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# DEMOCRACY OR CAPITALISM? THE UNITED STATES AND LATIN AMERICA

GRACE BURGNER

167 Pages

The democratic peace theory holds that democracies rarely, if ever, go to war with one another based on the institutional and normative features of democratic governments. Alternatively, the capitalist peace theory insists that, rather than the democratic nature of a government, states opt out of warfare when their economic interests are at play – whether that be trade interdependence or general market features. Traditionally, scholars have focused on explaining the causes of Militarized Interstate Disputes (MIDs) among advanced industrialized democracies. Based on the tenets of capitalism and a new outcome variable of intervention (e.g., coups), this thesis uses two instances of U.S. foreign policy toward Latin America to demonstrate a theoretical framework that may explain peace between advanced industrialized democracies and weak or emerging democracies. Theoretically, I argue that advanced industrialized democracies are more likely to intervene weak or emerging democracies that do not pursue capitalistic economic policies because the economic interests of elites in advanced democracies outweigh democratic values. Altogether, I argue that the capitalist peace theory likely explains peace among nations better than the democratic peace theory because it can explain peace among advanced industrialized democracies and weak or emerging democracies.

KEYWORDS: Capitalist Peace Theory; Democratic Peace Theory; Latin America; The United States; Foreign Policy

DEMOCRACY OR CAPITALISM? THE UNITED STATES AND LATIN AMERICA

GRACE BURGNER

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Fulfillment of the Requirements  
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2022

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DEMOCRACY OR CAPITALISM? THE UNITED STATES AND LATIN AMERICA

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## CHAPTER I: CAPITALIST PEACE VERSUS DEMOCRATIC PEACE

The Guatemalan Revolution began in 1944 after a popular uprising toppled the military dictatorship of Jorge Ubico. Following Ubico's demise, the next ten years in Guatemalan history have been called the "Ten Years of Spring" because of the country's commitment to democratic principles and decreasing political, economic, and societal inequalities for citizens (Gleijeses, 1992). This period began with the election of Juan José Arévalo as president in Guatemala's first democratic election. Arévalo established a minimum wage, set up health and safety standards, and began cracking down on the labor practices of big companies. In 1951, Jacobo Árbenz assumed the presidency and continued Arévalo's reforms. Árbenz introduced a land reform program that took over large estates and challenged the power of companies like the United Fruit Company (UFC), a multilateral American corporation that controlled a vast amount of land in Guatemala.

The UFC had significant influence throughout Central America and within the U.S. government, and it was widely known as the most important corporation in Guatemala. The UFC controlled roughly 40% of the most fertile land, owned a railroad, held a monopoly on electricity production, and ran the port facilities in Puerto Barrios, Atlantic Coast (Gordon, 1971; Bucheli, 2006; Booth et al., 2015). However, the UFC avoided paying its fair share of property taxes because it claimed its land was only worth a fraction of its actual value on tax receipts. Thus, when Árbenz began land reforms, he expropriated 400,000 of 500,000 acres owned by the UFC and offered the company the \$1.2 million the government claimed the land was worth (Gordon, 1971). The UFC demanded \$16 million, and when Árbenz refused, the UFC turned to its allies within the U.S. government (Gordon, 1971).

In 1952, Dwight D. Eisenhower was elected president of the U.S. and vowed to take a harder stance against communism. His cabinet included Secretary of State John Dulles and his brother, Allen Dulles, the director of the Central Intelligence Agency (CIA) (Pauk, 1993; Livingstone, 2009). There was also John Cabot, Assistant Secretary for Inter-American Affairs, and Thomas Cabot, Director of International Security Affairs in the State Department (Pauk, 1993; Livingstone, 2009). All four were major UFC stockholders (Pauk, 1993; Livingstone, 2009). By 1953, Eisenhower authorized the CIA to carry out Operation PBSuccess and on June 27<sup>th</sup>, 1954, Árbenz was ousted in a U.S.-sponsored coup d'état to protect the profits of the UFC.

Operation PBSuccess was a covert operation carried out by the CIA that ended the Guatemalan Revolution of 1944-1954 and began the military dictatorship of Carlos Castillo Armas. In 1954, Armas led 480 CIA-trained soldiers into Guatemala, directly supported by U.S.-supplied aircraft (Doyle & Kornbluh, 1995-2007). This provided a version of military events beneficial to the rebellion, including the bombings of Guatemala City and a naval blockade (Doyle & Kornbluh, 1995-2007). In addition, they utilized psychological warfare, which included a radio station that aired anti-government propaganda (CIA, 1954; Doyle & Kornbluh, 1995-2007). The political turmoil that resulted from this 1954 coup was only the beginning of Guatemala's 36-year-long civil war, and Armas was the first of many right-wing dictators that the U.S. supported for the subsequent decades.

The U.S. has invaded, bombed, ousted governments, occupied nations, assassinated political leaders, suppressed social movements, manufactured "news," and perverted elections in countries all over the world. Since 1945, the U.S. government has implemented interventions in more than 70 nations, including many democratic states (Blum, 2004). The U.S., like many democratic nations, is a self-proclaimed supporter of democracy both at home and abroad. It

claims democracy as the best form of government and believes it should be promoted and protected worldwide. Yet, U.S. foreign policy is undevoted to any morality, let alone democratic principles, and is instead under the obligation to serve other imperatives. Both domestically and internationally, the practice of democracy is publicly framed as the most desirable form of governance, though reality tells a different story (U.S. Office of the Historian, n.d., U.S. State Dept., n.d.). If the belief is that democracy is the best form of government, one democratic nation should value the democratic nature of another nation. However, that is not always the case, and the foreign policy of the U.S. can offer a great deal of insight into additional forces underlying peace between certain nations.

The causes of peace and war have been widely researched. Following Small and Singer's (1976) observation of the lack of conflict between democracies, numerous publications have studied "democratic peace" (Russett, 1993; Levy, 1994; Mousseau, 2003; Rosato, 2003; Ekmekci, 2014). The democratic peace theory holds that democratic norms and institutions have rendered conflicts among democratic nations relatively rare, if not obsolete. While many acknowledge that there is peace among democracies, they believe other factors explain these peaceful relations. Alternatively, the capitalist peace theory states that capitalism, rather than democracy, accounts for peace among democracies (Mousseau, 2009; Gartzke, 2007; Gartzke & Hewitt, 2010; McDonald, 2010). The democratic peace theory has been widely criticized theoretically and empirically, and proponents of the capitalist peace theory are the most prominent challengers. Moving forward, it is important to note that the causal mechanism that describes this relationship between peace and war is mutually exclusive. If the argument is that X makes peace more likely, then the lack of X would make war more likely.

Moreover, the involvement of the U.S. government in the Guatemalan coup d'état of 1954 demonstrates several characteristics of U.S. foreign policy that pose challenges to the democratic peace theory. First, the U.S. was not concerned about preserving or supporting democracy in Guatemala, shown by the decision to oust a democratically elected leader and replace him with a military dictator. The tenets of the democratic peace theory do not support the motivations behind the U.S. foreign policy decision to oust a democratically elected president. Such instances have forced democratic theorists to come up with an explanation, which is that the democratic peace is restricted to democracies with advanced industrial economies. Second, the U.S. and its ties to the UFC demonstrate an economic aspect to the decision to oust Árbenz, suggesting that economic interests may have been more influential in the decision than a desire to preserve or support democracy.

The democratic peace theory holds that democratic nations are more peaceful than democratic and non-democratic nations. The shared practice of democracy is key to peaceful relations, yet the U.S. ousted a democratically elected leader. Within this context of advanced industrialized democracies and weak or emerging democracies, a possible explanation for why the U.S. ousted a democratically elected leader is a perceived threat to capitalist economic interests, suggesting there is more at play than the democratic nature of a state. Likewise, the capitalist peace theory contends that peace among nations is not always because of democracy, but instead, peace may exist among nations with capitalist economies.

Thus, the research questions guiding this thesis are: if democracy is the likely factor contributing to peace, what explains the relationship between advanced industrialized democracies and their foreign policy toward weak or emerging democracies? In this context, what can the capitalist peace theory explain that the democratic peace theory cannot?

As I will expand on later, the democratic peace theory provides an explanation for peace between two democratic nations, yet scholars have trouble showing how the democratic peace theory applies to the broader relationship between advanced industrialized democracies and weak or emerging democracies. For this thesis, I present a theoretical framework to explain peace, or lack thereof, between advanced industrialized democracies and weak or emerging democracies based on the tenets of capitalism and a new outcome variable of covert and/or overt intervention. Theoretically, I argue that advanced industrialized democracies (e.g., the U.S.) are more likely to intervene in countries that are emerging democracies but do not pursue capitalistic economic policies because the economic interests of elites in advanced democracies outweigh democratic values. To demonstrate this argument, I focus on the relationship between the U.S. and Latin America, and I use two real world instances to highlight my theory at play. Altogether, I argue that capitalist peace theory likely explains peace among nations better than the democratic peace theory because it can explain peace among advanced industrialized democracies and weak or emerging democracies.

The remainder of this chapter will outline the groundwork of this thesis. The following section begins with a literature review on the democratic and capitalist peace theories and a discussion on the contribution of this thesis to existing literature. Following the literature review, I lay out the relevant concepts of this thesis before moving on to the theoretical framework. Finally, the methodology section will discuss case study analysis and the cases I have selected to illustrate my theoretical framework. After this chapter, there are two illustrative case study chapters before the concluding chapter of this thesis.

## Literature Review

The body of literature that informs this project holds contributions from comparative politics and international relations scholars, and together these scholars have produced extensive empirical and theoretical findings. I review the literature on both the political and economic dimensions of the liberal peace theories – the democratic peace theory and the capitalist peace theory.

Classical liberal theory provides two explanations for peace: political and economic. The political dimension hosts the democratic peace theory, which states that democracies rarely, if ever, wage war against other democracies (Jaechun, 2005). The economic dimension is a bit broader but changed drastically with Gartzke's (2007) capitalist peace theory, which insists that capitalism, more often than democracy, reduces the risk of war among nations. In other words, as an explanation for peace among nations, the democratic peace theory focuses on the forms and practices of government, and the capitalist peace theory focuses on free markets and private property. Together, these theories have received extensive attention from scholars and students of international relations and comparative politics.

The democratic peace theory most often attributes its intellectual origin to Kant's essay *Perpetual Peace*. However, scholars such as Rousseau and Bentham provided similar arguments before Kant (Ceadel, 2000). There were two initial accounts of the causal logic of the democratic peace theory. On the one hand, there are the institutional and structural explanations, where scholars have attributed the absence of war between democracies to institutional constraints, such as the checks and balances in a democratic state's domestic political institutions (Buono de Mesquita & Lalman, 1992; Lake, 1992; Maoz & Russett, 1992, 1993; Morgan & Schwebach, 1992; Layne, 1994). Institutional explanations assert that elements of a democratic government

interfere with the exercise of military foreign policy (Bueno de Mesquita & Lalman, 1992; Maoz & Russett, 1993; Russett, 1993). On the other hand, there are the normative explanations, where scholars have attributed the absence of war among democracies to democratic values and culture that enable peaceful conflict resolution norms that elites then communicate to the mass public (Rummel, 1983; Dixon, 1993, 1994; Ray, 1993; Owen, 1994, 1997). The normative explanations assert that informal processes evolve in advanced democracies (Ember et al., 1992; Mintz & Geva, 1993; Dixon, 1993, 1994; Russett, 1993; Owen, 1994, 1997). Around the same time the institutional and normative explanations were articulated, constructivists attributed peace to the decreasing social acceptability of warfare (Risse-Kappen, 1995, 1997; Wendt, 1999; Cederman & Rao, 2001).

While there have been several attempts to challenge the findings of the democratic peace theory (Layne, 1994; Spiro, 1994; Farber & Gowa, 1997; Rosato, 2003), the correlations remain robust (Russett, 1993; Ray, 1993; Maoz, 1997; Weart, 1998; Oneal and Russett, 1999a; 1999b). Nevertheless, many scholars agree that there is indeed peace among democracies, though it may be caused by factors other than the democratic nature of the state (Layne, 1994; Farber & Gowa, 1997; Gartzke, 2007). For example, Mousseau (2000), Hegre (2000), and Mousseau, Hegre, and Oneal (2003) restrict the democratic peace theory to states with advanced industrial economies, insisting there are different outcomes among rich and poor democracies.

Rosato (2003) argued that the logic underpinning the democratic peace theory is flawed. Table 1 contains Rosato's (2003) summary of the theory's normative and institutional casual logics (p. 586). In essence, for the normative logic, the author finds that democratic powers have frequently violated democratic norms in their decisions for war (see pg. 590), meaning democracies do not generally externalize their internal norms of conflict resolution. In addition,



shared democratic values provide no guarantee that states will both trust and respect one another; instead, when conflicts of interest arise between democracies, they are generally unwilling to accommodate each other's demands (Rosato, 2003, p. 592). Rosato (2003, p. 592) suggests repairing this logic by predicting whose opinions will win in domestic politics (e.g., Republicans, business interests, etc.). Additional research suggests the most considerable influence on U.S. policymaking is exerted by businesses. Thus, it is safe to assume that the decision to trust and/or respect another state is primarily influenced by American corporations (Jacobs & Page, 2005).

Table 1

Democratic Peace Theory's Causal Logic

Logic	Independent Variable	Causal Mechanisms			Dependent Variable
Normative	Democracy →	Externalization →	Trust & Respect →	Peace	
Institutional	Democracy →	Accountability →	Public Restraint →	Peace	
Institutional	Democracy →	Accountability →	Group Constraint →	Peace	
Institutional	Democracy →	Accountability →	Slow Mobilization →	Peace	
Institutional	Democracy →	Accountability →	No Surprise Attack →	Peace	
Institutional	Democracy →	Accountability →	Information →	Peace	

Source: "The Flawed Logic of the Democratic Peace Theory" by S. Rosato, 2003, *The American Political Science Review*, 97(4): 586, <https://www.jstor.org/stable/3593025>

Rosato (2003) also finds flaws in the institutional logic. Accountability is the causal mechanism for all five variants, and the evidence shows it does not impact democratic leaders any more than it affects their autocratic counterparts (Rosato, 2003, p. 593). Briefly, the author finds that public or group restraint rarely influence policymakers' decisions for war, democracies are neither slow to mobilize nor incapable of launching surprise attacks, and open political competition provides no guarantee that a state will be able to reveal its information in a crisis

(Rosato, 2003, pp. 593-599). Thus, while the correlations between peace and democracy are robust, Rosato's (2003) study demonstrates that democracy does not *cause* peace.

The remaining dimension of the liberal peace literature is the economic tradition, which is certainly not a new explanation, for Enlightenment figures such as Montesquieu and Smith argued that market interests abominate war (Walker, 2000). Cobden (1903, p. 36) called trade "the grand panacea." Mill (1902, p. 390) argued that "market forces [are] rendering war obsolete." Angell (1993) stated that a nation can no longer use war to achieve the wealth of another. Modernity and capitalism have ensured that wealth is brought about through production and trade, rather than conquered lands or looting (Gartzke, 2007). Trade as an economic restraint to war between democracies has been widely studied (Polachek, 1980, 1997; Keohane & Nye, 1989; Oneal et al., 1996; Bliss & Russett, 1998; Oneal & Ray, 1997; Oneal & Russett, 1997, 1999a, 1999b; Polachek et al., 1999). In line with capitalist peace, financial markets and monetary policy coordination play a more critical role in promoting peace than trade itself (Gartzke & Li, 2003; Gartzke, 2007). Gartzke (2007) laid the groundwork for the capitalist peace theory, which is noted not as a rejection of traditional economic explanations for peace but rather as a revision.

Gartzke (2007) refers to this revision as pacifist capitalist and outlines three primary mechanisms of capitalism that promote peace. First, there is economic development, where the combination of a lack of motive for territorial expansion and continued interest in serving and protecting a given population ensures a decline in conflict among states with developed economies (Gartzke, 2007, p. 172). Second, states with developed economies have similar policy interests, and these shared interests are less likely to lead them to experience conflict (Gartzke,

2007, p. 173). Lastly, the globalization of capital leads dyads to be less likely to experience conflict (Gartzke, 2007, p. 173).

Before and after Gartzke, many scholars have noted that economic motives play a role in how peaceful the relations are among nations (Bates & Lien, 1985; Winters, 1996; Jacobs & Page, 2005; Aldrich et al., 2006; Druckman, 2014). Many scholars have contributed to Gartzke's (2007) revised economic explanation of war and peace – the capitalist peace theory. Schneider and Gleditsch (2010) outline the four main arguments in favor of capitalist peace: (1) the hedonistic school where capitalism alters human behavior and transforms individuals living in interventionist states into peace-loving consumers and traders; (2) the skeptics of the hedonistic school that believe in the peacefulness of unregulated markets where capitalist peace depends on the distribution of power between the protectionists and the adherents of the market economy; (3) the protection of property rights argument, which holds that the contract intensity of capitalist economies renders them more peaceful (Mousseau, 2000, 2009); and (4) the crisis bargaining argument, which holds that capitalist economies are better able to signal their resolve than closed economies (Gartzke et al., 2001). Others, such as Dafoe (2008) and Russett (2009, 2010) hold that democracy still counts and views the contribution of capitalism as supplementary rather than primary. In fact, recent years have seen a rather intense debate among Mousseau (2000, 2009, 2013) and Dafoe, Oneal, and Russett (DOR) (2013), where the argument aligns itself around contract intensity. Mousseau (2013) holds that states with contract-intensive economies will be less likely to engage in conflict with each other, and contract-intensive processes account for both democracy and interstate peace. While on the other hand, DOR (2013) argues that contractualism as a theory and as a factor in the real world does not supersede democratic peace theory or democracy. Together, the liberal peace theories have been researched extensively, and

the paradigm is full of several contributions that offer explanations for the causes of peace among nations.

