15</sup> “Belize” - Jane's Sentinel Security Assessment - South America” linked from *Jane's Client Area Home Page*, available from <http://client.janes.com.library.carlisle.army.mil/MyAccount/index>; Internet; accessed December 2007.

<sup>16</sup> “Bolivia Energy Profile” linked from *Energy Publisher Home Page*, available from <http://www.energypublisher.com>; Internet, accessed January 2008.

<sup>17</sup> The information of the table belongs mainly to a CIA Factbooks from 1996 to 2007 and secondly to the World Bank country report.

<sup>18</sup> “BRAZIL” linked from *United States Central Intelligence Agency Home Page* at World Factbook, available from <https://www.cia.gov/library/publications/the-world-factbook/>; Internet; accessed November 2007.

<sup>19</sup> “BRAZIL country profile” linked from *The Economist Home Page* at The Americas, Brazil, country profile, available from <http://www.economist.com/index.cfm>; Internet; accessed November 2007.

<sup>20</sup> The information of the table belongs mainly to a CIA Factbooks from 1996 to 2007 and secondly to the World Bank country report.

<sup>21</sup> “Brazil Country Brief” linked from *World Bank Home Page* at Countries, Brazil, Overview, available from <http://www.worldbank.org/>; Internet, accessed November 2007.

<sup>22</sup> “Brazil - Jane's Sentinel Security Assessment - South America” linked from *Jane's Client Area Home Page*, available from <http://client.janes.com.library.carlisle.army.mil/MyAccount/index>; Internet; accessed December 2007.

<sup>23</sup> “Chile - Jane's Sentinel Security Assessment - South America” linked from *Jane's Client Area Home Page*, available from <http://client.janes.com.library.carlisle.army.mil/MyAccount/index>; Internet; accessed December 2007.

<sup>24</sup> “Background Note: Chile” linked from *United States Department of State*, at Countries, Background Notes, available from <http://www.state.gov/>; Internet; accessed November 2007.

<sup>25</sup> The copper constitutes the “Chilean salary” because of its incidence in the economy.

<sup>26</sup> “Chile Country Brief” linked from *World Bank Home Page* at Countries, Chile, Overview, available from <http://www.worldbank.org/>; Internet, accessed November 2007.

<sup>27</sup> “CHILE” linked from *United States Central Intelligence Agency Home Page* at World Factbook, available from <https://www.cia.gov/library/publications/the-world-factbook/>; Internet; accessed November 2007.

<sup>28</sup> The information of the table belongs mainly to a CIA Factbooks from 1996 to 2007 and secondly to the World Bank country report.

<sup>29</sup> A militarized police with the capability of reinforcing the Armed Forces if necessary against an external aggression, considered the most effective and least corrupt law enforcement agency in Latin America (According with Jane's Security Sentinel Assessment - Chile).

<sup>30</sup> "COLOMBIA" linked from *United States Central Intelligence Agency Home Page* at World Factbook, available from <https://www.cia.gov/library/publications/the-world-factbook/>; Internet; accessed November 2007.

<sup>31</sup> "Colombia Country Brief" linked from *World Bank Home Page* at Countries, Colombia, Overview, available from <http://www.worldbank.org/>; Internet, accessed November 2007.

<sup>32</sup> "Background Note: Colombia" linked from *United States Department of State*, at Countries, Background Notes, available from <http://www.state.gov/>; Internet; accessed November 2007.

<sup>33</sup> The information of the table belongs mainly to a CIA Factbooks from 1996 to 2007 and secondly to the World Bank country report.

<sup>34</sup> "Costa Rica - Jane's Sentinel Security Assessment - South America" linked from *Jane's Client Area Home Page*, available from <http://client.janes.com.library.carlisle.army.mil/MyAccount/index>; Internet; accessed December 2007.

<sup>35</sup> United Nations Development Program, Human Development Report 2007/2008.

<sup>36</sup> "COSTA RICA" linked from *United States Central Intelligence Agency Home Page* at World Factbook, available from <https://www.cia.gov/library/publications/the-world-factbook/>; Internet; accessed November 2007.

