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Beyond the Pay: Current Illicit Activities of the Armed Forces in Central America

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Beyond the Pay:  
Current Illicit Activities of the Armed Forces in Central America  

Kristina Mani, Ph. D.  
Oberlin College  

September 2011
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Beyond the Pay:
Current Illicit Activities of the Armed Forces in Central America

Kristina Mani, Ph. D.
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The views expressed in this research paper are those of the author and do not necessarily reflect the official policy or position of the US Government, Department of Defense, US Southern Command or Florida International University.
EXECUTIVE SUMMARY

The growth of criminal gangs and organized crime groups has created unprecedented challenges in Central America. Homicide rates are among the highest in the world, countries spend on average close to 10 percent of GDP to respond to the challenges of public insecurity, and the security forces are frequently overwhelmed and at times coopted by the criminal groups they are increasingly tasked to counter.

With some 90 percent of the 700 metric tons of cocaine trafficked from South America to the United States passing through Central America, the lure of aiding illegal traffickers through provision of arms, intelligence, or simply withholding or delaying the use of force is enormous.

These conditions raise the question: to what extent are militaries in Central America compromised by illicit ties to criminal groups? The study focuses on three cases: Nicaragua, El Salvador, and Honduras. It finds that:

- Although illicit ties between the military and criminal groups have grown in the last decade, militaries in these countries are not yet “lost” to criminal groups.
- Supplying criminal groups with light arms from military stocks is typical and on the rise, but still not common.
- In general the less exposed services, the navies and air forces, are the most reliable and effective ones in their roles in interdiction.
- Of the three countries in the study, the Honduran military is the most worrying because it is embedded in a context where civilian corruption is extremely common, state institutions are notoriously weak, and the political system remains polarized and lacks the popular legitimacy and political will needed to make necessary reforms.
- Overall, the armed forces in the three countries remain less compromised than civilian peers, particularly the police.
However, in the worsening crime and insecurity context, there is a limited window of opportunity in which to introduce measures targeted toward the military, and such efforts can only succeed if opportunities for corruption in other sectors of the state, in particular in law enforcement and the justice system, are also addressed.

Measures targeted toward the military should include:

- Enhanced material benefits and professional education opportunities that open doors for soldiers in promising legitimate careers once they leave military service.
- A clear system of rewards and punishments specifically designed to deter collusion with criminal groups.
- More effective securing of military arsenals.
- Skills and external oversight leveraged through combined operations, to build cooperation among those sectors of the military that have successful and clean records in countering criminal groups, and to expose weaker forces to effective best practices.
INTRODUCTION

Daily news reports capture the growing scale of violence in Central America. Homicide rates in the region have skyrocketed in the Northern Triangle countries of El Salvador, Guatemala and Honduras, with the most dramatic increase, in Honduras, literally doubling the country’s murder rate over the last five years from 43 to 86 per 100,000 inhabitants – now the highest in the hemisphere.\(^1\) The economic costs of crime in the region are also astounding, ranging between 8 and 11 percent of GDT in terms of expenditures on law enforcement, private security, and healthcare.\(^2\) Behind these trends are established criminal gangs and the growing competition among organized crime groups, particularly as Mexico-based cartels have shifted their operational control further “upstream” into Central America to capture greater profits and take advantage of significant weaknesses to a greater or lesser extent throughout the region: weak state institutions, corrupt public officials, and national territories where security forces are undermanned and insufficiently monitored are central factors contributing to the growth of organized crime in the region. As a result, according to U.S. government estimates, by 2011 some 90 percent of the 700 metric tons of cocaine trafficked from South America to the United States was passing through Central America – up from 42 percent in 2008 and 60 percent in 2010.\(^3\)

\(^1\) Estimate for 2011 by the National Commission for Human Rights (CONADEH) in Honduras, compared with the figure for 2006. By comparison, in the United States the homicide rate is about 5 per 100,000.


\(^3\) The White House, *Presidential Determination No. 2011-16 on Major Illicit Drug Transit or Major Illicit Drug Producing Countries for Fiscal Year 2012*, September 15, 2011; U.S. Department of State, Bureau of...
With Central American governments increasingly unable to provide a reassuring degree of public security for their citizens or to effectively stem the overwhelming flow of drugs through the region, they have brought the armed forces into the fight. Currently, every military in Central America is involved in counterdrug operations to some extent, whether as backup for police units or through interdiction of air- and sea-trafficked contraband. Military forces clearly bring added capabilities that police forces lack. Still, it is not clear that bringing the military into on-the-ground operations against criminal groups is worth the risk of exposing them more directly to potential cooptation by criminal groups – unless the use of military force is carefully calibrated to the task and combined with a range of well-coordinated, long-term security sector and judicial reforms.

In most cases, when the military is brought in, it has to come up from behind. For instance, in Guatemala, the region’s long-time epicenter of criminal groups trafficking children, migrants, cars and arms as well as drugs, the total value of goods seized by authorities in 2009 equaled 5.4 percent of GDP, compared with State spending on security at only 1.2 percent of GDP. What is more, break-out groups like the

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4 For instance, as numerous civilian security experts and some military officers interview for this project noted, compared with police forces the military typically not only has greater firepower, but also a round-the-clock mission orientation and a tied-to-the-barracks location, whereas police forces typically quit when their shift is over and go home to civilian lives that are often in the same communities where criminal groups operate.

Zetas have been able to stay one step ahead of conventional military forces by recruiting members from Mexican and Guatemalan army Special Forces to their ranks.

Illicit ties, which involve active duty members of the military in active or passive collusion with criminal groups, are developing more frequently. There have been numerous high-profile instances of arms mysteriously disappearing or being stolen from military stockpiles in El Salvador, Guatemala and Honduras, only to turn up later in the hands of criminal groups. As a result, virtually every grenade attack by the Salvadoran Mara gangs has involved U.S.-issued M-67 grenades, and U.S.-issued anti-tank weapons that disappeared from Honduran stockpiles were later found in an arms cache in drug violence torn Juarez, Mexico. In 2010, in a spectacular theft from a Honduran military hangar, an airplane confiscated in a counterdrug operation was flown away before military forces reached the scene.

Cases like these raise the crucial question: to what extent are militaries in Central America compromised by illicit ties to criminal groups? This question drives the research laid out in this paper, which draws on reports by government agencies, the news media, and non-governmental organizations; and over 30 in-country personal interviews with government officials, academics and policy experts, and members of the armed forces conducted in July and August of 2011.