The democratic and capitalist peace theories are among the most sophisticated contributions to research that seek to explain the causes of war and peace. The democratic peace theory explains the relationship between two democratic nations, and scholars have trouble showing how the democratic peace theory applies to the broader relationship between advanced industrialized democracies and weak or emerging democracies (Forsythe, 1992; Russett, 1993). When looking at this relationship in the context of the two theories, Forsythe (1992) and Russett (1993) considered a new outcome variable of covert operations, instead of the typical outcome variable of war or lack thereof (e.g., MIDs). In doing so, both scholars concluded that U.S. covert operations in young democracies (Iran in 1953, Guatemala in 1954, Indonesia in 1958, Brazil in the 1960s, Chile in 1973, and Nicaragua in the 1980s) do not counter the democratic peace theory because these countries were not considered advanced liberal democracies. This is problematic because if the shared practice of democracy and democratic norms led to peace among nations, democracy would guide foreign policy decisions, regardless of the extent in which democracy is present. But, as this thesis will argue, this puzzle can be solved by considering that foreign policy decisions in advanced industrialized democracies are based on economic interests rather than democratic norms.

The literature is almost exclusively focused on traditional warfare as the outcome. Though, this focus has likely biased the literature in favor of the democratic peace theory since it ignores more contemporary versions of warfare, such as covert intervention in organizing or supporting coups. Covert operations are intended to influence political, economic, or military conditions abroad. They are employed in situations where openly operating against a target

would be disadvantageous and allow states to preserve credibility and avoid accusations of hypocrisy (Poznansky, 2020). The purpose is to separate the instigator from an activity meant to influence the affairs of a country abroad. In a democratic state, genuine efforts to promote democracy abroad would have no reason to be concealed from the public because these efforts would not diminish the state's credibility. Therefore, the near exclusive focus on traditional warfare rather than covert operations may have biased the literature in favor of the democratic peace theory because there is no reason to conduct covert activities if the genuine goal is democracy promotion.

Accordingly, this thesis will add to the literature by building off of a major flaw found in the democratic peace theory – its failure to explain the relationship between advanced industrialized democracies and weak or emerging democracies. I focus on the outcome variable of intervention in analyzing the relationship between advanced industrialized democracies and weak or emerging democracies. As scholars have had trouble in applying the democratic peace theory to the aforementioned relationship, the contribution of the thesis is a theoretical framework based on a different and broader outcome variable of covert and/or overt from advanced industrial democracies in weak industrial democracies. When considering this relationship as well as the economic influence on peace, it becomes evident that the capitalist peace theory has the potential to explain peace between two nations with varying degrees of democratic institutions.

As I will elaborate further in the theory and methodology sections of this thesis, this contribution should not be understood as providing supportive evidence of a generalizable theory. The purpose or contribution of this thesis is to illustrate a theoretical framework that

potentially explains the lack of clarity among peace and war between advanced industrialized democracies and weak or emerging democracies.

## **Concepts**

Most scholars agree that the concept of democracy denotes some form or process of self-rule (Coppedge et al., 2011). Yet beyond this understanding, the additional features to this basic formation have produced significant debates over the definition of democracy. The qualifications of what makes a government democratic have both descriptive (what they are) and normative (how they should be) overtones. Within these two schools of thought, additional restrictions are placed on what it means to be a democracy. For example, temporal constraints could suggest a government must hold two consecutive free and fair elections to be considered democratic, or it could mean just one election will suffice. As a result, there are competing definitions of democracy among scholars, many contradicting each other.

The concept of democracy can be easily stretched to fit a particular narrative (Sartori, 1970). This is a significant issue for the democratic peace theory because two perfectly legitimate, yet opposite, conceptions can produce two perfectly legitimate, yet opposite, sets of results. Moreover, the varying restrictions placed on the conception of democracy inherently produce different outcomes depending on the set of conditions chosen by the researcher. For instance, several democracy indexes consider the U.S. a liberal democracy throughout the 20<sup>th</sup> century and most of the 19<sup>th</sup> century. However, during these centuries, the composition of the electorate – in which black people and women were not allowed to vote – tells a different story (Coppedge et al., 2011). The outcomes of researchers' findings depend on whose criteria they

use to determine what qualifies a state as democratic (see, e.g., Russett, 1993; Layne, 1994; Ray, 1993; Spiro, 1994).

Coppedge et al. (2011) argue for a new approach to conceptualizing and measuring democracy. They propose six distinct and independently valuable conceptions of democracy (see Table 2). The authors do not promote one definition, but they do mention that their preference would be “to treat a basic degree of electoral democracy as the foundation on which all other conceptions of ‘democracy’ build” (Coppedge et al., 2011, p. 263). I follow this logic in that the definition of democracy for this thesis is rooted in the idea that an electoral democracy indicates a country is democratic.

Table 2. Conceptions of Democracy

	<b>Principles</b>	<b>Question</b>	<b>Institutions</b>
<b>Electoral</b>	Contestation, competition	Are government offices filled by free and fair multiparty elections?	Elections, political parties, competitiveness, and turnover
<b>Liberal</b>	Limited government, multiple veto points, horizontal accountability, individual rights, civil liberties, transparency	Is political power decentralized and constrained?	Multiple, independent, decentralized, with special focus on the role of the media, interest groups, the judiciary, and a written constitution with explicit guarantees
<b>Majoritarian</b>	Majority rule, centralization, vertical accountability	Does the majority rule?	Consolidated and centralized, with special focus on the role of political parties
<b>Participatory</b>	Government by the people	Do ordinary citizens participate in politics?	Election law, civil society, local government, direct democracy
<b>Deliberative</b>	Government by reason	Are political decisions the product of public deliberation?	Media, hearings, panels, and other deliberative bodies
<b>Egalitarian</b>	Political equality	Are all citizens equally empowered?	Designed to ensure equal participation, representation, protection, and politically relevant resources

Source: “Conceptualizing and Measuring Democracy,” by M. Coppedge et al., 2011, *Perspectives on Politics*, 9(2): 254, <https://www.jstor.org/stable/41479651>

Based on this, a weak or emerging democracy is defined as a government that is elected through free and fair multiparty elections and successfully transfers power to the following administration. This is the first definition proposed by Coppedge et al. (2011), which indicates the ‘starting point’ of a democratic government. An established democracy could then be any of the remaining five conceptions or even a combination of them all, but what is important is identifying a starting point that a government must achieve to be considered democratic. The purpose is not to discuss the quality or time these institutions have existed (hence the lack of normative or temporal restrictions in Table 2). Instead, the purpose is to identify the existence of



democratic institutions or norms which indicate at least some level of democratic realization. If the democratic peace theory holds that shared democratic institutions lead to peace and thus the promotion of democracy would lead to world peace, then the first step of democratization (as defined here) would be preferred over no democratization at all. Although there is a clear difference between electoral democracy and liberal democracy, if the claim is that democracy causes peace, then the democratic peace theory would not be limited to a dyad with two advanced democracies. In fact, Rosato (2003) demonstrated that the logic of the normative and institutional causal mechanisms is flawed. For instance, the normative explanation holds that trust and respect are formed among two advanced democracies, which leads to peace. However, this is not the case, especially when interests collide (Rosato, 2003).

Similarly, the validity of the capitalist peace theory rests on the concept of capitalism. Unlike the definition of democracy, there are no temporal or normative restrictions required for the concept of capitalism; either the economic system focuses on the free market to allocate resources, or a central body determines the allocation of resources. I am not suggesting that capitalist peace theorists do not consider the most useful conception of capitalism; I am only pointing out that the conceptual debate among scholars has progressed beyond, or was never concerned with, normative or temporal restrictions (see McDonald, 2009; Schneider, 2017). Moreover, I am also not suggesting a lack of variation in capitalism as it exists around the globe. Instead, I am pointing out that the lack of debate among capitalist peace theorists on the normative and temporal features of capitalism suggests the shared understanding of the concept is further developed than its democratic counterpart. If one research program agrees on these features of its primary concept, or has developed past the need to do so, then the utility of the

concept as it pertains to its theory is more solid than a research program where the same cannot be said.

I define capitalism based on the existence of its primary tenets of trade, financial openness, foreign investment, and the avoidance of state property ownership (Gartzke, 2007; Weede, 2011). Again, the purpose here is to identify the system's main features. I have put forth that if the shared practice of democracy leads to peace, then democracy would guide foreign policy decisions, regardless of the extent in which democracy is present. As my theory and subsequent chapters demonstrate, the existence of the tenets of capitalism was enough to build a peaceful relationship; it was not required to delve into temporal or normative features of a country's capitalist practices to observe a peaceful relationship. If it were, I would similarly suggest a more comprehensive explanation. There is an apparent distinction between the varieties of capitalism around the globe, but it is the commitment to its general principles that matter and thereby create a peaceful relationship between two nations.

Moreover, this thesis will utilize the term capitalism and neoliberalism interchangeably. I acknowledge the terms are defined differently, whereas capitalism is an economic practice and neoliberalism is a philosophical view that suggests how societies practicing capitalism should be managed. However, the purpose of describing a policy or political action as neoliberal or capitalist is simply to suggest the policy or action cannot be considered left-leaning, leftist, socialist, etc. Neoliberalism refers to market-oriented reform policies, such as eliminating price controls or lowering trade barriers, and reducing, especially through privatization, state influence in the economy (Boas & Gans-Morse, 2009). Neoliberal reform policies (e.g., privatization, deregulation, free trade) support the capitalist system whereas leftist economic policies (e.g., nationalization, regulation, land/wealth redistribution) do the opposite.

Finally, as I alluded to in the previous section, I define covert operations as an activity or activities of a government to influence political, economic, or military conditions abroad, where it is intended that the role of the instigator is not apparent or acknowledged publicly (National Security Act, 1947; Pozansky, 2020, 2021). Overt operations can be understood as the opposite. Examples of covert operations include propaganda, political or economic action, paramilitary operations, or lethal action (Rosenbach & Peritz, 2009). Covert operations can help leaders conceal unpopular actions from domestic and foreign audiences alike (Joseph & Pozansky, 2018).

### **Theoretical Framework**

To summarize, the theoretical framework of this thesis poses that the economic elites in advanced industrialized democracies (e.g., the U.S.) will utilize their political influence and power to shape foreign policy (e.g., overt or covert operations) toward weak/developing democracies when these governments implement leftist economic policies that threaten the economic elite's investments, capital, and wealth. This section of the paper lays out the theoretical framework for this argument. I begin by discussing the connection between the capitalist peace theory, the elite theory, and the foreign policy decisions of advanced industrialized democracies. I conclude with a synopsis of the theoretical framework and a more general discussion of how it works to defend my argument.

When a state values the practice of capitalism, its foreign affairs will reflect this value. The elite theory argues that in well-established democracies, the economic elite holds a unique, yet considerable, position of power. The theory posits that a small minority of the population, consisting of members of the economic elite and policy-planning networks, holds the most power

– and that this power is independent of democratic elections (Nye, 1977; Albertus & Gay, 2016). This power grants the economic elite of a country significant influence over large-scale decisions that occur.

Political capitalism is a system where the political and economic elite cooperate for mutual benefit (Holcombe, 2018). Under this notion, the economic elite influences the government’s economic policies to maintain their elite status in the economic system (Holcombe, 2018). Thus, foreign policy decisions are more likely to reflect the interests and views of economic elites rather than the masses. Foreign policy has traditionally been a realm where public opinion was assumed to have real but limited effects on policymaking (Aldrich et al., 2006). The public does not hold preexisting views on international agreements or foreign interventions that directly influence the government’s decision-making. Instead, foreign policy attitudes are developed in the context of elite debates – with parties, interest groups, and other elites in a competition to influence public opinion and policy (Druckman, 2014). Jacobs and Page (2005) compared public and elite influence on foreign policy in the U.S. They found that internationally oriented business leaders primarily influenced outcomes, followed by foreign policy experts – “business often wins” and the mass public has “comparatively muted influence” (Jacobs & Page, 2005, p. 121).

Moreover, scholars have argued that many capitalist governments are pressured to tailor foreign policy to please economic elites with an open world economy (Bates & Lien, 1985; Winters, 1996; Jacobs & Page, 2005). Chief Executive Officers (CEO) are often among the economic elites with substantial leverage and power in advanced industrialized democracies. Their power over corporate resources and their significant stature and prestige in the economic system grants them substantial influence over policy and political decisions. In the U.S.,

understanding the political preferences of CEOs is valuable in understanding the inner dynamics of U.S. policymaking and politics because economic elites have massive amounts of capital, urging them to protect this at any cost and allowing them to hold a status that the general public cannot attain (Cohen et al., 2019). This abundance of wealth leads to considerable power and allows economic elites to influence the foreign policy decisions of their government. Under a system in which a country's trade and industry are controlled by private owners for profit, rather than the state, foreign policy decisions will ultimately impact these private owners, thus compelling them to utilize their power to their benefit. Thus, when economic elites have considerable influence over the foreign policy decisions of their country, they are going to ensure that those decisions positively impact their capital and investments (Bates & Lien, 1985; Winters, 1996; Jacobs & Page, 2005; Holcombe, 2018).

Collectively, the elite theory and the idea of political capitalism argue that economic elites hold a considerable position of power, and they utilize this power to their financial benefit – a distribution of power that exists in virtually all well-established democracies. Even in countries around the world that are not considered democratic, a small portion of the population can amass great wealth and benefits not available to the majority. With such an amount of power, elites can influence significant decisions made by their government. Economic elites are political actors to the extent that it impacts their finances, but they are not (always) political, so their priorities have no concern with whether a country is democratic or authoritarian, so long as it is stable and predictable to protect their economic interests.

Domestic and international economic elites play a critical role in shaping foreign policy beyond economics, particularly regime change outcomes (Albertus & Gay, 2016). In terms of policy, many argue that economic elites are typically antidemocratic in nature, whether by

capturing the state to deliver favorable policy (Marx & Engels, 1848), meting out labor restrictions or repression on workers to ensure a supply of cheap labor (Moore, 1967), or using their economic influence to buy off voters or commit fraud (Ziblatt, 2009). Their priority in foreign countries will not be whether the foreign country is practicing democracy, but rather if they are practicing capitalism (Marx & Engels, 1848, Moore, 1967). The economic elites of a well-established democracy care more about preserving their economic dominance and interests abroad than safeguarding democracy (Boix, 2003; Acemoglu & Robinson, 2006).

Sottilotta (2013) argues that economic elites value stability because it provides external actors with the advantage of dealing with a government whose actions are predictable. Sottilotta (2013) uses the Arab uprisings to demonstrate that both the U.S. and the E.U. consciously subordinated their efforts at democracy promotion to the overarching goal of keeping Arab countries in line with Western policy objectives. Western democracy-promotion was sidelined for stability-promotion. Furthermore, others hold that economic elites prefer autocratic rulers over democratic leaders because authoritarian leaders are more predictable due to institutionalized selection mechanisms (Goemans et al., 2009). Thus, economic elites can form reasonable expectations about future policies under new autocrats (Goemans et al., 2009).

Authoritarian rulers act as perfect agents of economic elites (Boix, 2003; Acemoglu & Robinson, 2006). Economic elites have been viewed as antidemocratic because they can exercise sociopolitical leverage under non-democratic regimes to ensure economic benefits. They prefer leaders that are not held accountable by the average voter in a democratic nation. Economic elites prefer being ruled by or dealing with authoritarian leaders over being marginalized in the democratic process (Carpenter, 2019). Suppose an established or potential autocrat shares similar interests with economic elites, the autocrat will likely make credible pledges favorable to them

(Carpenter, 2019). Authoritarian leaders accept little to no public input, which typically results in a more cooperative and, thus, a more stable and predictable government that these elites prefer over democratic governments that are restricted by voters' wishes.

Young or even weak democracies are not nearly as stable as well-established governance systems, despite the particular type of government. Suppose economic elites and capitalists, in general, are less supportive of democracy because it is less predictable than an autocracy. In that case, they are also less likely to support young or weak democracies for the same reason.

Economic elites are neither hostile to nor invariably supportive of democracy. Instead, their financial interests guide their decisions on whether to support a regime or not. In other words, they will support intervention through covert or overt operations against a democratic government or any form of leadership if that lessens the threat on their wealth and investments posed by current leadership.

The democratic peace theory fails to explain why some advanced democracies do not support weak or emerging democracies. However, the capitalist peace theory insists this is because the advanced democratic state was not concerned about the practice of democracy in the weak or emerging democratic state as much as they were with the practice of capitalism. For example, the U.S. has peaceful relations with non-democratic states that practice capitalism and has non-peaceful relations with democratic states that do not practice capitalism. Economic elites do not necessarily support a dictator because they are a dictator; they support the dictator because it fits their economic interests. They will support the dictator if he offers more stability and predictability than another form of leadership.

In many instances, democracy can lead to peace among nations, but democracy fails to offer an explanation in many other cases. Assuming that democracy can lead to peace between

two states implies that shared democratic norms both at home and abroad are essential to established democratic states. While democratic norms may indeed be important to well-established democratic states, free markets and big profits are likely more important because of the role economic elites have in the foreign policy decisions within these advanced democracies. States with advanced industrialized economies have powerful economic elites that influence foreign policy decisions, so when forced to decide between respecting the democratic nature of a foreign country or protecting their capital, they will choose the latter. Regardless of whether economic elites prefer non-democratic leaders abroad, the foreign policy decisions of their country toward another country in which they hold investments will be to their economic benefit. Thus, the capitalist nature of the state may be more likely to bring peace among two nations than the democratic nature of the state. Many non-democratic states in the world have peaceful relations with advanced democracies because these non-democratic states are capitalist. However, the same cannot be said about democratic states that are not capitalist. The peaceful relations that democracies with advanced industrialized economies have with foreign countries are more likely based on shared economic interests than democratic norms and practices. The theoretical framework of this thesis holds that the economic elites in advanced industrialized democracies will tolerate all regime types (including democracies) if their economic interests are not threatened, and if regime leadership offers them the stability they need to advance and protect their wealth. Thus, as leaders in weak and/or developing democracies implement leftist economic policies that threaten the investments of economic elites in advanced industrial democracies (e.g., the U.S.), these elites will likely utilize their political influence and power to shape foreign policy through intervention (e.g., overt or covert operations) toward such country. In these instances, the influence of the economic elites is not democratically motivated.