<sup>37</sup> "COSTA RICA country profile" linked from *The Economist Home Page* at The Americas, Costa Rica, country profile, available from <http://www.economist.com/index.cfm>; Internet; accessed November 2007.

<sup>38</sup> "Costa Rica Country Brief" linked from *World Bank Home Page* at Countries, Costa Rica, Overview, available from <http://www.worldbank.org/>; Internet, accessed November 2007.

<sup>39</sup> The information of the table belongs mainly to a CIA Factbooks from 1996 to 2007 and secondly to the World Bank country report.

<sup>40</sup> 300,000-500,000 Nicaraguans estimated in Costa Rica legally and illegally, according with the CIA World Factbook 2007.

<sup>41</sup> "Costa Rica" linked from *United States Department of State*, at Countries, Background Notes, available from <http://www.state.gov/>; Internet; accessed November 2007.

<sup>42</sup> "Ecuador - Jane's Sentinel Security Assessment - South America" linked from *Jane's Client Area Home Page*, available from <http://client.janes.com.library.carlisle.army.mil/MyAccount/index>; Internet; accessed December 2007.

<sup>43</sup> “ECUADOR” linked from *United States Central Intelligence Agency Home Page* at World Factbook, available from <https://www.cia.gov/library/publications/the-world-factbook/>; Internet; accessed November 2007.

<sup>44</sup> “ECUADOR country profile” linked from *BBC NEWS Home Page* at Country Profiles, America, available from [http://news.bbc.co.uk/2/hi/americas/country\\_profiles/1192478.stm](http://news.bbc.co.uk/2/hi/americas/country_profiles/1192478.stm); Internet; accessed 21 November 2007.

<sup>45</sup> “Ecuador - Jane's Sentinel Security Assessment - South America” linked from *Jane's Client Area Home Page*, available from <http://client.janes.com.library.carlisle.army.mil/MyAccount/index>; Internet; accessed December 2007.

<sup>46</sup> The information of the table belongs mainly to a CIA Factbook from 1996 to 2007 and secondly to the World Bank country report.

<sup>47</sup> “EL SALVADOR” linked from *United States Central Intelligence Agency Home Page* at World Factbook, available from <https://www.cia.gov/library/publications/the-world-factbook/>; Internet; accessed November 2007.

<sup>48</sup> “EL SALVADOR country profile” linked from *BBC NEWS Home Page* at Country Profiles, America, available from [http://news.bbc.co.uk/2/hi/americas/country\\_profiles/1192478.stm](http://news.bbc.co.uk/2/hi/americas/country_profiles/1192478.stm); Internet; accessed 21 November 2007.

<sup>49</sup> “EL SALVADOR” linked from United States Central Intelligence Agency Home Page.

<sup>50</sup> The information of the table belongs mainly to a CIA Factbooks from 1996 to 2007 and secondly to the World Bank country report.

<sup>51</sup> “El Salvador” linked from *United States Department of State*, at Countries, Background Notes, available from <http://www.state.gov/>; Internet; accessed November 2007.

<sup>52</sup> “El Salvador Country Brief” linked from *World Bank Home Page* at Countries, El Salvador, Overview, available from <http://www.worldbank.org/>; Internet, accessed November 2007.

<sup>53</sup> “El Salvador - Jane's Sentinel Security Assessment - South America” linked from *Jane's Client Area Home Page*, available from <http://client.janes.com.library.carlisle.army.mil/MyAccount/index>; Internet; accessed December 2007.

<sup>54</sup> “GUATEMALA country profile” linked from *BBC NEWS Home Page* at Country Profiles, America, available from [http://news.bbc.co.uk/2/hi/americas/country\\_profiles/1192478.stm](http://news.bbc.co.uk/2/hi/americas/country_profiles/1192478.stm); Internet; accessed 21 November 2007.

<sup>55</sup> “Guatemala Country Brief” linked from *World Bank Home Page* at Countries, Guatemala, Overview, available from <http://www.worldbank.org/>; Internet, accessed November 2007.

<sup>56</sup> The information of the table belongs mainly to a CIA Factbook from 1996 to 2007 and secondly to the World Bank country report.