A central conclusion from the study is that militaries in the region are not yet “lost” to criminal groups. Certainly, illicit ties between the military and criminal groups have grown in the last decade as new criminal groups have gained presence in the region, seeking arms, new recruits and transport...
routes. Yet despite this growth, in most of the region the armed forces are not more frequently embroiled in illicit activities than their civilian peers, for instance in the police and judicial system, or in local politics and the business sector. Rather, support from military collaborators is one link in a wider system of associates that criminal groups need to rely on to maintain trafficking structures throughout the region.

The window of opportunity that currently remains open needs to be used as quickly as possible in the worsening crime-and-insecurity context. Efforts need to take the entire system of links into account. For the military in particular, leverage mechanisms should focus on a strategic system of rewards and punishments to deter collusion with criminal groups – rewarding clean military units, creating new carefully vetted ones, and in extreme cases dissolving (and prosecuting members of) units with a record of criminal ties. International cooperation, including strong support from the United States, is essential, particularly in promoting cooperation among those sectors of the military – the region’s navies and air forces in particular – that have generally remained “clean.”

The remainder of the paper focuses on laying out the most significant patterns and recent developments that affect the propensity of militaries in Central America to become (or remain) engaged in illicit activities. The next three sections discuss in turn Nicaragua, El Salvador, and Honduras. The final section offers suggestions for policy initiatives that can help to reduce opportunities for illicit relationships to prosper in the armed forces. As Tables 1 and 2 indicate, there are important variations in the levels of violence, effectiveness of drug interdiction, and public perception of security forces and policies. In particular, Nicaragua’s indicators present an interesting contrast to the cases of the
Northern Triangle and suggest that probing that case may be particularly useful in identifying policy strategies.

### Table 1. Key Indicators by Country

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<tbody>
<tr>
<td>El Salvador</td>
<td>6.2 million</td>
<td>US$ 3,370</td>
<td>64.4</td>
<td>126 kg</td>
</tr>
<tr>
<td>Guatemala</td>
<td>14.3 million</td>
<td>US$ 2,620</td>
<td>41</td>
<td>7.1 metric tons (2009)</td>
</tr>
<tr>
<td>Honduras</td>
<td>7.6 million</td>
<td>US$ 1,820</td>
<td>77 (2009)</td>
<td>6.1 metric tons</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>5.8 million</td>
<td>US$ 1,000</td>
<td>14 (2006)</td>
<td>17.5 metric tons</td>
</tr>
</tbody>
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8 Source: U.S. State Department, except Nicaragua data from World Bank.  
9 Source: U.S. State Department, 2011 International Narcotics Control Strategy Report, country sections.
### Table 2. Public Opinion on Security Institutions and Policies

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<tbody>
<tr>
<td>El Salvador</td>
<td>56.5 %</td>
<td>49.3 %</td>
<td>71 %</td>
<td>48 %</td>
<td>24 %</td>
</tr>
<tr>
<td>Guatemala</td>
<td>52.9 %</td>
<td>31.0 %</td>
<td>47 %</td>
<td>22 %</td>
<td>14 %</td>
</tr>
<tr>
<td>Honduras</td>
<td>51.9 %</td>
<td>54.1 %</td>
<td>51 %</td>
<td>33 %</td>
<td>10 %</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>61.5 %</td>
<td>54.7 %</td>
<td>58 %</td>
<td>58 %</td>
<td>39 %</td>
</tr>
</tbody>
</table>

**Nicaragua: Professionalism at Risk**

On many levels, Nicaragua’s military is an outlier in the region: unreformed from its Sandinista roots, but remarkably professional and apolitical, with institutional economic interests through its legal but entirely opaque social security fund, it consistently ranks as the most trusted public institution in the country. This is particularly remarkable as civilians have rarely exercised effective oversight over the military or set clear defense policy, leaving the institution essentially autonomous from civilian control.

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13 *Informe Latinobarómetro 2010*, p. 79.

14Ibid. p. 18.

15 Elites rank the military even more highly than average citizens, with a difference of about 7 percentage points. See Margarita Corral, “The State of Democracy in Latin America: A Comparative Analysis of the Attitudes of Elites and Citizens,” *Boletín PNUD and Instituto de Iberoamérica* #1, January 2011.
control.\textsuperscript{16} Taken together, these qualities have a significant restraining influence on propensities to engage with criminal groups.

**Military Entrepreneurship**

As was true in all of the post-war transitions in Central America, the Sandinista Popular Army sought to survive and maintain institutional autonomy and secure resources as it headed into the democratic, peacetime, and post-Cold War environment. Confronted with the loss of foreign patronage, an economy in shambles, and the opposition’s win in the 1990 elections that the Sandinistas themselves had allowed, army leaders anticipated the massive demobilization that would bring forces that had once numbered over 130,000 (including reserves and conscripts) down to a professional force of about 15,000.

While the most senior commanders of the Sandinista army got rich through the famed *piñata* that allowed them to take the best holdings in the “distribution” of state assets, there was not enough money to compensate other officers and troops. With a need estimated at over US$ 18 million and the military’s new social security institute (*Instituto de Previsión Militar, IPSM*) not yet funded, the army received grants from European governments for about US$ 6.5 million that allowed thousands of officers to take a hybrid three month course in business administration at the prestigious INCAE graduate business school of Central America. Officers also received US$1,000 as start-up

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17 These were state assets – typically expropriated land and business properties of the former regime’s ousted Somoza clan and its allies, compensated to them by the state but now taken by top FSLN leaders as war booty. On the transition, see Laura Nuzzi O’Shaughnessy and Michael Dodson, “Political Bargaining and Democratic Transitions: A Comparison of Nicaragua and El Salvador,” *Journal of Latin American Studies* 31:1 (February 1999), pp. 99-127.

18 Created in 1963 as an initiative of the Kennedy Administration with joint sponsorship by USAID and the Harvard Business School, INCAE is Central America’s premier business and public administration school, with campuses in several countries including Nicaragua. During the Revolution, the business administration program was suspended, but the functional administration program continued and is likely what
capital from the government to found their own small business, though most used the cash to pay off debts and living expenses rather than to become overnight entrepreneurs. Even so, military’s emphasis on second career education prevailed: in order to advance to senior ranks, both military and police officers are required to take degrees in a civilian profession (law, public administration, accounting and business administration are common) and today even critics of the military’s involvement in economic activities praise this innovation. It sets the Nicaraguan military apart from its neighbors by preparing officers for a second career in an occupation other than the private security sector, which elsewhere in the region is the most common sector to absorb former forces. The professional preparation requirement arguably makes Nicaraguan officers less caste-bound and more profession-oriented – and by extension less beholden to political cronyism.