Therefore, the capitalist peace theory can offer a more comprehensive explanation for peace among advanced and weak democracies because elite capitalist interests trump democratic interests.

### **Case Study Methodology and Selection**

To understand the argument presented above, it is important to highlight cases in which the proposed theoretical mechanisms are at play. This thesis will utilize case study research to provide instances in which an advanced industrialized democracy prioritized capitalism over democracy in a weak or emerging democracy. Case study research is particularly useful to employ when there is a need to obtain a multi-faceted perspective of an issue in its real-life setting (Crowe et al., 2011). It is an effective way to delineate the argument of this thesis because it allows for an in-depth exploration of the issue (Crowe et al., 2011). Case study research “supports the deconstruction and the subsequent reconstruction of various phenomena” (Baxter & Jack, 2008: 544). Case study analysis is an effective method to illustrate theories because they provide the means to discover the causal mechanisms in which war was avoided (Crasnow, 2012).

Broadly speaking, case study research alleviates the possibility that the phenomenon in question is separated from the larger context (Yin, 1981). Quantitative methods have the potential to find themselves disconnected from the phenomena at hand, and case study research can provide a foundation for data generalization. Using quantitative methods, Gartzke (2007) laid out a comprehensive framework on the capitalist peace theory as an additional explanation for peace among nations. This thesis builds off these insights by using case study research to illustrate both the utility of the capitalist theory as well as my theoretical framework in

explaining the relationship between advanced industrialized democracies and weak or emerging democracies.

This thesis utilizes two illustrative case studies of Honduras and Nicaragua. The illustrative cases offer an explanation on how capitalism may influence U.S. foreign policy toward Latin America. In both cases, I present and subsequently analyze the foreign policy decisions of the U.S. toward a weak or emerging democracy without a market-oriented economy (Honduras) and with a market-oriented economy (Nicaragua). The purpose of the two illustrative case studies is to explore how capitalism impacts U.S. foreign policy toward Latin America. These illustrative case studies do not operate to suggest supportive evidence of a generalizable theory, but simply to build up the theoretical argument.

Illustrative case studies are common in International Relations and the social sciences (Levy, 2008). The purpose of an illustrative case study is not to test a theoretical proposition, but to refine or illuminate a theory (Shivley, 2017). The intention is to demonstrate the empirical relevance of a theoretical proposition through concrete applications (Shivley, 2017, p. 108). Thus, the argument of this thesis serves a purpose of theory building, rather than theory testing. I am critiquing a weak explanation put forth by democratic peace theorists, offering a theoretical framework, and illustrating the logic and potential utility of this framework through the two cases studies. Moreover, I have deliberately chosen the case studies for this thesis because it makes sense to choose relationships of interest, rather than by randomly drawing the cases, to demonstrate how my theory appears to work (Shively, 2017). Illustrative case studies are not a method of hypothesis testing, and I am not attempting to replace an existing theory or hypothesis. Instead, I have chosen two cases that illustrate my argument and thus demonstrate

how my theory appears to work. I elaborate on my process of case selection in the following section.

### **Case Study Selection**

For this paper, I have chosen to analyze one case of U.S. intervention (Honduras 2009) and one of non-intervention (Nicaragua 2007). In line with the theoretical framework of this thesis, the U.S. intervened in Honduras because the government rejected the capitalist interests of the U.S. by abandoning neoliberal policies and promoting more leftist, redistributive policies, such as programs that helped the rural poor.<sup>1</sup> On the contrary, the U.S. chose non-intervention in Nicaragua because the government accepted the capitalist interests of the U.S.

While the U.S. may seem like an outlier, it is important to remember the hegemonic status of the country. Without discounting the debate on whether the U.S. ought to be considered a global or regional hegemon, the influence of the U.S. and its interests on the globe are indisputable. At the very least, the U.S. can be considered a regional hegemon in which it will be the one to intervene in Latin America (Mearsheimer, 2001). The Monroe Doctrine and Roosevelt Corollary are two U.S. foreign policy positions that demonstrate this claim. The Monroe Doctrine sought to prevent European intervention in the Western Hemisphere and Roosevelt's corollary justified U.S. intervention in the Western Hemisphere. The Monroe Doctrine in particular became a mainstay of U.S. foreign policy, laying the groundwork for U.S. interventionist practices in the decades to come. Thus, the global or regional hegemonic status of the U.S. suggests a reality in which its foreign intervention or involvement does not require, or

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<sup>1</sup> I use the term 'rejection of capitalism' to mean what I have listed in the text – the promotion of leftist redistributive policies – but also more broadly to mean actions or policies that are non-capitalist or not considered neoliberal reforms. This could be categorized as leftist, left-leaning, communist, socialist, etc. – the idea is that the actions are not in-line with the tenets of capitalism.

even permit, similar action from another country. It has been almost 200 years since the U.S. declared it would allow no more European colonies in the Western Hemisphere, and 100 years later this was twisted into a declaration that Latin America is exclusively in the U.S.'s sphere of influence, giving it the self-proclaimed right to interfere in other countries' affairs.

On the other side of the world, the E.U. is pursuing the same interests as the U.S. (Reynaert, 2011; Axtonova & Bossuyt, 2016; Gómez & Nogal, 2017). Just like the U.S., the E.U. (an organization of advanced industrial democracies) meddles in the emerging democracies of Southern Mediterranean countries for economic reasoning (Reynaert, 2011; Axtonova & Bossuyt, 2016; Gómez & Nogal, 2017). Reynaert (2011) finds that the main objective of the EU's policy towards its southern Mediterranean neighbors is economic liberalization and that the core elements of democracy are oriented to the promotion of a market-based economy (p. 623). In fact, the EU's preoccupation with the market has affected the establishment of democracies in the southern Mediterranean region (Reynaert, 2011, p. 623). While the U.S. may seem like an outlier, scholars have shown that other advanced industrial democracies intervene in weak or emerging democracies around the world. The U.S. is a global hegemon, or at the very least a regional hegemon. Thus, in-line with the understanding of hegemony, the foreign policy of other advanced industrialized democracies depends on the decisions of the global leader(s). Finland, for example, does not need to intervene in a Latin American country when the U.S. is right there. And vice versa, the U.S. does not need to intervene in the southern Mediterranean because that can be taken care of by the E.U. Since both the U.S. and the E.U. are acting according to the tenets of capitalism rather than democracy, the U.S. relationship with Latin America should not be considered unique when compared to the relationship of other advanced industrialized democracies and weak or emerging democracies.

Moreover, this thesis refers to Latin America as it is understood in the U.S. and the broader Western world. There is no universal agreement on the term Latin America and thus there are many proposed conceptualizations of the region (Stephen et al., 2003; Price & Cooper, 2007). The intention of this thesis is not to contribute to any discussion of what countries are considered to be in Latin America. I define the region as it is understood in the Western world and broadly referred to as “the Americas” (WHA, n.d.). I understand that this understanding of the region is all-encompassing and wrongfully categorizes the region as linguistically and culturally homogenous. However, this thesis focuses on U.S. foreign policy goals toward Latin America, and thus the concept is best defined in relation to the U.S. and the Western world. The primary aspects of my theoretical framework have no regard to the understanding of Latin America outside of the Western world.

Thus, I have chosen to examine the region of Latin America because I found it to be the most useful to explore the relationship between U.S. intervention, democracy, and capitalism. Geographically, Latin America is extremely important to the U.S. because growth and prosperity in the region are critical to U.S. stability. Latin America is one of the largest foreign oil suppliers to the U.S. and the U.S.’s fastest-growing trading partner (Barshefsky et al., 2008; EIA, 2021). Additionally, Latin America is the largest source of U.S. immigrants, and collectively, these factors reinforce deep U.S. ties within the region (Barshefsky et al., 2008). Furthermore, the U.S. has a long track record of intervention in the region, ranging from the use of overt force to clandestine operations, some of which have been previously mentioned throughout this paper. The vast array of U.S. intervention in the region will allow for a more comprehensive examination and analysis of the U.S. and Honduras and Nicaragua relationships. The U.S. has a long history of intervention elsewhere, but the additional geographic, economic, and social

factors that characterize the relationship between the U.S. and Latin America reinforce the usefulness of choosing this region over others.

As I mentioned, the case studies have been deliberately chosen to further build the theoretical foundation of my argument. These cases aim to further develop my theory by looking at U.S. foreign policy toward Latin America to suggest that my causal relationship can be observed in the real world (Ruffa, 2020). On the one hand, I utilize the case of Honduras to demonstrate my argument that advanced industrialized democracies (e.g., the U.S.) are more likely to intervene in countries that are democratic but do not pursue capitalistic economic policies. On the other hand, I utilize the case of Nicaragua to demonstrate that advanced industrialized democracies are less likely to intervene in countries that are non-democratic but do pursue capitalistic economic policies. My choice of cases is not to be confused with selection on the dependent variable because illustrative case studies help describe or refine a theory, not test one (Levy, 2008; Shivley, 2017). Not to mention the case of Nicaragua does not result in the outcome of U.S. intervention.

Table 3 reflects U.S. intervention in Latin America during the 20<sup>th</sup> century. Intervention, in this case, refers to the use of overt and/or covert force. The asterisks reflect the number of times the U.S. intervened in said country, the black shading represents the Cold War years. Latin American countries not included reflect a lack of U.S. intervention during this period. It is important to note that while each asterisk reflects some intervention method, it does not specify when the conflict ended. For example, the U.S. occupied Haiti from roughly 1910 to 1930, so there is an asterisk in each box for these years that indicates an ongoing conflict rather than three separate conflicts. This is the case for other countries as well, but the lack of detail pertaining to this is not specified within the table because it is not the purpose of the table. The function of

Table 3 is to illustrate the vast array of U.S. intervention in Latin America during the 20<sup>th</sup> century.

Table 3. U.S. Intervention in Latin America during the 20<sup>th</sup> Century

	1900s	1910s	1920s	1930s	1940s	1950s	1960s	1970s	1980s	1990s
Bolivia									*	
Brazil							*			
Chile								*		
Colombia	**									
Colombia (State of Panama)	***									
Cuba	*	**	*	*			**			
Dominican Republic	**	**	*				*			
Ecuador							*			
El Salvador				*					*	*
Grenada									*	
Guatemala			*			*	*			
Haiti	*	*	*	*		*				**
Honduras	**	***	**	*					*	
Mexico		***								
Nicaragua	*	**	*						*	*
Panama	*	**	**			*	*		*	**
Panama-Costa Rica			*							

*Note.* Data adapted from “Instances of Use of U.S. Armed Forces Abroad, 1798-2022,” by B. Torreon and S. Plagakis, 2022, *Congressional Research Services*, Report No. R42738, <https://sgp.fas.org/crs/natsec/R42738.pdf>

As shown in Table 3, the U.S. has a notable history of intervention in Latin American countries throughout the 20<sup>th</sup> century, especially during the Cold War, but also earlier. The U.S. intervened overtly and/or covertly in fourteen Latin American countries from the 1950s to the 1980s in an effort to fight communism and promote capitalism (Torreon & Plagakis, 2022). From the 1950s to 1990s, the table indicates that the U.S. intervened in five additional countries, Bolivia, Brazil, Chile, Ecuador, and Grenada, in which the U.S. had not intervened before the Cold War. While historians disagree on its exact start and endpoints, the end of the Cold War is

most commonly marked by the dissolution of the Soviet Union (1991). The end of the war has conceived many realities, but it is safe to say that the Western effort to fight communism has ended.

This is all to say that post-Cold War cases are more important to study because instances of U.S. intervention in Latin America during the Cold War are explained away by the fight against communism (Bulmer-Thomas & Dunkerley, 1999). Even after the Cold War, the U.S. is known to intervene in democracies and support brutal dictatorships that upheld their capitalistic goals but not democracy. Thus, I have chosen not to examine cases from the Cold War period because the cause of peace and conflict has been accounted for. Instead, I offer a theoretical framework that illustrates the U.S. supports capitalism over democracy, even after the Cold War ended.

For instance, if I had chosen the Guatemalan coup d'état of 1954 discussed in the introduction, one could reasonably argue that the Cold War led the U.S. to intervene in this weak and emerging democracy. In choosing case studies from the 21<sup>st</sup> century, I can account for this by demonstrating that the U.S. still interferes in weak or emerging democracies with left-leaning governments even after the Cold War ended. The Western motive of derailing the rise of communism during the Cold War is widely accepted. However, the motives are not so black and white in the 21<sup>st</sup> century, especially those of the U.S. The start of the 21<sup>st</sup> century marks the end of the fight between capitalism and communism. This thesis seeks to play a role in uncovering the motives behind the foreign policy of advanced industrialized democracies toward weak or emerging democracies in the 21<sup>st</sup> century. Thus, I examine 21<sup>st</sup> century U.S. foreign policy decisions in Honduras and Nicaragua to illustrate the motivation behind U.S. intervention, or the lack thereof, pertaining to democratic and/or capitalist values in Latin America.



The illustrative case studies chosen for this thesis include a weak or emerging democracy (defined by a president that was democratically elected) in which its sitting president was either ousted for the advancement of capitalist interests through varying degrees of U.S. involvement or was left alone due to their support of capitalism. Both cases involve U.S. foreign relationships in which the effect of capitalism can be isolated to determine the utility of the capitalist peace theory. Further examination of the case studies will demonstrate that the influence economic elites have in advanced industrialized democracies is catered toward capitalist interests rather than democratic interests, resulting in foreign policy decisions that contradict the findings of the democratic peace theory. In choosing to pursue capitalist interests over democratic interests, advanced industrialized democracies either influence the removal of democratically elected leaders and support their non-democratic successors or maintain peace with non-democratic leaders that offer stability in terms of economic interests. In other words, shared democratic values do not always lead to peace among nations because democracy abroad is only supported when it favors the financial interests of economic elites in advanced industrialized democracies. Thus, these case studies will illustrate that shared capitalist values may lead to peace among advanced industrialized democracies and weak or emerging democracies more often than shared democratic values.

## CHAPTER II: U.S. FOREIGN POLICY AND THE 2009 COUP D'ÉTAT IN HONDURAS

The U.S. has had a hegemonic relationship with Latin America since the 19<sup>th</sup> century, though the last 40 years have seen an increase in democracy among several countries within the region. As the democratic peace theory holds, Latin American countries participating in the trend of democratization should enjoy peaceful relations with other democratic countries. However, several Latin American democracies began shifting away from the neoliberal economic model at the start of the 21<sup>st</sup> century. In turn, this triggered U.S. involvement in the region to reverse the “pink tide” trend towards leftist-leaning economic policies espoused by many governments. This chapter demonstrates that the U.S. weighed their options in Honduras following the 2009 coup d'état and ultimately sacrificed democracy and human rights to satisfy economic and other strategic interests that the U.S. had in keeping Manuel Zelaya out of power. Aside from economic interests, several other factors drive U.S. foreign policy, such as the need to protect U.S. security and accommodate U.S. domestic politics. However, one thing is certain: democracy and democratic norms were not guiding U.S. foreign policy decisions in Honduras.

This chapter contextualizes the relationship between the United States and Honduras by examining the main events that occurred in Honduras surrounding Manuel Zelaya's removal from office. I split this case into three primary sections, (1) the economic and political situation from 1982 – 2005; (2) the presidency of Manuel Zelaya and the events leading up to the coup d'état in 2009; and (3) the aftermath of the coup. In the first section, I discuss the political and economic climate in Honduras following the military's relinquishment of power in 1982 to the election of Zelaya in 2005. In the second section, I discuss the Zelaya presidency and outline the major events that led up to the coup in 2009. In the third section, I discuss the aftermath of the

coup as it relates to the international response of and U.S. in the coup. Finally, I end with a discussion that relates this case study to my theoretical framework.

## **Background Information**

This section focuses primarily on Honduras's relationship with the U.S. and other neoliberal actors in the global system. Honduras practiced both capitalism and democracy throughout these years and thus enjoyed a positive relationship with the Western world. When both factors are at play, however, it is hard to decipher through case study analysis which has a more significant effect on peace. This is why context is important; this period reflects an unclear explanation for peace, but following the election of Zelaya in 2005, this case study illustrates that the years of peace (1982-2005) likely existed because of Honduras's commitment to capitalism and adoption of neoliberal reforms. Thus, the following conversation begins with the economic situation before examining Honduras's political circumstances in this period. While some information overlaps, this section requires a separate discussion of Honduras's commitment to neoliberalism and its democratization process.

### **Economic Situation (1982 to 2005)**

In 1982, the Honduran military relinquished its power and allowed for civilian rule, paving the way for years of uninterrupted democratic rule. Over these years, presidential administrations adopted neoliberal reforms and enjoyed favorable relationships with the U.S. and the multilateral financial institutions such as the IMF and World Bank. While this section focuses almost exclusively on economic policies, it is important to note that the following years were accompanied by no foreign or U.S. intervention in Honduras's political affairs. I end the

discussion in this section before Zelaya's election to the presidency in 2005, in which both the economic and political situation took a dramatic turn, and thus, so did Honduras' relationship with the Western world.

In 1982, Honduras returned to democracy after the free and fair election of Roberto Suazo Córdova (CRS Report, 2007). The political shift throughout the 1980s had substantial repercussions on Honduras's economic situation. The Honduran military (still considered an autonomous body) supported U.S. policies in the region. This alignment resulted in financial support from the U.S. Throughout the 1980s, Honduran defense spending rose until it consumed about 30% of the national budget (Merrill, 1995). In 1982, U.S. military assistance to Honduras totaled \$31 million, and by 1983, assistance was nearly \$49 million (GAO, 1989; Merrill, 1995). Soon enough, Honduras became the tenth-largest recipient of U.S. aid; by 1985, this number was up to \$200 million (GAO, 1989).