<sup>57</sup> “Guatemala - Jane's Sentinel Security Assessment - South America” linked from *Jane's Client Area Home Page*, available from <http://client.janes.com.library.carlisle.army.mil/MyAccount/index>; Internet; accessed December 2007.

<sup>58</sup> “GUYANA” linked from *United States Central Intelligence Agency Home Page* at World Factbook, available from <https://www.cia.gov/library/publications/the-world-factbook/>; Internet; accessed November 2007.

<sup>59</sup> “World Bank study on Guyana's poverty”, linked from *World Bank Home Page* at Countries, Guyana, Overview, available from <http://www.worldbank.org/>; Internet, accessed November 2007.

<sup>60</sup> The information of the table belongs mainly to a CIA Factbooks from 1996 to 2007 and secondly to the World Bank country report.

<sup>61</sup> “Guyana - Jane's Sentinel Security Assessment - South America” linked from *Jane's Client Area Home Page*, available from <http://client.janes.com.library.carlisle.army.mil/MyAccount/index>; Internet; accessed December 2007.

<sup>62</sup> “HONDURAS” linked from *United States Central Intelligence Agency Home Page* at World Factbook, available from <https://www.cia.gov/library/publications/the-world-factbook/>; Internet; accessed November 2007.

<sup>63</sup> “Honduras - Jane's Sentinel Security Assessment - South America” linked from *Jane's Client Area Home Page*, available from <http://client.janes.com.library.carlisle.army.mil/MyAccount/index>; Internet; accessed December 2007.

<sup>64</sup> Youth gangs involved in a virulent crime wave.

<sup>65</sup> “HONDURAS” linked from *United States Central Intelligence Agency Home Page*.

<sup>66</sup> “Corruption Perceptions Index (CPI), 2007” linked from *Transparency International Home Page*, available from <http://www.transparency.org/>; Internet; accessed November 2007.

<sup>67</sup> The information of the table belongs mainly to a CIA Factbooks from 1996 to 2007 and secondly to the World Bank country report.

<sup>68</sup> “Honduras” Jane's Sentinel Security Assessment - South America” linked from *Jane's Client Area Home Page*.

<sup>69</sup> Santiago Levy, *Progress against poverty* (Washington, D.C.: Brooking Institution Press, 2006), 21.

<sup>70</sup> “Mexico Country Brief” linked from *World Bank Home Page* at Countries, Mexico, Overview, available from <http://www.worldbank.org/>; Internet, accessed November 2007.

<sup>71</sup> “MEXICO” linked from *United States Central Intelligence Agency Home Page* at World Factbook, available from <https://www.cia.gov/library/publications/the-world-factbook/>; Internet; accessed November 2007.

<sup>72</sup> “Mexico - Jane's Sentinel Security Assessment - South America” linked from *Jane's Client Area Home Page*, available from <http://client.janes.com.library.carlisle.army.mil/MyAccount/index>; Internet; accessed December 2007.

<sup>73</sup> The information of the table belongs mainly to a CIA Factbooks from 1996 to 2007 and secondly to the World Bank country report.

<sup>74</sup> “Mexico - Jane's Sentinel Security Assessment - South America” linked from *Jane's Client Area Home Page*.

<sup>75</sup> The most recently disaster was Hurricane Felix, which hit Nicaragua's Atlantic coast in September 2007, causing more than 100 deaths, damaging or destroying 20,000 homes and destroying 87,000 hectares of agricultural land and 40,000 head of cattle.

<sup>76</sup> “NICARAGUA” linked from *United States Central Intelligence Agency Home Page* at World Factbook, available from <https://www.cia.gov/library/publications/the-world-factbook/>; Internet; accessed November 2007.

<sup>77</sup> “NICARAGUA country profile” linked from *BBC NEWS Home Page* at Country Profiles, America, available from [http://news.bbc.co.uk/2/hi/americas/country\\_profiles/1192478.stm](http://news.bbc.co.uk/2/hi/americas/country_profiles/1192478.stm); Internet; accessed 21 November 2007.