**IPSM**
The military leadership’s golden calf is the aforementioned IPSM – not because its pensions or other benefits are

Sandinista officers studied. While I could not determine whether military officers during the Somoza dictatorship studied at INCAE in earlier decades (it seems doubtful), there is an interesting parallel with Cuban military officers beginning to study (capitalist) business administration in European schools in the 1980s, at the initiative of the longtime head of the army, Raúl Castro who saw a need to enhance efficiency in state enterprises that were to be managed by the reliably loyal armed forces. For a brief overview of the Cuban case, see Kristina Mani, “Military Entrepreneurs: Patterns in Latin America,” *Latin American Politics and Society* 53:3 (Fall 2011), pp. 25-55.

19 Author interview with retired General Hugo Torres Jiménez, a former director of the military intelligence agency and currently a leader in the opposition Sandinista Renovation Movement (MRS), Managua, July 8, 2011.

20 Author interviews with Roberto Orozco and Yassir Chavirría, defense and security research associates at the Instituto de Estudios Estratégicos y Políticas Públicas (IEEPP), Managua, respectively July 6 and 8, 2011.
particularly generous, but because it enables business relationships with enterprises owned by retired military officers; active service officers may not be business owners, but retired officers are often shareholders in the IPSM-invested firms or those with which they do business. Prior to 1990, no military welfare fund existed – unusual in the region, where militaries set up such funds in earlier decades (under Somoza, “provision” for the forces occurred through a personalist prebend system). Perverse luck and state assets allowed the new social security project to be funded with seed money from the secret 1992 sale of military equipment to both Ecuador and Peru, which were embroiled in a rivalry and later engaged in a brief but costly war with each other. The sales brought about US$25 million in seed money for the IPSM equity fund.21

IPSM’s equity fund was valued in 2004 at US$30 million according to the little data IPSM makes public, and in 2007 at US$65 million according to a confidential PriceWaterhouseCoopers audit. Critics of the IPSM structure suspect the fund, which in 2007 was heavily exposed in U.S. stock markets, took a huge hit in the global recession. Management of the fund follows informally presented directives from the military high command but remains entirely opaque, with no public auditing or legislative or public oversight.22 In steps not countenanced

21 Entire squadrons of Mi-25 helicopters were sold to Peru, as well as artillery and other equipment (including for Ecuador radar able to detect the new Peruvian attack helicopters), with spare parts included. The sales were justified later by former general and defense minister Joaquín Cuadra as imperative in the country’s financial situation where 10,000 officers were soon to retire without ready compensation. Roberto Fonseca and Roberto Orozco, “7 años después, detalles inéditos de la venta de armas a Perú y Ecuador,” Suplemento Enfóque, La Prensa (Managua), October 27, 1999.
22 Author interviews with Roberto Orozco of IEEPP, July 6, 2011, and Carlos Arroyo Borgen, former Defense Ministry official, July 9, 2011;
under the law, it has taken short term “loans” from the public sector pension fund that were later paid back quickly when revealed in the press. In several instances reported in the press, companies owned in part by IPSM have expropriated (or poorly compensated) owners of property the IPSM companies sought for real estate developments.

IPSM’s current practices matter with respect to illicit activities in at least two possible ways. One is that it is very likely the opportunities for former military officers to network into existing business relationships created through the IPSM structure keep them quite busy in licit ventures, maintain the promise of such ties for those still in military service, and do not undermine the public image of professionalism the military has carefully cultivated. The other factor is that the fund’s likely losses are correlated with a significant expansion of former officers into public administration positions during the current government of Daniel Ortega, the longtime head of the Sandinista National Liberation Front (FSLN) elected to the presidency in 2006. The Ortega appointments are certainly due to bringing retired military Ortega loyalists into key state posts (for instance, Antenor Rosales as central bank president since 2007; and close Ortega political broker Álvaro Baltodano the same year as director of the Free Trade Zone Commission23),

Eduardo Marenco, “Empresarios en Uniforme: los negocios del Ejército de Nicaragua, 1995-2007,” IEEPP research paper, 2007. The confidential PWC audit, a copy of which the author acquired from non-military sources, was commissioned by the military for its perusal – it is summarized for the executive branch and not shared with.

many of the less politically connected officers who cannot afford to retire into state posts.\textsuperscript{24}

\textbf{Military Autonomy in the Ortega Period}

President Ortega has appointed a significant number of former Sandinista commanders to top posts\textsuperscript{25} and other former officers also at lower levels. Several individuals interviewed for this project noted the military has “unwritten rules” that military officers should not take political appointments for at least a year even after retirement; Ortega has interfered with this principle. This raises the concern that the military’s tradition of being both beyond civilian control and beyond civilian political cooptation may fall to politicization.

Yet overall, the military hierarchy appears to be privileging its institutional autonomy and cohesion over political perks. Even the current president, Daniel Ortega, has had to bargain hard with the military – and accepted a deal that effectively eviscerated the defense ministry and made the military accountable only to the president. In situations of emergency, the military intelligence agency can now extend its authority over civilian agencies (police, migration, border and customs authorities, etc.). Critics rightfully see this as enabling the “militarization of public institutions.”\textsuperscript{26} Still, the Nicaraguan military is quite far away from the high

\footnotesize{\textsuperscript{24} Several individuals interviewed for this project suggested this.}\n
\footnotesize{\textsuperscript{25} For an extensive list and analysis of Ortega appointments that suggests the president took a “big tent” rather than ideological approach to defining them, see Francisco A. Guevara Jerez, “Who’s Who in the New Cabinet,” \textit{Revista Envío}, February 2007. \url{http://www.envio.org.ni/articulo/3460}\n
\textsuperscript{26} This is the view of the country’s main independent think tank on citizen and state security analysis, IEEPP. For their critical assessment, see Ary Pantoja, “Ciudadanía bajo inteligencia militar,” \textit{El Nuevo Diario} (Managua), December 1, 2010. \url{http://www.elnuevodiario.com.ni/nacionales/89365}
degree of political allegiance that Venezuela’s Hugo Chávez has required of the Bolivarian Armed Forces.27