In 1984, Honduras became one of the first beneficiaries of the Caribbean Basin Initiative (CBI), the one-way U.S. preferential trade agreement providing duty-free importation for many goods from the region (CRS Report, 2005). In addition, in the late 1980s, Honduras held production-sharing arrangements with U.S. apparel companies for duty-free entry into the U.S. for certain apparel products assembled in Honduras (CRS Report, 2005). As a result, the maquiladora industry flourished and continued to benefit in subsequent years from this economic relationship with the U.S. A maquiladora is a company that allows factories to be largely duty- and tariff-free, which translates to poor working conditions and meager pay.

A regionwide economic decline during the 1980s, often referred to as "Latin America's Debt Crisis" or "Latin America's Lost Decade," caused the Honduran economy to become increasingly dependent on foreign aid. Coffee prices plummeted in the international market in

the mid-1980s and remained low for the rest of the decade. The Honduran economy largely relies on land and agricultural commodities, though usable land has always been severely limited (Merrill, 1995). The once abundant forest resources dramatically decreased, and Honduras has not derived significant income from mineral resources since the 19<sup>th</sup> century (Merrill, 1995). Coffee and bananas proved to be unreliable sources of income throughout the 1980s, caused by the inconsistency of the international market, natural disasters, drought, and disease.

In 1986, José Azcona del Hoyo assumed the presidency of Honduras (LeMoyne, 1986). Azcona dealt with many of the same economic obstacles as Suazo and continued to build Honduras's relationship with the U.S. and the Western world in general. The U.S. continued to use the CBI as an economic strategy designed to boost development in the region and provide Honduras with substantial foreign assistance. Total U.S. assistance to Honduras in the 1980s totaled almost \$1.6 billion, making the country the largest recipient of U.S. aid in Latin America after El Salvador. About 37% of the aid was in Economic Support Funds (ESF), 25% in military assistance, 24% in development assistance, and 10% in food aid (Merrill, 1995). By the end of the decade, however, Honduras was still one of the poorest countries in the hemisphere.

In 1990, Rafael Leonardo Callejas Romero became Honduras's next democratically elected president (LeMoyne, 1986). With the end of the Contra War in Nicaragua (discussed in the following section), U.S. policy toward Honduras changed in several ways. Although the U.S. provided about \$213 million in assistance to Honduras in 1990, this amount declined to about \$98 million in 1992 and \$60 million by 1993 (GAO, 1993). While annual foreign aid levels fell, the U.S. still supported Honduras through debt forgiveness. In 1991, the U.S. forgave \$434 million in bilateral debt that Honduras owed the U.S. government for food assistance and loans from the U.S. Agency for International Development (USAID) (GAO, 1993). This forgiveness

accounted for about 96% of Honduras' total debt to the U.S. and about 12% of Honduras' total external debt of approximately \$3.5 billion (Wood, 1993). Many have viewed the debt forgiveness as a reward for Honduras's reliability as a U.S. ally, particularly through the 1980s, and as a sign of support for the economic reforms undertaken by the Callejas administration (Merrill, 1995).

Thus, based on recommendations from the U.S., the IMF, and the World Bank, Callejas introduced an economic adjustment program to reduce economic imbalances, re-establish financial relations with external creditors, and set the basis for sustained economic growth (IMF, 1995). The program included introducing a market-determined exchange rate, which led to a depreciation of the lempira (Honduras's national currency), adjustments to public utility rates, and cuts in public expenditure (IMF, 1995). Structural reforms included tax reform, the elimination of price controls, the liberalization of the exchange rate system and interest rates, and additional efforts to increase foreign investment, such as lower taxes and tariffs (IMF, 1995). The economic reforms decreased government expenditures and increased exports, especially maquiladora production. By 1992, the maquiladora industry accounted for 35% of Honduran exports (IMF, 1995). In addition, Callejas privatized the National Production Development Agency (INFOP), various natural resources, and public works and transportation enterprises.

Private property rights are one of the pillars of capitalist economies. While Callejas was adopting significant neoliberal reforms, Honduras still posed trade barriers to U.S. companies and products due to their intellectual property (I.P.) laws. Thus, in 1992, a Motion Picture Exporters Association of America complaint caused the U.S. Trade Representative (USTR) to open an investigation into the protection of private satellite television signals (U.S. State Dept, 1996a). As a result, local cable companies in Honduras pirated U.S. satellite signals, and Callejas

was pressured to enact an I.P. law to curb the widespread piracy of broadcast television (U.S. State Dept, 1996a). For decades, U.S. legislators and business elites alike have prioritized the protection of the I.P. market because it plays a significant role in the U.S. economy. Beyond the U.S., the global I.P. regime “is one of the few areas where the neoliberal program actively supports and endorses increased legislation because it is regarded as important for markets to function effectively” (Styhre, 2014, p. 64).

The Callejas administration embraced neoliberal reforms and attracted new foreign capital, though the austerity measures and devaluation of the lempira spawned economic hardship, labor unrest, and popular protest (Booth et al., 2015). Furthermore, in 1992 and 1993, there was a sharp rise in public sector investment spending, and the economy’s fiscal position deteriorated. The fiscal deficit increased from 4.8% of GDP in 1992 to 11.2% in 1993 (Merrill, 1995). Although the GDP rose by 6% in 1993, the sharp increase in the fiscal deficit increased private sector uncertainty and resulted in a sharp reduction in private capital inflows, massive depreciation of the lempira, and accelerated inflation (World Bank, n.d.). The depreciation of the lempira aggravated the external debt problem, which increased the debt and debt-to-GDP ratio.

On the other hand, the banana industry began to perform well in the 1990s as new European trade agreements increased market size. Small banana cooperatives sold their land to the commercial giants in the 1990s, and the last of the banana-producing lands were privatized (Merrill, 1995). Foreign investment increased throughout the decade, too, and it was clear that Honduras was finding its spot within the neoliberal global order.<sup>2</sup>

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<sup>2</sup> In this context, the use of the phrase ‘neoliberal global order’ is synonymous with the phenomena neoliberal globalization in which neoliberal policies aim to create an economy that is dominated by commodities and accumulating capital.

Nonetheless, the overall economic situation remained difficult when Carlos Roberto Reina took office in January 1994 (Freedom House, 1996; U.S. State Dept, 1996b). Reina inherited an economy suffering from stagflation due to an energy crisis, the declining output of vital agricultural products (e.g., basic grains and bananas), and expensive public investment policies of the Callejas administration (U.S. State Dept, 1996b). As a result, the Reina administration adopted measures to begin reversing fiscal imbalances, such as reducing subsidies, cuts in expenditure on goods and services, and increases in gasoline prices, among many other policies (U.S. State Dept, 1996b). Furthermore, the Reina administration substantially increased the country's Central Bank's international reserves, reduced inflation to 12.8% a year, and restored economic growth (about 6% in 1995) (U.S. State Dept, 1996b).

Additionally, in 1994, Honduras joined the General Agreement on Tariffs and Trade (GATT) (WTO, n.d.). GATT was a temporary multilateral agreement designed to promote international trade by reducing or eliminating trade barriers, such as tariffs or quotas. The first article of the trade agreement is the Most Favored Nation (MFN) principle (WTO, n.d.). The MFN prevents countries from discriminating between their trading partners. However, the GATT was not legally binding, so member nations decided that GATT could better serve global trade expansion if it became a formal international organization. Thus, in January 1995, the World Trade Organization (WTO) was established to formalize many of the principles and policies from GATT. As of the early 21<sup>st</sup> century, trade-oriented policies continued to be at the center of the development agenda in Honduras (Hoyos et al., 2008). As such, the Honduran economy developed into a more open and liberalized economy with low tariff structures and minimal application of nontariff measures (Hoyos et al., 2008, p. 3).



Honduras also concluded negotiations with the U.S. on a Bilateral Investment Treaty (BIT) in July 1995 (UNCTAD, 2014). BITs are international covenants intended to foster foreign direct investment (FDI) by extending protection from noncommercial, political risks (USTR, n.d.). These treaties ensured American investors receive national or most favored nation treatment (whichever is better) in other signatory countries (US Cong. Sen., 106-27). It protects U.S. investors against performance requirements, restrictions on transfers, and arbitrary expropriation (ITA, n.d.) (USTR). The purpose of a BIT is to encourage the liberalization of cross-border investments by adopting market-oriented domestic policies that treat private investment openly and transparently (USTR, n.d.).

In 1998, Carlos Roberto Flores Facusse took office as Honduras' fifth democratically elected president since 1982 (IFES, 1997; Freedom House, 1999). Flores inherited a relatively stable economy, with a fiscal deficit of 1.5% of GDP, GDP growth projected to be 5%, and inflation projected to be 14% (USDOC, 1999). However, Honduras was devastated by Hurricane Mitch in October of 1998, which killed more than 5,000 people and caused billions of dollars in damage (PAHO, 1998). Thousands of people were left homeless, the road network was severely damaged, and the agricultural sector suffered, especially the banana crop (PAHO, 1998). The hurricane induced an economic recession as GDP had declined by 1.4% as of 1999, though the country immediately began reconstruction efforts (World Bank, n.d.). Honduras received significant debt relief after Hurricane Mitch, including the suspension of debt service payments by the Paris Club, worth over \$54 million from the US alone (Hickey, 2007).

In March 1999, the Flores administration signed an Enhanced Structural Adjustment Facility (ESAF) with the IMF, which was converted to a Poverty Reduction and Growth Facility (PRGF) program in December 1999 (IMF, 1999). The PRGF provides long-term, interest-free

loans to the world's poorest countries, which means that each country's PRGF program is modeled around a Poverty Reduction Strategy Paper (PRSP) (IMF, 2001; 2016). PRSPs describe the macroeconomic, structural, and social programs that a country will follow to promote economic growth and reduce poverty (IMF, 2016). These policies of the neoliberal international institutions, such as the IMF and World Bank, have been criticized since their inception. For developing nations, the programs encourage an increased dependency on wealthier nations. In addition, the policies prioritize debt repayment and economic restructuring as they require countries to reduce spending on things like health, education, and development. The IMF and World Bank provide financial assistance to countries that need it, but they apply a neoliberal economic ideology as a precondition for receiving the money.

By 2000, economic growth hit 4.8% as the Honduran economy was slowly recovering from the recession induced by Hurricane Mitch (World Bank, n.d.). In 2000, the Caribbean Basin Trade Partnership (CBTPA), which provides Caribbean Basin nations with NAFTA-like preferential tariff treatment, boosted Honduran maquiladoras (CRS Report, 2006). The industry heavily benefits companies looking to outsource production with various tax benefits and low labor costs. As of 2000, Honduras's maquiladora industry was the third-largest globally, employing over 120,000 workers and generating more than \$528 million in foreign exchange for Honduras (CRS Report, 2006). In July of 2000, Honduras qualified for the Heavily Indebted Poor Countries (HIPC) Initiative, making them eligible for further debt-service relief through World Bank and IMF loans (World Bank, 2000). During these years, the Honduran economy was primarily based on agriculture, which accounted for 15% of GDP in 2000 (World Bank, 2000). By 2001, Honduras's largest trading partner was the U.S., with exports totaling \$613 million and imports \$1.3 billion. The top two exports were coffee and bananas (WITS, n.d.).

Bananas, formerly the country's second-largest export until being virtually wiped out by Hurricane Mitch in 1998, recovered in 2000 to 57% of pre-Mitch levels (WITS, n.d.). By 2001, it was clear the next president would inherit a relatively stable national economy.

Thus, in November 2001, Ricardo Maduro was elected as the president of Honduras (Freedom House, 2001; IFES, 2001). International trade continued to play a crucial role in the Honduran economy throughout Maduro's tenure. In 2002, exports and imports of goods and services accounted for about 95% of GDP (U.S. Census, n.d.; World Bank, n.d.). The main exports were products of the maquiladora industry, mainly clothing, and agricultural products such as coffee and bananas (WITS, n.d., World Bank, n.d.). The vast majority of banana holdings are controlled by two U.S. companies, United Brands and Standard Fruit (Ismael-Moreno, 2003). With an economy enormously dependent on banana production, the country is vulnerable to weather and world market price variations. The various agreements by Honduras with the IMF in the context of structural adjustment programs and under the PRGF, together with the opening up of trade within the framework of the WTO, contributed to its position in the global free market during the Maduro presidency.

Throughout Maduro's presidency, the economy continued to grow, and the maquiladora industry continued to boom (González, 2014). The maquiladora sector represents industrial policies for attracting national and foreign investment, with the U.S. as the primary investor. FDI has the potential to greatly benefit economies, though it opens the door to falling into FDI dependency, which can eventually lead to export "dependency" in the cases in which FDI is destined to create output merely for exports (as in the case of the Honduras maquiladoras). By 2005, the maquiladora sector accounted for about 65% of total exports (WITS, n.d., World Bank, n.d.).

In March 2005, Honduras ratified the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR) with the U.S. (OAS: SICE, n.d.). The purpose of CAFTA-DR was to make Honduras and the other countries involved more attractive for investment and to protect its existing preferential trade agreement with the U.S. (USTR, n.d.). As mentioned, in 2000, Honduras qualified for the HIPC initiative. However, to reach its completion point, Honduras had to demonstrate macroeconomic stability by implementing the corresponding PRSP loan from the IMF for at least a year (Carrasco et al., 2007). In 2005, Honduras reached the completion point, and by 2007 Honduras had received 100% debt relief from the World Bank, the IMF, and the IDB (World Bank, 2015).

Following the military's relinquishment of power in 1982 and the beginning of free and fair elections in Honduras, each president embraced neoliberal reforms that attracted new foreign capital, expanded the maquiladora industry, and the agro-export sector accelerated privatization. The U.S. has maintained close relations with Honduras through an economic relationship characterized by significant foreign assistance and a meaningful trade relationship. However, these policies undermined the state-led programs that would have been critical to maintaining political stability. Inflation continued to erode living standards, and high-crime rates and extreme poverty plagued the country, despite economic growth trends and relative macroeconomic stability. Thus, while the economy remained relatively stable and enjoyed the U.S., IMF, and World Bank's support, the Honduran population became increasingly unsatisfied.

This section illustrated that, before the election of Zelaya in 2005, Honduras boasted an open-market economy and thus enjoyed favorable relationships with the U.S., IMF, and World Bank. I mentioned the importance of the lack of political interference throughout these years, though the following section will provide more nuance to the political situation in Honduras. The

next section highlights the less than satisfactory reactions demonstrated by the Honduran people as a result of the aforementioned economic policies. Thus, the discussion of the economic situation sets the stage for the low standards of living and widespread poverty in the country while simultaneously justifying the lack of foreign, including the U.S., intervention.

### **Political Situation (1982 to 2005)**

The previous section briefly discussed the numerous peaceful transfers of power that Honduras underwent from 1982 to 2005. I set the following discussion on the political situation in Honduras during the same time frame. In this section, I expand on the aforementioned democratic initiatives and further detail the other relevant political events in the country. Together, the economic and political situation discussions set the stage for the Zelaya presidency and the subsequent coup that ousted him just a few years later. The purpose of this section and the previous one is to provide context but also to illustrate the lack of U.S. intervention in Honduras's political affairs before the election of a leader who rejected the tenets of capitalism and the neoliberal reforms sweeping through the region. A leader who rejected capitalism, that is, but did not discard the tenets of democracy or Honduras's democratic norms and institutions.

Following several decades of military governments, in April of 1980, a constituent assembly formed to prepare a new constitution (CRS Report, 1995). As a result, general elections were held in November of 1981. In January 1982, the assembly approved a new constitution, and President Suazo (PLH) assumed power (CRS Report, 1995). The Liberal victory surprised many who believed the armed forces would interfere in favor of its Conservative Party (PLN) allies, though the country remained committed to democracy. Per the new Honduran Constitution, Colonel Gustavo Alvarez Martínez became head of the armed

forces, rather than Suazo (Nohlen, 2005). Nevertheless, the military relinquished its power, and Honduras transitioned to democracy.

Throughout the following years, Honduras was widely considered a constitutional democracy in which the president serves a 4-year term. According to the 1982 Constitution, the president is the head of state and head of government. However, another 16 years would pass before the president would be considered the commander-in-chief of the Honduran military (CRS Report, 1995). The National Congress is the legislative branch of the government, a unicameral legislature with 128 seats (65 seats are needed for a majority). In more recent times, the political parties of Honduras have expanded. However, in the years I discuss below, the dominating political parties were the Liberal Party (PLH) and the National Party (PNH), both situated at the right end of the ideological spectrum. The following years that I discuss (1982-2005) demonstrate a time in which the Honduran political system was marked by one of the most institutionalized party systems in Latin America and a nonpolarized hegemony of the PLH and PNH (Taylor-Robinson, 2012).

Suazo was an anticommunist who favored strong relations with the U.S., but Honduras quickly became involved in growing regional conflicts. The Reagan administration strongly pressured Honduras to assist U.S. efforts against Nicaragua (Shepherd, 1984; Flores, 2010). Honduras gave sanctuary and overt cooperation to the Contra army the U.S. developed to attack Nicaragua's Sandinista government. Honduras became the active ally in the U.S.'s military strategy for Nicaragua, and in exchange, received hundreds of millions of dollars in U.S. assistance (Flores, 2010). U.S. pressure to involve Honduras in the conflict with Nicaragua directly contradicted the Suazo government's efforts to demilitarize the police force and the political sphere in general.