<sup>78</sup> “Nicaragua Country Brief” linked from *World Bank Home Page* at Countries, Nicaragua, Overview, available from <http://www.worldbank.org/>; Internet, accessed November 2007.

<sup>79</sup> The information of the table belongs mainly to a CIA Factbooks from 1996 to 2007 and secondly to the World Bank country report.

<sup>80</sup> “Nicaragua - Jane's Sentinel Security Assessment - South America” linked from *Jane's Client Area Home Page*, available from <http://client.janes.com.library.carlisle.army.mil/MyAccount/index>; Internet; accessed December 2007.

<sup>81</sup> “PANAMA” linked from *United States Central Intelligence Agency Home Page* at World Factbook, available from <https://www.cia.gov/library/publications/the-world-factbook/>; Internet; accessed November 2007.

<sup>82</sup> “PANAMA country profile” linked from *BBC NEWS Home Page* at Country Profiles, America, available from [http://news.bbc.co.uk/2/hi/americas/country\\_profiles/1192478.stm](http://news.bbc.co.uk/2/hi/americas/country_profiles/1192478.stm); Internet; accessed 21 November 2007.

<sup>83</sup> “PANAMA” linked from *United States Central Intelligence Agency Home Page*.

<sup>84</sup> “Panama” linked from *United States Department of State*, at Countries, Background Notes, available from <http://www.state.gov/>; Internet; accessed November 2007.

<sup>85</sup> “Panama Country Brief” linked from *World Bank Home Page* at Countries, Panama, Overview, available from <http://www.worldbank.org/>; Internet, accessed November 2007.

<sup>86</sup> The information of the table belongs mainly to a CIA Factbooks from 1996 to 2007 and secondly to the World Bank country report.

<sup>87</sup> “PANAMA” linked from United States Central Intelligence Agency Home Page.

<sup>88</sup> “Panama - Jane's Sentinel Security Assessment - South America” linked from *Jane's Client Area Home Page*, available from <http://client.janes.com.library.carlisle.army.mil/MyAccount/index>; Internet; accessed December 2007.

<sup>89</sup> “Paraguay Country Brief” linked from *World Bank Home Page* at Countries, Paraguay, Overview, available from <http://www.worldbank.org/>; Internet, accessed November 2007.

<sup>90</sup> “PARAGUAY” linked from *United States Central Intelligence Agency Home Page* at World Factbook, available from <https://www.cia.gov/library/publications/the-world-factbook/>; Internet; accessed November 2007.

<sup>91</sup> “Paraguay Country Brief” linked from *World Bank Home Page*.

<sup>92</sup> “PARAGUAY country profile” linked from *BBC NEWS Home Page* at Country Profiles, America, available from [http://news.bbc.co.uk/2/hi/americas/country\\_profiles/1192478.stm](http://news.bbc.co.uk/2/hi/americas/country_profiles/1192478.stm); Internet; accessed 21 November 2007.

<sup>93</sup> “Paraguay Country Brief” linked from *World Bank Home Page*.

<sup>94</sup> The information of the table belongs mainly to a CIA Factbooks from 1996 to 2007 and secondly to the World Bank country report.

<sup>95</sup> “Paraguay - Jane's Sentinel Security Assessment - South America” linked from *Jane's Client Area Home Page*, available from <http://client.janes.com.library.carlisle.army.mil/MyAccount/index>; Internet; accessed December 2007.

<sup>96</sup> “PERU” linked from *United States Central Intelligence Agency Home Page* at World Factbook, available from <https://www.cia.gov/library/publications/the-world-factbook/>; Internet; accessed November 2007.

<sup>97</sup> “Peru Country Brief” linked from *World Bank Home Page* at Countries, Peru, Overview, available from <http://www.worldbank.org/>; Internet, accessed November 2007.

<sup>98</sup> The information of the table belongs mainly to a CIA Factbooks from 1996 to 2007 and secondly to the World Bank country report.

<sup>99</sup> “Peru - Jane's Sentinel Security Assessment - South America” linked from *Jane's Client Area Home Page*, available from <http://client.janes.com.library.carlisle.army.mil/MyAccount/index>; Internet; accessed December 2007.