**The Military’s Counterdrug Operations**

Nicaragua is still relatively “quiet” on the drug trafficking front, serving primarily as a refuge for traffickers when the heat gets too strong elsewhere, rather than as major transport hub like Honduras. Yet it is clear that drug trafficking organizations (DTOs) are targeting the gamut of Nicaraguan officials, including government ministers, judges, prosecutors, legislators, police, and high ranking officers in the military, according to the files of a now-disbanded national police unit the United States was instrumental in building. That unit was disbanded by Ortega, reportedly because it had gotten too close to acting on its evidence.28

In contrast, the Nicaraguan Navy continues to work very closely with U.S. agencies in counterdrug work; in 2010 it confiscated over 75 percent of all cocaine seized by Nicaraguan authorities (indicated in Table 1), much of this in cooperation with the U.S. Navy and Drug Enforcement Agency (DEA).29 This is another indication that the military acts in its own interests and not at the behest of the political leadership. Lacking significantly in equipment so that it is able to act on only about 25 percent of the information it

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27 Chávez is a significant benefactor for ALBANISA, the corporation set up to distribute Venezuelan aid at the discretion of Ortega with no legislative oversight as would normally be required of state spending. In the dissident wing of the Sandinista (MRS) several prominent former Sandinista military officers are significant figures, often criticizing the discretionary funds in the millions of U.S. dollars contributed by Venezuela. Author interview with General Hugo Torres Jiménez.


29 As a U.S. DEA official interviewed for this project in El Salvador on July 12, 2011 noted, “Ortega gets it.” See also U.S. State Department’s INCSR 2011, pp. 422-423.
receives from the DEA, the chief of Nicaragua’s Atlantic Naval Command lamented in 2007 that trafficker opponents have superior equipment like night vision and satellite communications, which his forces lack.

In the interim, the navy has acknowledged its forces are now the target of criminal groups offering them money to look the other way, in one reported case for as much as US$ 50,000, and there have been cases of “friendly relations” to DTOs within the navy’s ranks that the leadership says it punished. Such open discussion of the challenges confronting the military is notably different than what officials in other countries have often commented to the press – for instance in Honduras, the defense minister has repeatedly denied that Mexican drug boss Joaquín “El Chapo” Guzmán operates there, despite numerous reliable accounts of his presence. The issue is less about being truthful than a reflection of the handle the two countries have over their organized crime threats – in Nicaragua it may still be manageable and discussable, but this is not the case elsewhere in the region.

EL SALVADOR’S MILITARY: REFORMED BUT BATTERED

Of the Northern Triangle countries, El Salvador’s military and defense ministry officials show the most professionalism and have been the most committed to addressing the problem of military collusion with organized crime. The 2009 election of Mauricio Funes, of the former guerrilla

30 Author interview with Chavirría, July 8, 2011.
Farabundo Martí National Liberation Front (FMLN), ended more than two decades of right-wing government under the (Nationalist Republican Alliance (ARENA) and moved the country away from a focus on the heavy handed “mano dura” security policies that frequently put the military back into policing roles yet failed to curtail gang-based violence. The U.S. government has acknowledged El Salvador’s commitments to security sector reforms by positioning El Salvador to be Central America’s leader in setting security policy models and anti-crime initiatives. With these accomplishments in mind, however, the country is still far from defeating its non-state challengers.

**The Transition to Professional Forces**
El Salvador’s internationally-brokered peace accords defined a clear and immediate reform agenda for the military in the post-war period. Reforms, which were monitored in the initial transition period (1991-1995) by a United Nations
observer mission, included limiting the military’s mission to national territorial defense; ending its missions in internal security and the maintenance of constitutional order; placing the military under the authority of a civilian-led defense ministry; reducing military forces by half (including a purge of forces) within the first year of the peace; and reorganizing forces and revising their training programs to build professionalism and respect for human rights. In addition, there were important economic pacts in the peace: agrarian lands and agricultural and educational credits were distributed to former combatants from both sides of the war; the accords also contained specific legal protections to facilitate the former guerrillas’ reintegration into society.  

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**The Complex Challenge of Illegal Armed Groups**

Today the military numbers just over 14,000 forces, less than one-quarter of its size at the end of the war. However, as early as the mid 1990s, the special Joint Group established by agreement between the new Salvadoran government and the United Nations determined that the death squads of the war period – now purged from formal state institutions – had reinvented themselves for the post-war period as criminal organizations engaged in extortion, killings for hire, and a host of drug, car and arms trafficking, and that they operated with support from state authorities in both the civilian and security sectors.  

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So while El Salvador is typically hailed (and compared favorably with Guatemala) for the degree to


\[34\] The Joint Group report, *Documento Especial: Informe del Grupo Conjunto para la investigación de grupos armados ilegales con motivación política en El Salvador*, was published July 28, 1994 and is available at [http://www.uca.edu.sv/publica/idhuca/grupo.html](http://www.uca.edu.sv/publica/idhuca/grupo.html). The Joint Group was comprised of four individuals: the chief of the UN Mission ONUSAL’s human rights division, the country’s human rights ombudsman, and two lawyers appointed by the president.
which the military, judiciary, and the police underwent reforms in the post-war period, it too has exhibited the presence of “sleeper cells” similar to those that have been described as persisting in Guatemala’s “illegal groups and clandestine security apparatuses” (CIACS).\footnote{The UN established a special commission to examine the activities of CIACS that reported its findings in 2003. For analysis, see Washington Office on Latin America, \textit{Hidden Powers in Post-Conflict Guatemala: Illegal Armed Groups} (Washington, DC, 2003); for the most recent and compelling charge that these groups persist in Guatemala as of 2011, see Pedro Rubén Zamora, “El tenebroso cartel de los “Durmientes,” \textit{El Periódico} (Guatemala City), July 12, 2011. \url{http://www.elperiodico.com.gt/es/20110712/pais/198038}}

The existence of such groups in post-war El Salvador was never challenged at the time through state policies, implying that even with the best-structured start-up conditions follow-through policies are imperative. It also emphasizes that El Salvador’s criminal groups are not “only” sourced from abroad (Mexican cartels, repatriated Maras), but also involve a significant home-grown component that will make dismantling it (and the linkages it has to transnational groups) very challenging without significant resources applied in a region-wide strategy.\footnote{For further analysis, see Douglas Farah, “Organized Crime in El Salvador: Its Homegrown and Transnational Dimensions,” in Arnson and Olson, eds., \textit{Organized Crime in Central America}, pp. 104-138.}