Thus, while democracy appeared to be restored following the 1982 election, military aid from the U.S. increased from \$3.9 million in 1980 to \$77.5 million in 1984 (JISWA, 1996), expanding the Honduran military's size and power, which in turn enabled defense chief Alvarez to intimidate the president and Congress (Merrill, 1995). Furthermore, Honduras's relations with Nicaragua deteriorated, and by 1984, Contra forces operating inside Honduras began to challenge the Honduran military (CIJ, n.d.). Honduras developed death squads, and political disappearances and murders became more frequent (CIJ, n.d.). It is important to note that U.S. military aid during the 1980s was only given to countries that demonstrated a clear rejection of communism. Honduras was involved with the Contras because of its proximity to Nicaragua, but primarily because of the government's political adherence to communism and economic commitment to capitalism.

In 1985, Azcona assumed the presidency and ushered in the first peaceful transfer of power from one civilian president to another in more than 30 years (LeMoyné, 1986). Again, the positive U.S.-Honduras relations were already underway despite the fact that a successful transfer of power had yet to occur. Though the explanation for this relationship lies elsewhere, immediately after the election, Azcona made it clear that he would maintain Honduras's pro-Washington role as the home-base of anti-communism in Central America. For instance, he agreed to continue U.S.-Honduran military exercises held during the Suazo government (Ronfeldt et al., 1989).

Throughout his administration (1985-1990), Azcona was challenged by internal violence primarily attributed to the drug trade, left-wing guerrillas, the military, right-wing death squads, and of course, the issues mentioned with the Contra forces located in Honduras (U.S. State Dept, 1996). The presence of the Contra rebels in Honduras created conflict throughout Azcona's

presidential term, both internally within his own government and amongst Honduran civilians (Ronfeldt et al., 1989). Of all the issues Azcona faced, the Contras represented the greatest challenge. In 1989, Azcona was responsible for attempting to reconcile the policy objectives of the U.S. vis-à-vis the Sandinista regime in Nicaragua (U.S. State Dept, 1999). Azcona found himself caught between two forces: Honduras's role in the U.S. foreign policy toward Central America and the deepening Nicaragua crisis that encouraged a series of Central American peace initiatives to gain momentum. In other words, Azcona was forced to choose between Honduras's relationship with the U.S. and the West or Honduras's relationship with its people and surrounding countries. Throughout his presidency, it became clear that he chose a positive relationship with the U.S., which led to human rights abuses as he tried to stifle those against this relationship.

Perhaps Azcona's most outstanding achievement was his ability to turn executive power over to Callejas (PNH), his opponent in the 1985 election and the winner of the 1989 presidential election. Callejas won the election with 51% of the vote (IFES, 1989). This was another democratic accomplishment for Honduras, as it was the first peaceful transfer of power between the opposition parties. Furthermore, the defeat of the Sandinistas in the February 1990 Nicaraguan election to the U.S.-backed candidate Violetta Chamorro allowed Callejas to promptly remove Contra bases in Nicaragua. By June 1990, the last of Nicaragua Contras left Honduras.

While not entirely different from his predecessors, the economic programs of Callejas deepened social tensions and inspired labor actions and peasant invasions of land throughout his tenure (HRW, 1992). In October of 1991, soldiers seeking to oust striking miners who had occupied the El Mochito mine in the department of Santa Barbara killed one miner and wounded



twenty others at the U.S.-owned mine (CODEH). Callejas' pro-business policies caused many workers to suffer declining living standards, and by 1992, 75% of the Honduran population lived on less than \$5.50 a day (HRW, 1994). Despite all the democratic achievements and increased positive relations with the West, many Hondurans were unsatisfied with their living and working conditions.

Despite the relative lack of regional conflicts in the early 1990s, the U.S. military maintained a 1,100-member force at the Soto Cano Air Base. Honduras might have had its third civilian president in office during the 1990s, though the armed forces remained strong in Honduran politics. Callejas pushed for demilitarization, though the army remained autonomous (Ruhl, 1996). The U.S. recommended cuts in military spending and was critical of the human rights situation in Honduras during these years, including the military's impunity. This was a significant change in U.S.-Honduras relations. Callejas increased his rhetorical attention and support to human rights throughout his time in office, especially regarding the Honduran military (Ruhl, 1996). Thus, in 1992, the Callejas administration created the National Human Rights Commission to give Hondurans a place to denounce human rights violations (HRW, 1994). However, throughout 1993, abuse of authority, excessive use of force, and torture in custody were still standard practices by the armed forces and the military-controlled police (FUSEP) (HRW, 1994).

In February 1993, former investigative-police agent Josué Eli Zúñiga Martínez publicly implicated the army and the police in at least seven assassinations, including the January 29, 1993, murder of businessman Eduardo Piña Van Tuyl (HRW, 1994). Thus, amid public outrage and international pressure, in March, Callejas created a high-level "Ad Hoc Commission" composed of representatives from all branches of government, the armed forces, the Catholic

Church, political parties, and the media (HRW, 1994). The commission's most important recommendation was the creation of a new independent, autonomous, and apolitical government Public Ministry as an office to defend citizens' collective rights (HRW, 1994). In addition, a new investigative police force called the Department of Criminal Investigations (DIC) would also be a part of the new Public Ministry. The DIC replaced the National Investigations Directorate (DNI), a police investigations unit notorious for egregious human rights violations (HRW, 1994). Thus, while the situation of democracy and human rights was not adequate in Honduras, the administrations were taking serious action to demonstrate their commitment.

On that account, in November of 1993, Reina of the PLH was elected to replace Callejas, demonstrating yet another peaceful transfer of power marked by free and fair elections (U.S. State Dept, 1994). Reina created a modern attorney general's office and strengthened the new investigative police force (Ruhl, 1996). In addition, he significantly reduced government corruption and elite impunity in Honduras as he actively prosecuted corrupt officials and pursued those responsible for human rights abuses throughout the 1980s and 1990s (Ruhl, 1996). Moreover, he committed his administration to combatting military corruption and to reforming the country's "powerful" and "autonomous" military (The New York Times, 1993, para. 30). Notably, the Reina administration increased civilian control over the armed forces, marking a fundamental change in civil-military relations in Honduras (Ruhl, 1996; U.S. State Dept, 1996a; 1997). Some reforms included the total transfer of power in the hands of military men to civilian authorities and the abolition of compulsory military service (Ruhl, 1996, p. 47-48; U.S. State Dept, 1996a; 1997).

Throughout the years, the Reina government largely respected the freedom of speech and the press and the freedom of peaceful assembly, association, and religion (U.S. State Dept,

1999). Generally speaking, the democratic position of Honduras throughout the late 1990s was strengthened as Reina was able to reduce the Honduran military's power significantly. While the 1990s marked the end of the Cold War, it is essential to note that military aid and the arms trade pushed by the U.S. throughout the 1980s significantly undermined Honduras' efforts to democratize and respect human rights. Ironically, however, the U.S. government was critical of democracy and human rights throughout these years (U.S. State Dept, 1999).

In November of 1997, Flores of the PLH was elected president. As mentioned in the previous section, Honduras was struck by Hurricane Mitch in 1998. Several thousand Hondurans died, approximately one million people faced displacement, and the storm caused widespread misery and unemployment. Flores's presidency is marked mainly by massive international relief efforts to reinforce Honduras's infrastructure and the agricultural and industrial economic sectors. Aside from these factors, Flores continued to democratize Honduras and strengthen the state's support of human rights. Notably, Flores continued efforts to deconsolidate the power of the military. In 1998, the National Congress of Honduras voted on the 13<sup>th</sup> amendment to the Constitution, which made the President the commander-in-chief of the armed forces (La Gaceta, 1999). The amendment was ratified by Congress with a vote of 128-0 in January 1999 and signed by President Flores (La Gaceta, 1999). This ended 42 years of military autonomy; the military had previously been governed by a military parliament and a commander-in-chief from the armed forces (UCSD, 2009).

This ongoing process demonstrates the previous administration's intention to remove the power and autonomy of the Honduran military; however, they received mixed signals from the U.S. During the 1980s, the Honduran military was of interest to U.S. foreign policy goals in the region, which meant that the Honduran government was receiving large sums of U.S. military

aid. The Honduran military had relinquished its power and allowed for civilian presidential administrations, though the institution was still autonomous and thus un-democratic. But the U.S. made no mention of this nor the human rights abuses of the Honduran military. As the 1990s came around, regional conflicts had died down, and the Honduran military was no longer needed to advance U.S. interests. Thus, during the 1990s, U.S. military aid to Honduras was cut, and the U.S. pushed the Honduran government to cut military spending. The U.S. also became heavily critical of the human rights abuses of the Honduran military. However, the major difference was that the U.S. no longer needed the Honduran military for assistance; the military's human rights violations were primarily the same throughout the 1980s and essentially until the passage of the 13<sup>th</sup> amendment. In other words, the U.S. was only concerned about the autonomy and human rights abuses of the Honduran military when it was no longer needed to advance the interests of the U.S.

In 2001, another free and fair election brought Maduro of the PLN into presidential power with over 50% of the vote (U.S. State Dept, 2003). Maduro continued to support and uphold civil liberties, such as freedom of speech, press, peaceful assembly, association, and religion (U.S. State Dept, 2003). In addition, Maduro deployed joint police-military forces and wider neighborhood patrols to fight crime and gangs. The government signed legislation in July 2003 that made gangs and gang membership illegal, with penalties reaching up to twelve years in prison (CRS Report, 2005). This, along with Maduro's general crackdown, reduced crime and violence, and both of these policies were popular with the public (CRS Report, 2005).

Notably, in 2003, Maduro strongly supported the global war on terrorism and joined the U.S.-led coalition in Iraq, contributing 370 troops for 11 months (U.S. State Dept, 2003). Honduras was the first Central American country to authorize deployment. In November of

2003, Maduro met with U.S. Secretary of State Colin Powell, in which Powell noted that “political reforms that give people a greater confidence in their government, [such as] removing immunity from government officials so that the people know that their officials are accountable for their actions” are indicators “to [the U.S.] that Honduras is moving forward, and worthy of continued American support as a good friend and a good partner” (U.S. Dept of State, 2003, para. 5). As I will discuss below, these pro-democracy U.S. sentiments do not match U.S. actions toward Honduras.

Like all Honduran presidents until this point, Maduro was tasked with improving the living conditions of one of the poorest countries in the world. Since 1992, poverty levels remained virtually the same in Honduras despite the positive macroeconomic growth discussed in the previous section (World Bank, 2006). While there were some positive developments throughout Maduro’s presidency, such as a decrease in unemployment, there were no substantial improvements to the lives of poor Hondurans. The level of income inequality barely changed and the decrease in workers receiving less than \$5.50 a day was minimal (World Bank, 2006). In addition, the poor are overwhelmingly concentrated in rural zones and indigenous peoples have substantially higher poverty rates than Mestizos/Ladinos (a mix of Spanish and Amerindian ancestry) (World Bank, 2006). In addition, child labor has been a consistent issue in Honduras, and by 2005, Honduras had the second-largest child labor force in Latin America (World Bank, 2006). The positive macroeconomic trends led Honduras to improve its relationship with the U.S. and economic elites alike. In fact, the domestic factors, such as low wages, are beneficial to economic elites because capitalism was not designed to help the poor.

During the time period I have just discussed, Honduras was not subject to U.S. intervention. From 1982 to 2006, other than the policies to strip the military of its autonomy, the

democratic status of Honduras remained relatively stagnant, with other minor adjustments happening throughout each presidential administration. During these years, Honduras was considered a constitutional democracy by the U.S. and the global community. The only time the U.S. was concerned about the progress of democracy or the human rights situation in Honduras was when it was no longer beneficial for the U.S. to ignore these factors. While the U.S. was critical of Honduras, the U.S. took no genuine efforts to condemn its human rights abuses or lack of democratic progress. It was clear that the U.S. was not legitimately concerned about these factors in Honduras, and a viable explanation for this lack of concern is the administrations' decision to implement economic policies that advanced the neoliberal agenda and thus the capitalist interests of U.S. economic elites that shape foreign policy decisions.

In November 2005, Manuel Zelaya was elected president. He would inherit many of his predecessors' same economic and social problems. However, his willingness to maintain a positive relationship with the U.S. was not comparable. Honduras's democratic situation was no different under Zelaya than under previous presidents; the only factor that changed after Zelaya's inauguration was his rejection of neoliberalism. Thus, as the remainder of this chapter will illustrate, the 2009 coup that ousted Zelaya was motivated by his rejection of neoliberal policies and the tenets of capitalism. The U.S. would try to claim its concern over Honduras's democratic norms and institutions to justify the coup. Still, the only real difference between Zelaya and the previous administrations was his economic policies. If the U.S. was genuinely concerned with the status of democracy in Honduras, then it is awfully coincidental that the U.S. made no real effort to condone this until a Honduran president decided to question the neoliberal status quo implemented in Honduras since the 1980s. While this did happen within a year of Obama becoming the U.S. president, there was no indication that U.S. foreign policy would, or did,

change under his watch. When Obama became president in 2009, his administration believed that the “pink tide” of leftist governments in Latin America jeopardized the neoliberal policies that the United States worked to impose on the region (Hendricks, 2021 pp. 2-3). Thus, Honduras was caught in the crosshairs as the U.S. sought to regain its dominance over the region and to protect its economic interests (Hendricks, 2021 pp. 2-3).

### **Presidency of Manuel Zelaya and the 2009 Coup D’état**

This section discusses the presidency of Manuel Zelaya and provides economic and political context on the years before the coup in 2009. Initially, Zelaya was a right-of-center candidate and president, and his foreign policy was oriented toward U.S. demands and interests (Filho et al., 2013). Though, as his time in office continued, Zelaya began to ally himself with Latin America’s bloc of left-wing governments and reject the neoliberal economic system (Filho et al., 2013). Zelaya’s economic, not democratic, policies and stances are the primary differences between his presidency and that of his predecessors’ (1982-2005). Thus, this section outlines the significant events that occurred in Honduras leading up to Zelaya’s deposal from power in 2009, a string of events that summarizes the consequences of rejecting the tenets of capitalism and threatening the neoliberal economic order.

In 2005, Zelaya (PLH) became the Honduran president-elect with 49.9% of the votes, compared to Porfirio Lobo’s (PNH) 46.2% (Cordero, 2009). The election was largely regarded as free and fair by both domestic and international observers (Cordero, 2009). In the legislative election, Zelaya’s Liberal Party won 62 seats in the 128-member Congress; this was just short of a majority and made it difficult for Zelaya’s government to enact its legislative agenda (Sullivan, 2006). During the campaign, both candidates were considered “establishment candidates” that

broadly supported the direction of the country's market-oriented economic policy (Filho et al., 2013, p. 2). As Zelaya assumed office, he faced enormous challenges in crime, human rights, and improving overall economic and living conditions in Honduras.

An agricultural businessman from a traditional landowning family, Zelaya ran his campaign and subsequently began governing as a member of the business and social elite (Zarate, 2011; Filho et al., 2013). He was a former board member of the Honduran Council of Private Enterprise (COHEP) and former president of the National Association of Wood Transformation Enterprises (ANETRAMA) (Peetz, 2009; Rusinol, 2009; Zarate, 2011). For the most part, Zelaya's first year in office was a continuation of the policies of his predecessor, Maduro (PNH). The primary changes were in Zelaya's rhetoric, which encouraged more citizen participation, and policies that increased the number of programs impacting the rural poor, improved environmental protections, and furthered municipal reform (Filho et al., 2013). Zelaya's foreign policy during his first year was also a continuation of Maduro's, oriented toward the U.S. in his support of the CAFTA-DR agreement and efforts to secure debt relief from international money-lending institutions (Fresno, 2007).

In 2005, the wealthiest 10% of Hondurans earned 47% of the country's income, not considering land or asset wealth (Cordero, 2009). A year after Zelaya took office, that number decreased to 42.4% – still very unequal, but nonetheless a step in the right direction (Cordero, 2009). From 2006 to 2008, Honduras experienced steady annual per capita GDP growth averaging 3.3% (Elliot et al., 2022). In the decade following the coup, the average per capita GDP growth was just 1.8% per year (Elliot et al., 2022). The economy grew 6% in 2006 and 6.3% in 2007. From 2005 to 2007, poverty was significantly reduced from 65.8% to 60.2%. The percent of income captured by the lower deciles went from 2.1 to 2.5, and the percent secured by



the intermediate deciles also increased from 35 to almost 39 percent. Though, in 2006, Honduras was classified as a lower-middle-income developing economy by the World Bank, with per capita income at \$1,200 (World Bank, 2007). While some conditions were improving in Honduras under Zelaya, other development challenges during this time were an estimated poverty rate of over 70%, an infant mortality rate of 31 per 1,000, and chronic malnutrition for one out of three children under five years of age (Cordero, 2009). Throughout this time, public support for the Zelaya government was firm, with most Hondurans maintaining that Zelaya was doing a good job (Cordero, 2009). Zelaya's high ratings stemmed from his efforts to fulfill campaign pledges of free school enrollment, increasing teachers' pay, and curbing rising fuel costs (CRS Report, 2007).

The most recent PRGF agreement, which expired in February 2007, made Honduras eligible for about \$1 billion in debt relief under the IMF and World Bank's HIPC Initiative (World Bank, 2007a). In order to maintain this relationship, Zelaya was forced to abide by the expectations of these international financial institutions. Later that year, an IMF staff mission expressed some concern about the country's rising fiscal deficit. As a result, Zelaya faced the dilemma of balancing the IMF's calls for reducing public expenditures and the public's demands for increased spending (World Bank, 2007a).

From the beginning of Zelaya's presidency in January of 2006, Honduras was facing an energy crisis that forced the president to declare a state of emergency for the sector just four days after taking office and prompted his personal intervention to bail out the state-owned Empresa Nacional de Energía Eléctrica (ENEE) in February of 2007 (Filho et al., 2013). The Honduran energy sector was (and continues to be) extremely vulnerable to fluctuations in global oil prices because the majority of the country's electricity generation comes from oil-burning process and

the country is dependent on imported oil and does not own any refineries (Pirker & Núñez, 2010; Filho et al., 2013). The ENEE, the generator and supplier of electricity and Honduras's largest company, was nearly bankrupt at the time and incapable of supplying the country's full energy demand (Pirker & Núñez, 2010; de Zarate, 2011; Filho et al., 2013). Zelaya's decree created an emergency fund to pay for fuel subsidies, which allowed for a price freeze until the fuel-bidding results could bring improvements in the economy and took out an energy insurance policy to cushion fluctuations in international oil prices (Parrales, 2006).