<sup>100</sup> “SURINAME” linked from *United States Central Intelligence Agency Home Page* at World Factbook, available from <https://www.cia.gov/library/publications/the-world-factbook/>; Internet; accessed November 2007.

<sup>101</sup> “Suriname Country Profile” linked from *Foreign & Commonwealth Office Home Page* at Countries and Regions, available from <http://www.fco.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1007029394365&a=KCountryProfile&aid=1020769455766>; Internet, accessed November 2007.

<sup>102</sup> Ibid.

<sup>103</sup> Ibid.

<sup>104</sup> The information of the table belongs mainly to a CIA Factbooks from 1996 to 2007 and secondly to the World Bank country report.

<sup>105</sup> "SURINAME" linked from *United States Central Intelligence Agency Home Page*.

<sup>106</sup> "Suriname - Jane's Sentinel Security Assessment - South America" linked from *Jane's Client Area Home Page*, available from <http://client.janes.com.library.carlisle.army.mil/MyAccount/index>; Internet; accessed December 2007.

<sup>107</sup> "URUGUAY country profile" linked from *BBC NEWS Home Page* at Country Profiles, America, available from [http://news.bbc.co.uk/2/hi/americas/country\\_profiles/1192478.stm](http://news.bbc.co.uk/2/hi/americas/country_profiles/1192478.stm); Internet; accessed 21 November 2007.

<sup>108</sup> "URUGUAY" linked from *United States Central Intelligence Agency Home Page* at World Factbook, available from <https://www.cia.gov/library/publications/the-world-factbook/>; Internet; accessed November 2007.

<sup>109</sup> "Uruguay Country Brief" linked from *World Bank Home Page* at Countries, Uruguay, Overview, available from <http://www.worldbank.org/>; Internet, accessed November 2007.

<sup>110</sup> The information of the table belongs mainly to a CIA Factbooks from 1996 to 2007 and secondly to the World Bank country report.

<sup>111</sup> "Uruguay" linked from *United States Department of State*, at Countries, Background Notes, available from <http://www.state.gov/>; Internet; accessed November 2007.

<sup>112</sup> "Uruguay - Jane's Sentinel Security Assessment - South America" linked from *Jane's Client Area Home Page*, available from <http://client.janes.com.library.carlisle.army.mil/MyAccount/index>; Internet; accessed December 2007.

<sup>113</sup> "VENEZUELA" linked from *United States Central Intelligence Agency Home Page* at World Factbook, available from <https://www.cia.gov/library/publications/the-world-factbook/>; Internet; accessed November 2007.

<sup>114</sup> "VENEZUELA country profile" linked from *BBC NEWS Home Page* at Country Profiles, America, available from [http://news.bbc.co.uk/2/hi/americas/country\\_profiles/1192478.stm](http://news.bbc.co.uk/2/hi/americas/country_profiles/1192478.stm); Internet; accessed 21 November 2007.

<sup>115</sup> "Venezuela" linked from *United States Department of State*, at Countries, Background Notes, available from <http://www.state.gov/>; Internet; accessed November 2007.

<sup>116</sup> The information of the table belongs mainly to a CIA Factbooks from 1996 to 2007 and secondly to the World Bank country report.

<sup>117</sup> Aggravated most recently by the capture of a Colombian insurgent leader inside Venezuela.

<sup>118</sup> Venezuela's defense expenditure figures have been provided as budgeted, rather than actual, expenditure, due to the opacity of government fiscal statistics. Real expenditure is likely to be significantly below the budgeted figure owing to delays in the execution of central government budgeted spending (Information obtained from Jane's Sentinel Security Assessment).

<sup>119</sup> "Venezuela - Jane's Sentinel Security Assessment - South America" linked from *Jane's Client Area Home Page*, available from <http://client.janes.com.library.carlisle.army.mil/MyAccount/index>; Internet; accessed December 2007.

<sup>120</sup> Robert Powell, *In the Shadow of Power* (Princeton: Princeton University Press, 1999) Chapters 1, 2 and 3.