\textbf{Military Security Work and Issues of Exposure}

Under Funes, the military has again been called into internal security roles on an emergency basis. It currently provides security at official border crossings, prison perimeters, and on the streets; it has also been called in to protect the country’s valuable coffee sector, protecting transit to allow growers to get goods to market.
With the Zetas and other groups seeking to acquire newer, high-caliber weapons, Salvadoran forces have become a particular target. Unlike Guatemala’s forces, where arms sales from the United States remain embargoed, Salvadoran forces were the beneficiaries of U.S. arms sales, particularly in the 1980s but also in later decades. El Salvador acquired about 266,000 M67 grenades from United States between 1980 and 1993; Salvadoran officials acknowledge that almost all of the grenade attacks carried out by the maras (for whom grenades are their extortion weapon of choice) have involved M67s. In 2009 the government consolidated remaining stocks into high-security locations, and says no subsequent losses of grenades were reported. But many arms are already “loose” and grenade attacks haven’t significantly abated in either El Salvador or Mexico, where over 5800 live U.S.-issued grenades were confiscated between 2007-2010. Several recent cases of current and former Salvadoran soldiers trying to sell arms and military uniforms are under investigation or prosecution.

As a result, the military has worked hard to foster professional discipline and cares about its international image. For instance, the military leadership knew that the revelation in 2011 of the Capitán case – in which a former Salvadoran army soldier seeking to sell weapons and explosives to Colombia’s FARC insurgents was arrested in the United States in a DEA sting operation – would make it look bad, but cooperated fully in the investigation in order to

deter corruption in its ranks.\textsuperscript{39} In addition, the defense ministry has recently instituted new benefits in subsidized housing and healthcare coverage, particularly for forces serving on an emergency basis in public security and prison security. The new benefits policies were triggered by the dismissal of 42 soldiers for involvement in selling arms from military stockpiles to criminal groups.\textsuperscript{40} Yet as a locally based DEA official worried, “the longer the military is in law enforcement, the more probable corruption within it becomes.”\textsuperscript{41}

**HONDURAS: POST-COUP GROUND ZERO**

As a staging ground for forces in neighboring civil wars in the 1980s, Honduras can lay claim to important stockpiles of arms that are a hold over from those wars. Unlike its war-afflicted neighbors, however, the military never experienced the pressures of post-war “demobilization” or military reform. The military has a long history of involvement in the management of state-owned enterprises, many of which were created under authoritarian rule in the 1970s in the era when major state-sponsored development projects was in vogue. That record translated in the 1980s, now under a democratic regime, into significant investments by the military’s social security fund in major national enterprises, much like what developed in Nicaragua but on an even greater scale.

Yet the most important recent development – the civilian-military coup that ousted leftist President Manuel Zelaya in June 2009 and ushered in a seven-month period of de facto rule under Roberto Micheletti – has had lasting effects on the

\textsuperscript{39} Author interview with U.S. DEA official in El Salvador, July 12, 2011.
\textsuperscript{40} “FAES ha destituido 42 vinculados con tráfico de armas,” *La Prensa Gráfica* (San Salvador), July 20, 2011.
\textsuperscript{41} Author interview with U.S. DEA official in El Salvador.
country’s exposure to transnational DTOs. The coup made Honduras the political pariah in the region and brought on the loss of U.S. counter-drug and development assistance. Along with Micheletti’s redeployment of the military away from counterdrug work to repression of political protestors and guarding of formal border crossings\(^\text{42}\) to prevent Zelaya’s return, this opened the floodgates to drug trafficking that skyrocketed after the coup.\(^\text{43}\) As a result, Honduras is today not only the air and sea gateway\(^\text{44}\) for drugs entering Central America from South America, but arguably the weakest link the region in terms of countering the penetration of organized crime.

\(^{42}\) While guarding formal crossings may seem useful for deterring illegal traffickers, it is worth noting that Honduras, like its neighbors, has hundreds of informal (illegal) crossings that are not officially monitored.


\(^{44}\) Bosworth finds credible the estimates of 350-550 metric tons of cocaine passing through Honduras in 2010; Bosworth, “Honduras: Organized Crime Gained Amid Political Crisis,” p. 62. Drug shipments typically enter by air and also by sea, and proceed by land or sea.
Modeled on the Guatemalan military’s social security fund, and itself later copied by the Nicaraguan military, the Honduran Instituto de Previsión Militar (IPM) has a remarkable rollercoaster-like history. Democratization in 1984 removed the military from its formal role in politics, but left it with other positions of power: senior military officers in active service continued to staff government ministries and to direct strategic state industries and public utilities. As state assets were privatized, the IPM gained privileged access to buy shares in public companies at insider prices. In this way IPM assets grew dramatically in the late 1980s and early 1990s, as it acquired controlling interests in at least 17 major companies in sectors ranging
from agriculture and construction, to real estate development and banking.\textsuperscript{45}

However, many of these holdings were inefficient and poorly managed from the start, and military control via IPM appears only to have worsened conditions. By the late 1990s, the fund’s solvency was in question and under pressure from senior military officers IPM contracted an independent audit that to this day remains unpublicized.\textsuperscript{46} The audit led to the sell-off of numerous insolvent holdings. Under new direction for more than a decade, IPM is now risk averse – it emphasizes “long-term holdings” and no longer invests holdings directly in overseas markets.\textsuperscript{47} Yet despite the crisis of the late 1990s that appears to be familiar lore in Honduran political and business circles, there is no public information about IPM’s investment holdings.\textsuperscript{48} IPM – a formal, publicly funded institution that annually receives


\textsuperscript{46} The audit was conducted by a Swedish consulting firm and appropriately detailed IPM’s troubled assets. More than a decade later, the publicly available documentation of IPM’s holdings remain impossible to parse and in personal interviews with IPM’s director the author was told simply that the fund operates “autonomously” and its holdings are “confidential.” Author access through a non-IPM source to the independent audit; author interview with retired General Damián Pineda Reyes, IPM Director, Tegucigalpa, July 18, 2011.

\textsuperscript{47} Author interview with IPM Director Pineda Reyes.