The bidding process, a continuation of measures taken by Maduro in 2005, was intended to lower the sector's costs, but it faced strong opposition and a boycott imposed by the transnationals Esso, Texaco, and Shell – companies that had dominated the sector in Honduras for decades (Frank, 2018, p. 6). The U.S. Ambassador to Honduras, Charles Ford, criticized the measure for being a sudden change in the rules for foreign investors (see Parrales, 2006; Pirker & Núñez, 2010, p. 118). In the midst of the tension caused by the bidding process, Zelaya accused the three companies of blackmail and 'energy terrorism' (Frank, 2018, p. 5). Zelaya also ordered the seizure of all ports and storage tanks controlled by the companies, though he ended up rescinding the measures after the U.S. Embassy issued an official note of protest (Frank, 2018, p. 5).

The conflict over the fuel-provision rule changes also facilitated reconciliation between Venezuela and Honduras, which would prove crucial for the country's left switch (Filho et al., 2013). Zelaya drifted from a right-of-center political campaign in 2005 to a left-of-center program that radicalized somewhat over time (Moreno, 2009; Rusiñol, 2009; Cálix, 2010; Pirker & Núñez, 2010; Filho et al., 2013). While in office, his ideological and policy stances shifted left as he began to embrace other progressive leaders and put forth policies that challenged the recent

trend toward neoliberalism in the region (Taylor-Robinson & Ura, 2012; Frank, 2018; CRS Report, 2020). To some, this switch consolidated with the country's entry into the Bolivarian Alliance for the Peoples of Our America agreement (ALBA) in 2008. Created in 2004, ALBA is a bloc of countries led by Venezuela as an alternative to U.S. hegemony and the failures of neoliberalism and free-market integration (Francisco, 2008). To others, the symbolic start of the Zelaya administration's switch is its participation in the 28<sup>th</sup> anniversary of the Sandinista Revolution in Nicaragua in July 2007 (Llanos & Marsteintredet, 2010a, p. 180). This generated fierce criticism from the Honduran right and the U.S. Embassy (Moreno, 2007).

In December of 2007, Zelaya announced that Honduras would join the Petrocaribe agreement (Llanos & Marsteintredet, 2010b). Petrocaribe is a Venezuelan oil alliance that allowed participating countries to purchase oil at market value, paying a percentage of the cost upfront. The first Venezuelan fuel shipment arrived in Honduras at the beginning of June 2008. On July 22<sup>nd</sup>, 2008, Zelaya announced his decision to join ALBA (Francisco, 2008). ALBA comprised Latin America's left-wing countries, including Venezuela, Cuba, Bolivia, Nicaragua, and Dominica at the time. Zelaya officially signed the agreement on August 25<sup>th</sup>, 2008, and the Honduran Congress approved the entry into ALBA on October 9<sup>th</sup>, 2008, with the support of all parties and abstention of the PNH representatives (Francisco, 2008). While ALBA continued to polarize the political environment, with the "media becoming increasingly critical of the alleged Chavista influence in Honduras politics" (Llanos and Marsteintredt, 2010a, p. 181), Zelaya remained popular among the Honduran people.

Though, Zelaya's foreign and domestic policies generated mixed reactions among the economic elites. Business associations and the conservative press recognized the terms of the alliance as extremely favorable to Honduran economic interests because they allowed an

economically poor and fuel-dependent nation to access oil derivatives under very flexible financing conditions, including an option to pay its oil purchases off, in part, by bartering agricultural goods for fuel (Zarate, 2011; Cordero 2009). However, they also expressed concerns that the agreement might signify a shift from strictly private-sector networks to more politically based relationships aligned with Chávez's brand of socialism.

Honduras signed the Petrocaribe agreement in December of 2007, but Zelaya had publicly accepted Chávez's oil offerings at least since May 2006 (Filho et al., 2013). A few months after the entry of Honduras as a full member of Petrocaribe, Chávez announced even better conditions for members: in the event that oil prices exceeded U.S.\$100 per barrel (as was the case at the time), the members of the agreement could pay 40% of the bill 90 days after they received the oil, and the remainder could be financed at a 1% annual interest rate over a 25-year period. If prices rise higher than U.S. \$150 per barrel, the first payment would be reduced to only 30% of the total price. With entry to ALBA, a country gained access to even greater benefits. For Honduras, some of these benefits included conducting studies for oil prospecting and production on the Honduran Caribbean coast, approval of Honduran projects for ALBA's Fund for Food Production, and health-care cooperation in which Cuban professionals would offer services in Honduras (Filho et al., 2013, p. 15).

Throughout most of 2007, Zelaya remained in good relations with the U.S. and the rest of the Western world, though Zelaya began to shift his goals in the latter half of 2007. By 2008, however, it became evident that Zelaya was not allowed an economic or ideological shift without severe consequences from the U.S. and the Western world.

On October 29<sup>th</sup>, 2008, Zelaya announced that the primary elections, scheduled for November 16<sup>th</sup>, would be delayed because recent rain, flooding, and mudslides impeded the

military's ability to carry out its logistical duties for the balloting (GAO, 2011). On November 30<sup>th</sup>, the primary election to determine Zelaya's replacement was officially held and Elvin Ernesto Santos Ordóñez was selected to be the PLH candidate and Porfirio Lobo was selected to be the PNH candidate in the upcoming presidential election (NID, 2010). Zelaya was willing to transfer his power to the next leader of Honduras, but that commitment did not interfere with his economic policies to make the average Honduran's life a bit easier. Thus, Zelaya continued to fight for the poor despite domestic and international pressure to do otherwise.

By the end of December 2008, after one month of failed negotiations and intense battles in the courts with the business community, Zelaya decided to increase the minimum wage by about 60% (Central America Data, 2009). As a result, Honduran businesses threatened to terminate one of every three employees and challenged the constitutionality of the increase in the Supreme Court (Cordero, 2009). The court decided to uphold the increase in March 2009.

On March 23<sup>rd</sup>, 2009, Zelaya issued an executive decree calling on the National Statistics Institute (INE) to hold a popular referendum on June 28, 2009 (this decree was never officially published) (CRS Report, 2010). The referendum determined if the country should include a fourth ballot box. There are generally three ballot boxes at Honduran voting places: one for the presidential election, a second for congressional elections, and a third for municipal elections (CRS Report, 2010). The fourth ballot or "urn" would ask Hondurans whether a national constituent assembly should convene to consider a new constitution. According to Zelaya, significant changes had occurred in Honduras since the 1982 constitution was drafted. Thus, Zelaya believed that the constitution required amendments to reflect such change (CRS Report, 2010).

Facing tremendous pushback, in April of 2009, Zelaya legally announced his request to ask voters to decide a non-binding survey question on June 28<sup>th</sup> (Frank, 2008, p. 28). Voters were to be asked whether they thought that the upcoming ballot in the November presidential election should include the election of delegates to a constitutional convention to be held sometime in 2011 or 2012 (Frank, 2008, p. 28). Zelaya's goal was to "re-create recent constitutional conventions in Ecuador, Bolivia, and Venezuela that had approved new constitutions expanding democratic rights and the power of Indigenous people, women, small farmers, and others at the bottom" (Frank, 2008, p. 28).

The Honduran elites pushed back on this survey and claimed, without any evidence, that Zelaya was using a constitutional convention to overthrow the constitution's ban on presidential re-election and get himself a second term (Frank, 2008: p. 29). Yet Zelaya would have been long out of office by the time any change might have been made – and he himself never mentioned reelection as a reason for the proposed convention. "On the eve of the June 28 election, as tensions mounted, the military refused to distribute the actual ballots—though under the Honduran Constitution they were legally required to do so when directed by the president. Zelaya commanded them to obey. Then the entire Honduran Supreme Court and most of the Congress fell into line to endorse the armed ouster of Zelaya. Roberto Micheletti, the President of Congress, from Zelaya's own party, announced that he was now president, and the full powers of the Honduran government were lined up against Zelaya—and against the great majority of the Honduran people" (Frank, 2008: p. 29; Malkin, 2009).

On May 26<sup>th</sup>, 2009, Zelaya repealed the March decree and issued a new decree (not published until June 25<sup>th</sup>, 2009). The new decree called for a non-binding referendum in its place to include a fourth ballot box during the November 2009 elections that asked Hondurans about

the national constituent assembly, without mention of a new constitution (Llanos & Martsenintrest, 2010a). Zelaya had initially intended to send a bill to Congress ordering the binding referendum alongside the November 2009 general elections. However, he could no longer count on a secure legislative majority, so he opted for this unofficial (and nonbinding) referendum to pressure Congress to enact the official referendum law (Llanos & Martsenintrest, 2010a). Many immediately criticized the proposal. For example, President of Congress Roberto Micheletti expressed extraordinary opposition, the 2009 president nominees accused Zelaya of trying to eternalize his time in office, and the Attorney General's office accused Zelaya of violating the constitution (Associated Press, 2009).

On May 27<sup>th</sup>, a Honduran lower court judge ordered the suspension of the referendum and two days later, a Honduran lower court judge issued an order clarifying that the May 27<sup>th</sup> ruling applied to other executive decrees that would lead to the same outcome as the suspended decree (CRS Report, 2010). The same day, Zelaya ordered the military to carry out the logistics of the June 28<sup>th</sup> poll (CRS Report, 2010). The ballot was seized by Honduran elites that claimed, without any evidence, that Zelaya was using a constitutional convention to overthrow the extant constitution's ban on presidential reelection and to get himself a second term (CRS Report, 2010). However, Zelaya would have been long out of office when any change permitted him to run for reelection. Furthermore, he never mentioned reelection as a reason for the convention.

On June 19<sup>th</sup>, the Supreme Court ordered Honduran security forces not to provide support for the poll. Four days later, the Honduran Congress passed a referendum law that prevented referenda from occurring within 180 days of a general election (ICC, 2015). On June 24<sup>th</sup>, Zelaya fired the Commander of the Honduran Armed Forces, General Vásquez Velásquez, for refusing to provide logistical support for the poll, which triggered the resignation of the Defense Minister,

Edmundo Orellana, and the commanders of the three armed forces (ICC, 2015). However, the Honduran military was legally required to follow this order when directed by the president under the Constitution (Malkin, 2009). The crisis escalated the next day when the Supreme Court ordered the General to be reinstated (a power it constitutionally lacked), and Zelaya refused the order, claiming its illegality. On June 25<sup>th</sup>, Zelaya led a large group of supporters to the military base, where balloting materials for the poll were being stored, and took possession of the materials (ICC, 2015). On June 26<sup>th</sup>, 2009, the Organization of American States (OAS) adopted a resolution that offered support for the preservation of democratic institutions and the rule of law in Honduras and called on all social and political actors “to ensure that their actions respect the rule of law, in order to avoid a disruption of the constitutional order and of social peace” (OAS, 2009: 1699)

Zelaya supported a 50 percent increase in the minimum wage, opened the door to restoring the land rights of small farmers, and, most importantly, stopped multiple power grabs by the elites, who sought to privatize the publicly owned ports, education system, electrical system, and anything else they could get their hands on (Frank, 2008: p. 28). Zelaya’s flirtation with leftist politics is strongly associated with his proximity to Chávez, with the country’s entry to ALBA commonly considered as the consolidation of Zelaya’s switch (Filho et al., 2013). The energy crisis faced by the Zelaya presidency, and it resulting in the breakup of a decades’ long oligopoly held by Esso, Texaco, and Shell over the sector, put Zelaya at odds with the U.S. Embassy (Filho et al., 2013). The competitive bidding process damaged Honduras’s attractiveness to foreign capital investment because it was portrayed as a breaking of contracts (Pirker & Núñez, 2010: 118). Zelaya was elected as a right-of-center candidate and demonstrated such qualities throughout 2007.



In the early morning of June 28, 2009, the Honduran military kidnapped Zelaya, stopped at Soto Cano Air Base to refuel, and sent him abroad to Costa Rica. That afternoon, the National Assembly passed a resolution affirming Zelaya's removal and electing Roberto Micheletti as the new President of Honduras (ICC, 2015). Supreme Court officials later stated that an arrest warrant had been signed and given to the military to execute. The Supreme Court and other coup planners argued that Zelaya had violated the Constitution by seeking to amend it, most likely to secure another presidential term. Although the armed forces who led it would not label it as such, the coup was condemned by governments all over the world (OAS Press Release, 2009; Office of Press Secretary, 2009).

When Obama became president in 2008, his administration believed the "pink tide" of leftist governments in Latin America jeopardized the neoliberal economic policies the U.S. had imposed in the region (Frank, 2018). By 2009, it was clear that Zelaya's administration had become one of the leftist governments that threatened the neoliberal economic order imposed by the West and thus destroyed its relationship with the economic elites in the U.S. and the rest of the world. It is evident that Zelaya's shift in economic policies and stances played a major role in catalyzing the 2009 coup d'état. Zelaya began to show himself as more willing than his predecessors to listen to the complaints of impoverished communities affected by the operations of international foreign corporations. It was clear to Zelaya and the Honduran population that the economic growth experienced in the 1980s through 2005 was not trickling down to solve issues of poverty. In addition to Zelaya's choice to ally with other leftist leaders in the region, Zelaya's actions (e.g., the energy industry, policies to substantially increase the minimum wage, etc.) upset the economic elites in Honduras and the Western world alike, whose members had long ago pledged their allegiance to the predatory capitalism endorsed by the U.S.

In 2006, Manuel Zelaya was democratically elected as the president of Honduras. While in office, his ideological and policy stances shifted left as he began to embrace other progressive leaders and put forth policies that challenged the recent trend toward neoliberalism in the region (Taylor-Robinson & Ura, 2012; Frank, 2018; CRS Report, 2020). In 2009, Zelaya was removed from office in a U.S.-backed military coup and eventually sent into exile. U.S. involvement has been noted in the events leading up to and following the 2009 coup d'état in Honduras, precisely in-line with the economic and political goals of the U.S. government, U.S. elites, and U.S. foreign allies (Taylor-Robinson & Ura, 2012; Frank, 2018; CRS Report, 2020; Hendricks, 2021). When the U.S. elected Obama president in 2009, his administration was threatened by the “pink tide” of left-leaning governments in the region because they challenged the neoliberal policies the U.S. had worked to impose on the region (Frank, 2018; Hendricks, 2021). The goal of the U.S. in the 2009 coup was to regain dominance over the region and protect economic interests. Research clearly demonstrates how low a priority democracy was on the list of U.S. interests (Frank, 2018; Hendricks, 2021).

### **Aftermath of the 2009 Coup**

This section will outline the aftermath of the 2009 coup. The first section will outline the international response, including that of the U.S., whereas the second section will focus on the U.S. and its involvement in the coup. The purpose of this section is to show that: (1) the U.S. response to the coup did not match that of the rest of the democratized world and its international institutions and (2) the once classified U.S. foreign policy documents demonstrate covert involvement in the aftermath of the coup.

## **International Response**

The coup caused conditions in Honduras to spiral rapidly, forcing the Honduran people down a path of further repression, violence, and increasing poverty levels. The de facto regime of Micheletti destroyed the rule of law, gutted the country's welfare state, and bolstered the highest murder rate in the world, paving the way for corruption, organized crime, and the diminishment of democracy and human rights. For example, on June 20<sup>th</sup>, pro-Zelaya protestors clashed with police in Tegucigalpa, and Micheletti ordered an emergency decree that limited public gatherings and shut down news broadcasters expressing anti-coup sentiment (Washington Post, 2009). In response to Honduras's onslaught of democratic institutions and human rights, hundreds of thousands of Hondurans fled the country and traveled north under extremely dangerous circumstances.

On the same day Zelaya was kidnapped, the OAS held an emergency meeting condemning the coup (OAS Press Release, 2009). The following day, many international leaders, including Obama and Clinton, as well as other international bodies, condemned Zelaya's removal and demanded the return of Zelaya to the presidency. Echoing Clinton, Obama was "deeply concerned" and called on "all political and social actors in Honduras to respect democratic norms, the rule of law, and the tenets of the inter-American Democratic Charter" (Office of the Press Secretary, 2009).

Through a completely illegitimate election, Lobo would be the new president of Honduras and the U.S. was keen on recognizing the election as free, fair, and transparent (Aljazeera, 2009). Rather than seeing the election as a democratic failure, the U.S. State Department released a statement praising the election process, despite repression of civil liberties that made a free and fair election clearly impossible. The statement read, "We commend the

Honduran people for peacefully exercising their democratic right to select their leaders in an electoral process that began over a year ago, well before the June 28 coup d'état" (U.S. Dept. of State, 2009).

Between June 28<sup>th</sup> (the day Zelaya was kidnapped) and 29<sup>th</sup>. U.S. officials scrambled to provide a public response to the coup. On the 28<sup>th</sup>, the State Department and the White House released statements that expressed concern but did not refer to the events in Honduras as a coup (Johnston, 2017, para. 24). On June 29<sup>th</sup>, however, President Obama declared the coup illegal, and that the U.S. considered Zelaya the legitimate president of Honduras (Johnston, 2017, para. 25). Days later, Rodriguez reported "Most Hondurans I've talked to are confused by the U.S.'s reaction and feel somewhat abandoned by us" (Johnston, 2017, para. 26). An interview with Rodriguez said that "most Honduran officers knew the U.S. didn't really like Zelaya, and they thought it would be seen as politically expedient to get a new guy that is favorable to the U.S." (Johnston, 2017, para. 26). In retrospect, it is evident that the U.S. was struggling to serve its public interests of democracy promotion and its private interests of capitalist protection.