\textsuperscript{48} Author phone interview with Jaime Rosenthal, a leading Honduran businessman, July 29, 2011. Rosenthal was once a sharp critic of IPM’s control of the former state cement company, Incelsa, which along with his own company dominated the industry. The military sold its controlling interest in the company; Rosenthal now considers IPM to be well-run, and better run than its civilian peers. Informal communications among military and civilian elites appear to inform these observations, as a full public record does not exist.
over 20 percent of its capital from state and affiliate contributions – remains exempt from basic transparency.\(^{49}\)

The IPM saga is a telling reflection of the military’s continued ability to maintain institutional privileges with little to no civilian oversight, and of the ruling political elite’s disinterest in altering this arrangement. Honduran civil-military relations basically reflect a mutual elite non-intervention pact – one that was broken during the Zelaya government’s repoliticization of the military, in which the president significantly increased defense spending, expanded the military’s role in development and infrastructure building, and then concluded wrongly that the military would not resist being enlisted to oversee the controversial referendum that became the immediate reason for the president’s overthrow.\(^{50}\) In this context, it is hardly surprising that military officials and their civilian defense ministry spokespersons\(^{51}\) frequently assert that the military is

\(^{49}\) It makes public operating expenses, but no breakdowns of its investment holdings – all numbers and categories are global, not specific. See the labyrinthine records available under “Transparencia” at www.grupoipm.hn.

\(^{50}\) Various interview subjects (including Zelaya sympathizers) emphasized that this repoliticization was harmful, particularly after the military had been developing a fairly solid apolitical track record since the 1990s. Zelaya also challenged the private sector in courting the military, for instance by authorizing the army to build the new terminal at Comayagua airport in a no-bid contract. For a comprehensive and balanced evaluation of the coup and its causes, see the final report produced in 2011 by the Honduran Truth and Reconciliation Commission, entitled Para que los hechos no se repitan: Informe de la Comisión de la Verdad y la Reconciliación, available at http://www.cvr.hn/.

\(^{51}\) Author interview a reliable source whose name the author withholds for security reasons. The source described the Colegio de la Defensa Nacional, at which civilians can receive advanced degrees in defense and security studies, as heavily vetted by its military administrators, who hand pick civilian candidates for the program; for the source, this is a way the military can coopt civilians in the defense and other
clean – unlike its peers in Nicaragua or El Salvador, the Honduran military very rarely admits to institutional weaknesses or failings, regardless of how ample the record in contrast stands.

“Lost” Military Weapons, the “Narco-Storehouse” and Opportunities Following from the Coup

There have been a variety of cases of Honduran military arms turning up in the hands of Mexican and Colombian criminal groups, as well as reports that major drug traffickers and their associates operate in Honduran territory, yet civilian and military officials rarely address the veracity of such charges and typically have denied them by assertion. However, under increased pressure – as a variety of reports have appeared from U.S. and Guatemalan officials, independent academic analysts, and Honduran civil society organizations like CONADEH reporting on the rapid advances of criminal groups inside the country – the government of Porfirio Lobo has recently begun to change its tone.52

Defense Minister Marlon Pasqua has stated that the onslaught by foreign cartels has turned the country into a “narco-storehouse,” as major cartels, particularly the Sinaloa Cartel and the Zetas, target Honduras for its strategic location.53 The minister also admitted that currently a whopping 80 percent of the cocaine reaching the United States from South America has passed through Honduras. There has also been in 2011 a rash of new appointments in bureaucracies to its perspectives and reduce the chances that hard questions will be asked.


the security sector following revelations of high-level civilian collusion with cartels. This may be a mixed blessing, though, as the most prominent official to leave was Security Minister Oscar Álvarez, who had been outspoken in correctly criticizing the police for pervasive corruption; his repeated attempts to purge the police hierarchy (resisted by the police establishment) appear to have forced the resignation.  

A positive sign in these developments is that overwhelming evidence and significant pressure from the United States apparently can bring Honduran officials to acknowledge failings publicly and perhaps begin to address them. Yet the problems now admitted have been brewing for years. Already during the Zelaya government the military was drawn away from security roles toward development assistance, leaving important gaps in the country’s anti-crime policies. As a result, in 2008 U.S. officials in Honduras expressed concerns about the “possible unauthorized diversion, misuse, or failure to secure” light weapons (anti-tank guns, grenades) supplied through U.S. military assistance programs to the Honduran forces; such arms have been found in Guatemalan criminal stocks, particularly in the last year, according to reports by that country’s new and effective attorney general. Still, by far it was the post-coup


55 For an overview and the wiki-leaked U.S. Embassy cable expressing alarm, see Geoffrey Ramsey, Cable: Honduran Military Supplied Weaponry to Cartels,” InSight
period that allowed cartels to breach any barriers that still existed to their resource base, transit access, and refuge places in Honduras.\(^5^6\)

Corruption has been common among Honduran political elites at all levels, and corrupt links to private business interests that support the country’s traditional leaders are well known and widespread. However, the coup enabled political and business elites to raid the spoils of the state even more intensively than usual, according to persuasive accounts by Honduran analysts; this was also confirmed in wiki-leaked U.S. Embassy cables, in one of which Ambassador Hugo Llorens described how “Micheletti and his colleagues…appear to have cut a significant number of back-room deals, which were egregious even by local standards.”\(^5^7\)

At the same time, at the local level corruption is no less apparent. In the western part of the country, bordering Guatemala and El Salvador, are several provinces in which Mexican cartels (to date mainly Sinaloa) have bought land and estates, boosting their operations there as they launder drug profits into “legitimate” holdings. Alexander Ardón, the mayor of El Paraíso in Copán province, is known for his small mountain town’s unusual level of riches, the city-wide curfew that allows him to maintain control over his

\(^5^6\) Bosworth’s chapter in the Wilson Center publication, cited above, provides the cogent argument and evidence for this assessment.