On July 1<sup>st</sup>, the OAS adopted a resolution that gave the de facto regime 72 hours to reverse the coup or face sanctions and suspension from the organization (OAS Press Release, 2009). On the same day, the U.N. General Assembly adopted a resolution that condemned Zelaya's removal and called for his immediate return (U.N.: GA/10840), the Inter-American Development Bank and the World Bank suspended aid, and the Pentagon suspended joint military operations with the Honduran military (U.S. State Dept, 2009; Weisbrot, 2009). However, in light of a planned OAS delegation to Honduras, U.S. officials said they would delay labeling the event a coup until the OAS Secretary General José Miguel Insulza returned with a report (Washington Post, 2009). Also on July 1<sup>st</sup>, Zelaya made his first attempt to negotiate with

the de facto regime. He insisted he would conduct a peaceful transition of power at the end of his term in January if he were to be reinstated (Sisk, 2009).

Despite Zelaya's attempts to appeal to the coup regime, his power was not reinstated within the 72 hours given by the OAS. Thus, on July 5<sup>th</sup>, the OAS expelled Honduras from the organization, the first time it had expelled a country since Cuba in 1962 (OAS Press Release, 2009). On the same day, Zelaya tried to enter Honduras on a plane supplied by Venezuela. Zelaya's plane was surrounded by additional planes carrying the presidents of El Salvador, Argentina, Paraguay, and Ecuador and the Secretary-General of the OAS, Jose Miguel Insulza; however, Zelaya was the only one forced to land in Managua (Reuters, 2009a). Zelaya stated that he was attempting to resolve the problems without violence and that a diplomatic solution would require Washington's approval, saying: "From tomorrow the responsibility will fall on the powers, particularly the United States" (Carroll, 2009). On the same day, the Honduran Army shut down the airport and clashed with pro-Zelaya protesters, resulting in the death of at least one Zelaya supporter (Reuters, 2009a). Despite the violence, Zelaya continued his attempts to rightfully regain his spot as the leader of Honduras.

These efforts continued on July 7<sup>th</sup> when Zelaya went to Washington DC to meet with U.S. Secretary of State Hillary Clinton. Following the meeting, Secretary Clinton announced that Zelaya and Micheletti had agreed to engage in negotiations mediated by Costa Rican President Oscar Arias, later known as the San Jose Accords (U.S. Department of State, 2009). Clinton stated that the U.S. requested all parties "to refrain from acts of violence and seek a peaceful, constitutional, and lasting solution to the serious divisions in Honduras through dialogue" (U.S. State Dept, 2009). Obama echoed this statement, saying that the U.S. supports "the principle that people should choose their own leaders, whether they are leaders we agree with or not"

(Financial Times, 2009, para. 29). Both Zelaya and the de facto regime agreed to the Costa Rica-sponsored talks. However, Zelaya was still not allowed back in Honduras. On July 24<sup>th</sup>, Zelaya briefly crossed the Nicaraguan border and entered Honduras for the first time since his removal. In response, Micheletti imposed a border curfew on the Honduras-Nicaragua border (Reuters, 2009). As Zelaya attempted to motivate supporters and make his way back to the Honduran capital, the de facto government escalated its repression against pro-Zelaya supporters and the media.

Throughout this time, the coup regime continued to be widely repudiated around the globe. Brazil and ALBA countries removed their ambassadors, El Salvador and Nicaragua launched trade embargos, and other states such as Colombia, Costa Rica, and Mexico joined in condemnation (Reuters Staff, 2009b). Guatemalan President Alvaro Colom declared that “the coup would cause a domino effect in the whole region,” and the Dominican Republic President Leonel Fernandez agreed that the coup would be “contagious” (Reuters Staff, 2009c). Chávez went so far as to threaten a military invasion of Honduras if Zelaya was not restored (Reuters Staff, 2009c). Every country in the region, except the U.S., withdrew their ambassadors from Honduras, and all ambassadors of the E.U. were recalled (CBC, 2009). The World Bank and the IBD suspended lending to Honduras. While the world was trying to maintain pressure on the de facto government, coup sympathizers in the U.S. undermined its ability to sustain such pressure.

The greater majority of the world was championing democracy promotion, rather than neoliberal reform, in the region (Frank, 2018, p. 37). On August 14<sup>th</sup>, Brazil pressured the U.S. to impose trade sanctions on the de facto regime. Brazilian Foreign Minister Celso Amorim stated that the reestablishment of democracy “would largely depend on the U.S. position” (Naiman, 2009, para. 15). This marked the beginning of Latin American leaders’ perception that the U.S.

was essentially ‘dragging its feet’ on Zelaya’s restoration. Zelaya urged Washington to withdraw its ambassador from Honduras and block the visas of the coup leaders and freeze their bank accounts, which the U.S. refused to do, despite public condemnation (Luhnow & Cordoba, 2009). As time went on, it only became clearer that the U.S. was unwilling to take substantial action to condemn the coup.

By early September, the U.S. State Department eventually cut off a portion of police and military aid (Sheridan, 2009). The announcement for cut-off assistance triggered opposition from Republicans in Congress who had denounced the Obama Administration and held up some diplomatic appointments in protest, a development many observers argued led to the U.S. reversing its stance on the elections later on (Sheridan, 2009). Regardless, the U.S. never condemned the vicious and ongoing human rights abuses by the de facto government. Moreover, Obama and Clinton refused to ever use the phrase “military coup,” only “coup,” which would have legally obligated the U.S. to stop almost all foreign aid to Honduras immediately. According to a section of the Foreign Assistance Act, a law first enacted in 1961, the U.S. must suspend foreign aid to any country under the control of a military coup (22 U.S. Code § 8422) (Cornell Law).

Meanwhile, the human rights situation in Honduras became much worse. On September 21<sup>st</sup>, Zelaya snuck into Tegucigalpa and took shelter from arrest at the Brazilian embassy, where he would remain until after the new elections concluded in January (Frank, 2018). In response, the de facto government shut down the capital, imposed new curfews, and continued to clash with pro-Zelaya supporters who gathered outside the embassy. The military and police immediately surrounded the embassy, set off tear gas outside, cut off most supplies, and began psychological harassment that lasted for months (Frank, 2018, p. 46). Human rights violations

continued to spike. When asked about the violations, Clinton said the government tried to impose a curfew to get people off the streets to avoid unforeseen developments, never mentioning the human rights violations occurring (Associated Press, 2009).

Zelaya remained in the Brazilian embassy while the U.S. sponsored San Jose Accords continued. On October 8<sup>th</sup>, an OAS delegation of diplomats from the US, Canada, Latin America, and the Caribbean met again in Tegucigalpa to negotiate with Micheletti (The Guardian, 2009). With Zelaya now captive in the embassy, the coup regime was satisfied as Zelaya became weaker in his position within U.S.-manipulated negotiations in San Jose. On October 30<sup>th</sup>, Zelaya agreed to an accord with Micheletti, brokered by the U.S., to briefly restore Zelaya's power until the end of his term in January. The goal was for Zelaya to serve as part of a "unity government" that would also form a truth commission to address the coup and its aftermath. The de facto regime agreed to sign a deal to end the crisis and possibly restore Zelaya. The only catch was that the pro-coup Honduran legislature had veto power over Zelaya's return (Main, 2016). Accordingly, on November 3<sup>rd</sup>, Thomas Shannon, Assistant Secretary of State for Western Hemisphere Affairs, and the architect of the U.S. post-coup strategy, told CNN that the U.S. would recognize the outcome of the election even if Zelaya's power was not restored (CBS News, 2009; Finnegan, 2009).

### **U.S. Response**

The purpose of this section is to demonstrate U.S. involvement in the 2009 coup in Honduras through documents and information that was not public in the direct aftermath of the coup. In the aftermath of the coup, the U.S. was acting much differently than the rest of the democratized world in response to the coup. It eventually became clear that the U.S. was



working behind the scenes to pursue an anti-democratic agenda that contradicted the one being pushed to the public. Instead of being democratic, the interests of the U.S. appear to be rooted in capitalism. The story of Honduras reveals much about how foreign policy works in general, not just in Honduras (Johnston, 2017). As will be made clear throughout this section, U.S. military actors were motivated by an obsessive concern with Chávez's perceived influence in the region, rather than just with developments in Honduras itself (CEPR, 2017; Johnston, 2017).

In a timeline established by multiple interviews and an official record obtained through the Freedom of Information Act by independent researcher Jeremy Bigwood, the relationship between the U.S. and Honduras became clearer (Johnston, 2017, para. 20). The night before the coup, Colonel Kenneth Rodriguez, the U.S. Military Group commander in Honduras, received an urgent call asking him to meet with the head of the Honduran military General Romeo Vásquez Velásquez, the leader of the coup (Johnston, 2017, para. 20). The Military group operates outside of the embassy's chain of command and works directly with the Center for Hemispheric Defense Studies (CHDS) to oversee training programs and security assistance. Rodriguez agreed to meet, but there was no discussion of what was about to occur, according to the official record (Johnston, 2017, para. 21). As early as June 26<sup>th</sup>, however, Pentagon sources in Honduras believed it was likely that Zelaya's proposed referendum would "not happen" and that Zelaya could be "forced to resign" due to military opposition (Johnston, 2017, para. 23). Meanwhile, a Honduran military advisor's warning the night before the coup was met with indifference from the U.S. ambassador (Johnston, 2017, para. 16). This information was not made public until well after the coup, though it provides context that is crucial in understanding the U.S. response to and involvement in the coup.

Following Micheletti's coup regime, Lobo became the new president of Honduras, and the U.S. was keen on recognizing the election as free, fair, and transparent (Aljazeera, 2009). On the day of the election, Thomas Shannon wrote to Hillary Clinton advising her how to respond to it: "As we think about what to say, I would strongly recommend that we not be shy. We should congratulate the Honduran people, we should connect today's vote to the deep democratic vocation of the Honduran people, and we should call on the community of democratic nations (and especially those of the Americas) to recognize, respect, and respond to this accomplishment of the Honduran people" (Main, 2015, para 25).

Before the coup and for at least 57 days after, the U.S. provided the coup regime in Honduras with tens of millions of dollars in aid money through the MCC (CEPR, 2009). Mark Weisbrot, Co-Director of the Center for Economic and Policy Research (CEPR), stated "It [was] unclear why the U.S. [had] not cut MCC funds to Honduras, considering its stated opposition to the ouster of President Zelaya and its stated intentions to pressure the coup leaders." (CEPR, 2009: para 2). With a lack of real effort to condemn the coup, there was mounting pressure on the Obama administration to enact further sanctions on the regime. On August 7<sup>th</sup>, sixteen Democratic members of Congress wrote President Obama urging him to freeze the assets of coup leaders and deny them entry into the U.S. Yet, almost two months after Honduran military forces broke into President Manuel Zelaya's home and ousted him from his bed at gunpoint before flying him out of the country, the Obama administration had not responded to the letter, nor had it made a legal determination as to whether a coup d'état took place in Honduras (CEPR, 2009). A legal determination that these events did constitute a coup would trigger a suspension of aid under the Foreign Assistance Act (CEPR, 2009). Additionally, from 2009 to mid-2016, the U.S.

provided about \$200 million in military and police aid to Honduras, a controversial decision given the violence in Honduras and the government's human rights violations (Blitzer, 2016).

Soon after the coup, the de facto regime in Honduras started a high-profile campaign in Washington to convince sympathetic Republican politicians that Zelaya was a Chávez-style threat to both Honduras and American interests in Latin America (Thompson & Nixon, 2009). As a result, U.S. legislators were stuck between those who condemned the coup and others who argued that Honduras's self-proclaimed new government is constitutional (Frank, 2018, pp. 26-49). Conservatives defended the coup by placing it within the larger context of Chavismo, the leftist political ideology based on the ideas associated with Hugo Chávez. Later on, allegations from a whistleblower at SOUTHCOM's flagship military training university revealed that a retired general was aiding the Honduran military in their efforts to lobby U.S. Congress members to support the coup (Johnston, 2017). Thus, the Obama Administration found itself influenced by Republican members of Congress and from conservative sectors in Latin America to search for a 'compromise' to avoid reinstating the ousted president (Frank, 2018, pp. 26-49).

By August 2009, it became clear to the public that the Obama administration would allow the coup regime to stabilize to stall time before the November 29<sup>th</sup> elections (Frank, 2018, p. 44). Human rights violations were rampant, especially between protestors and the military, who many human rights organizations accused of targeting political opposition and conducting forced disappearances (IACHR, 2009). The Honduran economy also performed poorly. One source reported that estimates indicated trade activity was down by 60% with more than 200 road barricades erected, facing repression by the army trying to keep production moving (COHA, 2009). The U.S. had not yet imposed trade sanctions, which would have further decimated the Honduran economy. A senior U.S. official wrote Republicans in Congress on August 4<sup>th</sup>

claiming, “U.S. policy was not aimed at supporting one person in particular” but instead to support “the Honduran people’s aspirations for democracy” (Luhnow & Cordoba, 2009, para. 4). However, the letter went on to criticize Zelaya for actions that “contributed to polarization of Honduran society and led to a confrontation that unleashed the events that led to his removal” (Luhnow & Cordoba, 2009, para. 3). This is contradictory, of course, as it shows the difference in U.S. foreign policy that is described to the public versus the reality being discussed behind closed doors. Accordingly, in August of 2009, Army chief general Miguel Angel García Padgett and other top Honduran military officials appeared on a popular Honduran TV program and defended their actions. Padgett said that he had discussed the dangers of socialism in the region at the CHDS in Washington and that the military’s actions should be praised as they prevented socialism from coming “to the borders of the United States” (Johnston, 2017, para. 35).

All the while, the U.S. continued to strategize on how to keep Zelaya out of power without explicitly endorsing the coup that had occurred just four months prior. Evidence described by Lee Fang in a 2015 article published by The Intercept revealed that Clinton suggested using Lanny Davis as a back-channel to Micheletti. Davis is best known as the lawyer who defended Bill Clinton during the presidential impeachment proceedings, though at this time, Davis was working as a consultant to a group of Honduran businesses who had supported the coup (Lovato, 2009; Fang, 2015). Davis confirmed that he was working with Camilo Atala and Jorge Canahuati, who represented the Honduras Chapter of the Business Council of Latin America (CEAL) (Lovato, 2009), thereby confirming that he was working with powerful Honduran families and that he served the powerful business interests that ran Honduras during the decades before the leftward turn of Zelaya.

The suggestion made by Clinton to speak with Davis happened on October 22<sup>nd</sup>, 2009 (Lang, 2015). A week later, Clinton and her top aides brokered a deal to bring Zelaya back to power through a national unity government (Thompson & Malkin, 2009). While the deal was widely reported as a positive development, a loophole provided the pro-coup Honduran legislature with veto power over Zelaya's return (Lang, 2015; Johnston, 2017). Thus, as we are now aware, the plan fell apart, and the de-facto government sponsored a fraudulent election while denying Zelaya's return (Freedom House, 2010). The U.S. recognized the results of the election. The doubt surrounding the election caused observers from the U.N., the OAS, the E.U. and the Carter Center to refuse to monitor or support the election (CRS Report, 2010). The U.S. parted from the majority and promptly recognized the election as free and fair and normalized relations with the newly "elected" regime of coup supporter Porfirio Lobo Sosa. The election was overrun by violence, with anti-coup organizers murdered before the election, police violently suppressing an opposition rally in San Pedro Sula, and suspending left-leaning media outlets (Amnesty International, 2009; CRS Report, 2010).

In Clinton's memoir, *Hard Choices* (2014), she confesses that she used the power of her office to ensure that Zelaya would not return to the presidency, "In the subsequent days [after the coup] I spoke with my counterparts around the hemisphere, including Secretary Espinosa in Mexico," (p. 640) Clinton states. "We strategized on a plan to restore order in Honduras and ensure that free and fair elections could be held quickly and legitimately, which would render the question of Zelaya moot" (p. 641). As many critics have pointed out, the question of Zelaya was anything but moot (see Weisbrot, 2014). Latin American leaders, the U.N. General Assembly, and other international bodies demanded Zelaya's immediate return to office while Clinton stood by her anti-democratic stance (OAS, 2009). Her false testimony reported that Zelaya was

arrested amid “fears that he was preparing to circumvent the constitution and extend his term in office” (Clinton, 2014, p. 638). He was trying to put a consultative, nonbinding poll on the ballot to ask voters whether they wanted to have a real referendum on reforming the constitution during the scheduled election in November. Zelaya was not eligible to run in that election, even if he had gotten everything he wanted, it was impossible for him to extend his term in office (Weisbrot, 2014). But this did not stop Honduras and the U.S. from using false charges of tampering with the constitution to justify the coup. Clinton and the State Department did not want Zelaya back in power, even though he was the democratically elected president of Honduras – these quotes have been edited out of the paperback version of the book (Weisbrot, 2014).

This information, which is incomplete and was unavailable until years after the coup that overthrew Zelaya, shows the often-hidden roles that various actors within the US foreign policy establishment play in determining and carrying out policy. It is clear is that personal relationships matter just as much as any official policy position announced in Washington. (CEPR, 2017).

Despite reports from Amnesty International, Human Rights Watch, and dozens of other international observers, U.S. media was reporting as if the repression in Honduras was not even happening (Amnesty International, 2009; Human Rights Watch, 2009; Naiman, 2009; New York Times, 2009; Corcoran, 2010). Although the U.S. State Department had long cited the credibility of these international election monitors and had utilized them to deem other elections free and fair, the U.S. had no problem taking a contradictory stance in the election of 2009 to both the foremost international election observers and the rest of the democratized world. Keep in mind that, in 2009, the U.S. State Department website insisted the U.S. was committed to

“strengthening democratic governance, [promoting] human rights and the rule of law, ... and improving the long-term security situation in [Honduras]” (U.S. State Dept, 2009). Instead, the Obama administration abandoned the Honduran people by supporting the election and its results, which paved the way for the coup-supporters of the PNH to solidify power and usher in a new wave of violence and repression in Honduras.