\(^5^7\) Cable of U.S. Embassy Tegucigalpa, with subject “Allegations of Corruption Surround Dam Management Concession,” February 20, 2010. http://www.elpais.com/articulo/internacional/Cable/refiere/supuesto/caso/corrupcion/Micheletti/elpepuint/20110129elpepuint_17/Tes. The cable describes how the outgoing Micheletti government signed a major, 25-year hydro-dam concession to a consortium in which they themselves were participants, with little apparent benefit to the state.
“kingdom” and his police-reported ties to the Sinaloa Cartel. While El Paraíso’s mayor may be the most notorious, he is not alone in establishing protection alliances with DTOs. There is also substantial evidence that Sinaloa’s notorious boss Joaquín “El Chapo” Guzmán not only hid out but established a veritable operations center in the Santa Bárbara province that neighbors Copán. From there he allegedly contracted the December 2009 assassination of retired General Julián Arístides González, who as head of Honduras’s counter-drug agency was putting pressure on the cartel.

Local landowners in the eastern provinces also have established ties to DTOs. It is a well known secret than many of the new landowners in Honduras are drug traffickers, which is logical as landownership provides a legitimate cover for laundering cash profits, capturing operational space, and establishing a cover of local legitimacy. There is also evidence that some landowners have contracted private security by former paramilitaries from Colombia, and therefore it is worth recalling that Colombia’s paramilitary successor groups are recognized as having moved into drug trafficking since their supposed demobilization in 2005. Following the coup in Honduras, landowners scaled up their hiring of private security, ostensibly to protect against peasant land seizures in the tense political climate. The alleged hiring of former Colombian AUC paramilitaries by Miguel Facussé to protect his extensive African palm plantations in the eastern Bajo

Aguán region drew particular attention from human rights groups. Facussé is one of Honduras’s richest and politically most influential businessmen, whom a wiki-leaked 2004 U.S. Embassy cable discusses with concern following several suspicious drug shipment drops on his heavily guarded property.

All this connects back to the question of the effectiveness of government policies against criminal groups. Landowner “insecurity” and land rights activism have recently been used to make the government’s case for an expanded military presence in the northeast and for an overnight no-fly zone that would extend across one-third of Honduras. Most acute is the conflict in Bajo Aguán in the coastal province of Colón, where deadly land disputes led in August 2011 to the deployment of hundreds of army troops to “pacify” the region. Security Minister Oscar Álvarez asserted (without providing any supportive evidence) that the protesters are in fact drug traffickers seeking control of land, enabling the military-backed police action that brought 1,000 military troops and police into the area – and setting the stage for the government to request the necessary congressional approval.

On the surface, a no-fly zone makes logical sense, given that most drug shipments transiting from South America arrive in Honduras by aircraft at night. However, among experts

60 Comité para la Defensa de los Derechos Humanos en Honduras (CODEH), “Se formaliza denuncia contra Miguel Facussé,” August 1, 2011.
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consulted for this project, several expressed concern that the entire situation is a foil, in which governing elites are complicit, to allow greater free movement for drug trafficking. That assessment may seem to stretch beyond rational belief, but given the extensive scale of corruption throughout the Honduran state, it would be irrational to simply rule this possibility out.

A significant question is whether the planned no-fly zone would be effective and enforceable. On the one hand, there simply are no serious anti-corruption efforts enforced by the state. In the absence of enhanced state capacity to counter corruption and crime, a no-fly strategy will at best have to be perpetuated indefinitely to reduce the trafficking scourge. On the other hand, it is possible to see the crisis of the Honduran state, and its dependence on constructive foreign assistance, as an opportunity to strengthen some institutions.

Within that portrait, the Honduran military is still significantly less corrupted by criminal groups than the police and other civilian public officials. As is generally true elsewhere in the region, within the military the navy and air force stand out as the least “exposed” and as the least corrupted. The navy wins praise especially from U.S. officials for being the lone effective deterrent and interdiction force through its base in the remote far eastern region of Mosquitia, a rainforest area extending to the border with Nicaragua. The air force, in turn, in July of 2011 signed a promising cooperation agreement with the Colombian air force, through which they agree to share their

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63 Interviews with reliable sources whose name the author withholds for security reasons, July 16 and 18, 2011, in Tegucigalpa, Honduras.
64 Sources interviewed pointed out ironically that the Consejo Nacional de Anticorrupción created in 2001 has distinguished itself in not justifying prosecutions based on its investigations. Author interview on July 16, 2011.
air traffic intelligence and are able to fly into each other’s airspace to pursue undocumented flights. The agreement allows Honduras to benefit from Colombia’s more formidable experience and technology and may well have an important external monitoring effect as each side works to live up to the expectations of joint work under the agreement.  

All of the components discussed above – the military’s continued institutional autonomy, the state’s weak institutions, the setbacks in counterdrug work resulting from the coup, and a political environment in which political elites very apparently cooperate with DTOs – make it extremely difficult for the military to remain free of ties to illegal groups. While there is no apparent evidence that officers are systematically engaged with illegal traffickers, as one local U.S. official noted in an interview, “the security policy to date has not been effective enough to warrant attempts to co-opt the military.” If military interdictions become more effective, for instance through the planned no-fly zone or cooperation with the Colombian military, then the Honduran military will likely face greater co-optation efforts by DTOs that need to be anticipated with institutional reforms undertaken now.

**POLICY IMPLICATIONS, RECOMMENDATIONS**

The foregoing survey of the three cases shows the strong need to pursue a comprehensive range of reforms that are not targeted exclusively to the military. With regard to the

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66 Author interview with U.S. official, Tegucigalpa, July 18, 2011.
military, though, it is crucial “open” military forces that are hermetically sealed from civilian oversight; this is necessary especially in Honduras, but also in Nicaragua where “self-restraint” is a poor substitute for congressional oversight of military holdings and practices. The policy recommendations offered in the next sections fall into three categories – military, wider domestic, and international.

1) **Military**

**Give military social safety net incentives to stay clean.** Like everyone else, the military needs a reassuringly stable, well-run social security/medical benefit program. In Nicaragua, there are enough incentives to keep the vast majority in the military away from collusion with illegal trafficking groups: through the social security fund, but also by enabling a future career trajectory that is not limited only to the private security mold. However, it is crucial that military welfare be transparently managed to enhance efficiency—there are no national security concerns at stake, and both military payees and the public at large that partially funds the program should have oversight.

**Require (and provide access to) higher education for military officers to allow them to better integrate into society after they have left military service.** In the majority of countries in the region, the only or best second career should not be in private security. Again, this is something Nicaragua has done well and others have not. For instance, El Salvador was the place where the retired military officers interviewed for this project (all of whom had reached at least the rank of coronel and in one case the highest rank in his service) spoke of frustration in being unable to maintain their previous standard of living on a fixed pension, and with no effective structures provided by the military institution to smooth the transition.
Last but not least, in this category also falls the recommendation to **better inventory and secure military arsenals.** Now more than ever before, military stockpiles have become the targets of DTOs seeking military-grade arms. Efforts to secure arsenals appear to have paid off in El Salvador, though they were applied quite late in response to already-high levels of theft. Countries should not leave this crucial temptation open until the late in the game.

**Create new vetted military units, phase out old ones.** Starting fresh is not a bad idea, as a USIP report on El Salvador’s post-conflict reforms emphasized:

*The creation of a new security force usually seems the most expensive option, and slow and inefficient in comparison with the option of reorganizing or restructuring current forces. This may be so in the short term, but in the long term it is economically more viable and faster, because when a force is unsound and out of control as a result of years of abuse of power and corruption, there is little that re-engineering can be expected to do.*

Creating new units is a major investment in time and effort, but one likely to pay back handsomely. For instance, Amaya Cóbar has found that such units benefit from significant political support and greater resource allocation, which makes them measurably more effective at what they do.

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Guatemala is now beginning this very kind of process, under the Police Reform Commission directed by the country’s leading human rights activist, Helen Mack (vetting top police ranks, hiring new forces, and limiting promotion to those with successful records). However, a similar cleansing has not taken place in the armed forces. In that case, it is valid to ask what would be more destabilizing to state and citizen security: a strategic purge with prosecution of the military and security forces and promotion of only thoroughly vetted officers, or the continued “stability” of partially compromised forces?

Monitor professions that former military, particularly Special Forces, go into after leaving service. There is a need to better monitor the paths that members of highly trained units take after leaving the service. Reporting to civil authorities should be mandatory and the highest penalties should be raised for associations with criminal groups.

All told, procedures like these will not stop all illicit behavior, but they can strongly de-incentivize it. Even frustrated officers, like those in El Salvador of today, overwhelmingly want to be identified with the integrity the institution has evolved toward in the wake of the reforms required under the peace accords. For instance, Carlos Guillermo Ramos, the sociologist who directs FLACSO’s program in El Salvador, noted that Salvadoran officers are typically proud of the fact that they are not tainted by illicit ties like their peers in other countries. 69

2) Wider Circuit of Reform

Scale up the circuit of reforms to address weaknesses in national judicial systems and police forces. The “military problem” is impossible to address without looking at these

69 Author interview with Carlos Guillermo Ramos, Director of FLACSO, San Salvador, July 11, 2011.
related issues. In particular, except for clearly defined and civilian-monitored missions in extreme circumstances, the military should not be pulled into wholesale counter-drug work – yet this bucks the current trend across Central America. While military interdiction of air and sea trafficking is indispensible, these activities do not expose military forces as directly to the general public (which gives criminal groups easier access to military forces) and especially to criminal elements and corrupt local officials who can develop informal working relationships with military units. It is crucially necessary to get the military off the streets and out of local communities to reduce the possibility for corruption in its ranks. Police should remain the primary force deployed for anti-crime work, and where regular police are overextended by the challenge, special police units – anti-crime, anti-corruption – are essential. However, this is only possible with serious reforms of judicial systems and law enforcement – including enhanced legal powers for prosecutors who typically achieve only 2-3 percent of conviction rates, and significant pay increase for police to reduce the low level corruption that allows criminal groups to thrive.70

3) International Cooperation

Build cooperative military ties among countries in the region. Given historical animosities, rivalries, and the sticky ideal of sovereignty, militaries in the region are particularly hard to win over to mutual cooperation. Focusing resource on those services in the military that are most receptive to regional cooperation should be a priority. In particular,

attention should go toward encouraging regional military cooperation to conduct combined operations, to share relevant intelligence, and also to monitor each other’s integrity and operational effectiveness.

**Cooperation between like services.** With this in mind, new efforts at cooperation between specific services of Central American militaries and their peers in other countries may be promising. A case in point is the agreement between the Colombian and Honduran air forces, as noted earlier. Obviously, there is a substantial disparity between the greater resources of Colombia’s military and those of Central American militaries, which is precisely why an agreement, like the one between Colombia and Honduras, is useful. Through it, Colombia can fly into Honduran air space if in pursuit of a suspected drug flight, and the Honduran air force can make use of Colombian radar and intelligence platforms.71

**Shore up and deepen ties with the most effective, trustworthy actors.** In most countries, the Navy appears to be extremely effective because it is less “exposed” to criminal association through policing roles. It also seems to be the least crime-corrupted of all the services. Navies in Central America are making sometimes-spectacular “hits” against illegal groups. How this plays out in Mexico may be telling. There, the Zetas have targeted navy personnel for display kidnappings and killings (most recently in August 2011) and the following month the navy broke up the Zetas’ sophisticated communications structure in Veracruz. The implication is that military forces best placed and disciplined to “stay clean” in the fight against criminal groups are likely

to be specifically targeted for intimidation or cooptation by those groups. National governments, as well as the U.S. should anticipate this outcome in coordinating their military assistance agreements in the region. Scrupulously vetting and protecting these forces will yield added value in what are already-costly regional security efforts to halt illegal groups.

Finally, pay closer attention to civil society organizations and policy-oriented research centers. These exist throughout the region and have played an important role in monitoring government policies and security forces’ activities in their countries. Indeed, in the toughest case in the region, Guatemala, it is two prominent civil society activists – noted human rights leader Helen Mack and legal scholar-activist Claudia Paz y Paz – who are instituting the country’s most promising reforms of the police and justice system. As analysts of data-based trends and disseminators of information, civil society organizations serve a crucial independent oversight role in their countries. The same is true for top-notch investigative journalists in the region who have probed deeply into otherwise-opaque connections and resources of public officials and their associates. In fact, civil society organizations and journalists were an impressive and crucial source of the data collected for this study.

The importance of civil society actors in Central America is an indispensable sign of the promise that indeed exists in the region for building democracy – a promise often overshadowed by the frightening reports of criminal violence and alarming statistics that have become the region’s trademark identifiers. The patient may be very ill, but no one should be getting ready to call the morgue. Rather, treatments must be applied that are specific to each patient and allowed to take their course: political-institutional reforms are always costly and rarely are completed rapidly. Central American governments need consistent support to be
able to make advances in extremely difficult times. U.S. policy needs to help them stay on course, even if progress is slow or there are setbacks.
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