Obama and Clinton supported the success of a military coup in Honduras because they saw the government was curbing the neoliberal policies designed to serve the interests of transnational corporations and economic elites (Main, 2016). There is no concrete evidence that the U.S. prompted the coup or approved it in advance. However, we do know that “the plane in which the Honduran military flew Zelaya out of the country stopped to refuel at Soto Cano Air Force Base, a joint US-Honduran base, and we can presume that it would not have done so without U.S. permission” (Frank, 2018). We know that four of the six top generals who oversaw the coup were trained by the United States at the School of the Americas/Western Hemisphere Institute for Security Cooperation in Fort Benning, Georgia, and that it is unlikely that they would have perpetrated a coup without U.S. approval (Democracy Now, 2009; SOA Watch, 2012). The night before the coup, top Honduran military officials attended a party thrown by the U.S. Embassy’s defense attaché (Johnston, 2017). At nine o’clock that night, Rodriguez left the party to meet with Gen. Romeo Vásquez Velásquez, then returned to the festivities (Johnston, 2017). The next morning, Vásquez led the coup.

Whatever happened before, it is clear what the U.S. did afterward to ensure the coup regime’s success. U.S. support for the coup stemmed from geopolitical interests in reasserting U.S. power in the hemisphere. According to Frank (2018), Soto Cano Air Base is one of the few places in Latin America where the U.S. can land its big planes, especially after Ecuador evicted

the U.S. from its base in 2007. Thus, it is safe to assume that the aircraft that escorted Zelaya out of Honduras would not have been allowed to land at Soto Cano without U.S. approval (Frank, 2018). Such concerns, in turn, serve transnational corporate interests in extracting wealth from Honduras and ensuring U.S. regional control more broadly. By the time of the coup, the Honduran economy was still largely dependent on the maquiladora industry, while mining corporations were moving in on mineral resources. Corporate interests flourished as neoliberal economic policies, enforced by the IMF and World Bank, promoted the elimination of basic governmental services and privatizations of state-owned entities. Therefore, this indicates that Zelaya was only moderately “leftist”, but his rhetoric and allegiance to other leftist nations in Latin America was enough to justify a coup d’état to oust a democratically elected leader who was implementing economic policies outside the purview of the West’s neoliberal agenda.<sup>3</sup> Honduras might have been experiencing positive macroeconomic trends and had a positive relationship with the West before Zelaya, but the Honduran people were only becoming poorer. By that, it is up to any good leader to choose the well-being of his people over the Western agenda that only benefits those at the top.

U.S. involvement to ensure Zelaya did not return to the Honduran presidency is an example of a covert operation because it was intended to influence political, economic, or military conditions in Honduras (National Security Act, 1974). There is no reason to support a coup regime if it is not to influence at least one of these conditions. Without full access to official U.S. foreign policy documents concerning the coup and its aftermath it is impossible to know whether the U.S. intended to conceal its involvement in the coup and/or the aftermath, but

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<sup>3</sup> “Barely begun a leftist transition” refers to the idea that he was barely considered a leftist, rather than meaning he had just he was just beginning to embark on this transition



we do know that the U.S. actively chose to conceal the following information and the public was not made aware of any involvement until years after.

Regardless of how left-leaning Zelaya was before the coup, his actions that undermined the West were enough to support a coup to oust him from office. Zelaya was the weakest of the new center-left and left leaders in Latin America, and he lacked an independent party and a popular base (Frank, 2018). He made an excellent first victim as U.S. support for the coup warned all the other governments that they could be next. It did not matter how democratic or un-democratic Zelaya was; what mattered was his disobedience to the global superpower that would not hesitate to champion democracy while simultaneously supporting the ouster of a democratically elected president. While the West and its economic elites are not the only influential actors, they are an important one to be considered. Thus, while Honduras enjoyed 27 years of uninterrupted democracy, I have illustrated that this system was interrupted by the West, particularly the U.S., and its economic elites who felt threatened by Zelaya's efforts to choose the well-being of Hondurans over the capitalist and neoliberal global order.

## **Conclusion**

The present case study illustrates the theoretical framework of this thesis which, in turn, suggests the capitalist peace theory may be more useful than the democratic peace theory in explaining the relationship between advanced industrialized democracies and weak or emerging democracies. The relationship between the U.S. and Honduras was considered very strong from the military's relinquishment of power in 1982 to the election of Zelaya in 2006. The democratic situation remained virtually the same throughout the latter half of the 20<sup>th</sup> century and Zelaya's time as president. This is not to say that the country was ever considered an established

democracy. But instead, there were no clear indications that these administrations intended to de-consolidate Honduras's democratic institutions or norms. Still, Honduras faced human rights violations throughout these years that the U.S. and other international institutions condemned. Yet, the U.S. continued to refer to Honduras as a constitutional democracy, and their relationship with the country only got stronger as the years went on. When Zelaya assumed office in 2006, he carried out his predecessors' same economic and social policies for the first year. However, he eventually began a shift to abandon neoliberalism by late 2007, early 2008. The democratic situation in the country did not change throughout 2006-2008, though the country's relationship with the U.S. and the international community at large changed drastically. A reasonable indication for the shift in foreign relations is Zelaya's policies and stances that rejected the tenets of capitalism and the West's neoliberal agenda (e.g., ALBA, Petrocaribe) and thus Honduras's current position in the global market and with the U.S. and the multilateral financial institutions.

The democratic peace theory holds that democracies rarely go to war with one another because they share a common set of democratic norms and institutions that resist the prospects of war. As mentioned, this thesis considers an additional outcome variable of intervention (e.g., coups) instead of militarized interstate disputes in analyzing the present relationship between advanced industrialized democracies and weak or emerging democracies. To reiterate, the argument I present holds that the capitalist peace theory likely explains peace among nations better than the democratic peace theory, as it can explain peace, or the lack thereof, between advanced industrialized democracies and weak or emerging democracies.

With that in mind, by no means was Honduras ever considered a consolidated democracy, but the U.S. was perfectly fine with its democratic institutionalization and progress throughout the latter half of the 20<sup>th</sup> century and through the beginning years of the Zelaya

presidency. Yet, when Zelaya began to reject neoliberalism, he was ousted in a coup based on false claims that he was trying to circumvent the constitution and extend his term in office (Weisbrot, 2014). After the coup, the U.S. pushed for new elections that helped legitimize the actions of the Honduran military, destabilize the country, and pave the way for the extreme violence that followed (Planas, 2016). The logic of the democratic peace theory implies the spread of democracy will promote peace. Before Zelaya, the U.S. and Honduras had a peaceful relationship while Honduras practiced democracy and participated in the neoliberal global order. One of the major differences between Zelaya and his predecessors was his threat to neoliberalism, thus making it quite simple to realize the motives of the U.S. and the Western world in general.

During its years of peace with the U.S., Honduras can only be considered a developing democracy. If the democratic peace theory is only extended to a dyad that includes two advanced democracies, what compelled the U.S. to achieve a peaceful relationship with Honduras? Regardless of the advanced versus weak restriction placed on the democratic peace theory, it is virtually impossible to argue that U.S.-Honduras peace during the 1980s-2005 works to support the democratic peace theory because it was immediately followed by a U.S.-supported assault on the democratic institutions of Honduras. One of the biggest changes between 1980 and 2005 was the election of a leader who understood the pitfalls of global capitalism, or at the very least, realized the stark difference between economic interests and the well-being of the Honduran people. The 2009 coup to oust a democratically elected leader who threatened neoliberalism reflects the validity of the capitalist peace theory in which the U.S. let go of its fictitious support for democracy in the pursuit of capitalist interests.

This thesis argues that as leaders in weak/developing democracies implement leftist economic policies that threaten the investments, capital, and wealth of economic elites in advanced industrial democracies (e.g., the U.S.), then these elites are more likely to utilize their political influence and power to shape foreign policy (e.g., overt, or covert operations) to such country. The present case study illustrates this argument. Since the coup, a great deal of information has come out to suggest the U.S. knew it was coming and supported it before and after the fact. Moreover, the literature shows the most decisive influence of U.S. foreign policy is the business elite. Thus, when an advanced industrialized democracy has to choose between supporting a democratic leader that rejects neoliberalism and an autocratic leader that accepts neoliberalism, the economic elites will decide to keep the latter.

Beyond Zelaya joining the ALBA in 2008, he made various attempts that threatened the interests of economic elites, corporations, and thus the United States while in office. Zelaya was ousted in a coup and the U.S. was unwilling to have him reinstated or recognize the undemocratically elected leader Micheletti. The U.S. intervened in the political process in post-coup Honduras, demonstrating its prioritization of capitalist interests rather than the promotion of democracy. The following chapter is an illustrative case study on Nicaragua that demonstrates yet another situation of the real motives behind U.S. foreign policy. Daniel Ortega was re-elected in 2007 and immediately began to destroy the democratic institutions of Nicaragua, yet he enjoyed a peaceful relationship with the U.S. due to his commitment to neoliberalism.

In the present scenario, we see the U.S. intervening in a coup d'état, abandoning the support of a democratically elected leader, refusing to acknowledge the ongoing human rights violations of the de facto leader, and then supporting a fraudulent election to officially replace the democratically elected president. To further demonstrate the existence of my theory in the

empirical domain, it is important to look at a case study that reflects the opposite of this. In the following chapter, we see the U.S. prioritize capitalism over democracy promotion, but in an opposite string of events. The U.S. chooses to turn a blind eye to Daniel Ortega, despite his clear efforts to destroy the democratic institutions of Nicaragua, because he has demonstrated a commitment to neoliberalism.

### CHAPTER III: U.S. FOREIGN POLICY AND THE PRESIDENCY OF DANIEL ORTEGA

As the democratic peace theory holds, Latin American countries participating in democratization should enjoy peaceful relations with other democratic countries. Several Latin American democracies began shifting away from the neoliberal economic model at the start of the 21<sup>st</sup> century, which, in turn, triggered U.S. involvement to reverse the trend (i.e., as highlighted in the previous chapter related to Honduras). However, the story of Nicaragua is a bit unique compared to other Latin American countries. In fact, it is the opposite of what happened in Honduras. Daniel Ortega of the Sandinista National Liberation Front (FSLN) was the president during the 1980s and adopted economic policies counter to the Western capitalist agenda. As a result, the U.S. was heavily involved in Nicaraguan affairs during these years. However, by the late 1990s and early 2000s, Ortega demonstrated signs of rapprochement with the U.S. and other Western neoliberal institutions and countries, thus allowing him to escape U.S. intervention as he slowly deteriorated Nicaragua's democracy and democratic institutions throughout the 21<sup>st</sup> century.

Although Ortega was democratically elected in the first presidential election following the revolution in 1984, his economic policies during this time gave way to U.S. involvement. Then, in 2007, after losing three consecutive elections, Ortega was re-elected as president and began to pursue neoliberal economic policies and erode key democratic institutions in Nicaragua. Unsurprisingly, the U.S. decided to stay out of Nicaraguan affairs on this go-around. And once again, we are presented with a situation in which the U.S. has chosen to pursue economic interests over democratic norms and institutions. Therefore, it is worth looking back on Daniel Ortega's role in Nicaragua's economic and political evolution in recent decades and how this

shift has shaped Nicaragua's position on the international stage and U.S. foreign policy toward the country.

This chapter aims to illustrate the evolution of Daniel Ortega's political life in Nicaragua and how it has impacted his relationship with the U.S. and the international community-at-large. He began as a left-wing revolutionary in the 1970s who fought against the U.S.-backed anti-communist dictatorship of Anastasio Somoza. However, in the early 21st century, he morphed into an ideologically conservative president who helped advance the neoliberal agenda. This chapter demonstrates that Ortega is an example of a Latin American leader who shifted his leftist policies to adhere to the Western agenda and thus escaped U.S. intervention in political affairs in the 21<sup>st</sup> century. To demonstrate this shift, the chapter is split into two primary sections; the first focuses on the FSLN and Daniel Ortega in the revolution and post-revolution period (1979 to the early 2000s), and the second on the reelection of Ortega in 2007 and the years following.

This shift refers to two distinct relationships. The first section will demonstrate the first relationship in which, throughout the latter half of the 20<sup>th</sup> century, Ortega pursued a democratic government with a mixed economy. This economic approach was too leftist for the U.S., and as a result, U.S. intervention occurred. The second section will demonstrate the relationship in which, throughout the 21<sup>st</sup> century, Ortega accepted the tenets of capitalism and the West's neoliberal agenda, though immediately began to erode the democratic institutions in Nicaragua upon his reelection in 2006. Today, Ortega is the dictator of Nicaragua and has set up a dictatorial dynasty. Over the last 16 years, the U.S. has not intervened in this brutal dictatorship because Ortega is now a market-friendly leader – the same situation present during the Somoza dictatorship.

## **The Revolution and Post-Revolution Periods (1979 to the early 2000s)**

Ortega has been an influential figure in Nicaragua for most of his life. To understand his background in Nicaraguan politics, it is crucial to illustrate the economic and political situation that ensued in the country between the onset of the revolution in 1979 to Ortega's reelection to the presidency in 2006. Ortega's political career throughout the 20<sup>th</sup> century can be summarized as a revolutionary leader turned president who was an outspoken critic of U.S. imperialism and a firm supporter of leftist economic reforms for Nicaragua. A political career, however, that was characterized by intense U.S. intervention to support the spread of neoliberalism in Latin America. This section illustrates that, despite Ortega's democratic ambitions and values throughout the 20<sup>th</sup> century, his rejection of capitalism may have led to U.S. intervention during this time. It is important to acknowledge that this was the Cold War period, which accounts for an explanation of U.S. intervention. However, it is impossible to discuss Ortega in the 21<sup>st</sup> century without discussing his career prior. Plus, this discussion allows for a better understanding of the relationship between Ortega and the U.S., which is significant because this chapter highlights Ortega's economic ideology change as a leader, but it also highlights the shift in the dynamic of his relationship with the U.S.

This next section of the chapter begins with the onset of the revolution in 1979 through its end in 1990, followed by the post-revolutionary period of 1990 through 2006. These periods are significant to discuss because they demonstrate the ideas and policies of Ortega throughout the 20<sup>th</sup> century that gave him massive influence in Nicaraguan politics and created his tumultuous relationship with the U.S.



## **The Nicaraguan Revolution and the FSLN (1979-1990)**

Inspired by the Cuban Revolution, the National Liberation Front (FLN) was founded in 1961 by Carlos Fonseca, Silvio Mayorga, and Tomás Borge to overthrow the Somoza dictatorship. In 1962, “Sandinista” was added to the organization’s name, making it the Sandinista National Liberation Front (FSLN). The name was changed because one of the leaders was inspired by the anti-imperialist tradition of Augusto César Sandino, who led a rebellion against U.S. imperialism in Nicaragua from 1927 to 1933. In 1963, the FSLN recruited Daniel Ortega, and by 1965 he had earned sufficient respect from other top Sandinista leaders. They named him to the FSLN’s National Directorate, the organization’s top policy council. From 1967 to 1974, Ortega was imprisoned for the assassination of Gonzalo Lacayo, a reputed torturer and Somoza regime enforcer in Nicaragua’s National Guard. Starting in 1974, the FSLN developed different “tendencies” (factions) based on political-military strategies. From 1974 until 1979, Ortega helped his brother, Humberto, shape the agenda of the Tercerista (Third Force) faction of the FSLN until the factions reunited in early 1979.

Throughout these years, the FSLN established its commitment to: (1) national liberation and sovereignty, particularly in the face of U.S. imperialism, and (2) socialism, which was believed to end the exploitation of Nicaraguan workers and peasants (Puig, 2018). In addition, several factors played a role in challenging the regime of Anastasio Somoza, such as U.S. President Jimmy Carter’s commitment to human rights, the repression unleashed by Somoza’s National Guard, and the FSLN’s ability to create alliances among Nicaraguan workers, students, and poor urban youth. Together, on July 19, 1979, these factors allowed the FSLN to end over four decades of military dictatorship by the Somoza family and proclaim the Sandinista Revolution.

After the fall of the Somoza dictatorship, in July 1979, Ortega was named to the junta of the rebel coalition's National Reconstruction Government. The Junta of National Reconstruction governed Nicaragua until January 1985, with Ortega's assumption to power as Nicaragua's president. Beginning in 1979, Ortega acted as the liaison between the junta and the National Directorate, setting general policy for the revolution. In 1981, Ortega consolidated his leadership role when he became coordinator of the junta. Since Ortega was the only member of the FSLN National Directorate, this made him the effective leader of Nicaragua. Over the next three years, the revolutionary process led by the FSLN under Ortega had many objectives, but it paid particular attention to profound agrarian reform and widespread poverty alleviation. The FSLN instituted a policy of mass literacy, devoted significant resources to healthcare, and promoted gender equality.

In 1984, it became abundantly clear that most Nicaraguans were satisfied with the revolutionary process led by the FSLN. With 60% of the vote, Ortega was democratically elected to serve as the President of Nicaragua (IACHR, 1984). Most international observers recognized the election as free and fair; however, U.S. President Ronald Reagan dismissed the election results. Regardless, this presidency was primarily a continuation of the policies put forth in the previous years under the Junta of National Reconstruction.

Throughout Ortega's first presidential term, he pursued a leftist nationalization program, land reform, wealth redistribution, and he formally established the Nicaraguan Literacy Campaign (Bender-Slack, 2020). The Sandinista government undertook large-scale efforts to alter existing economic and political relationships in agriculture to address historical inequities that had marginalized a large share of the agrarian population. Before the 1979 Sandinista victory, a significant percentage of this population was characterized by low income, illiteracy,

malnutrition, and faced repression by governmental and nongovernmental authorities (Aravena, 2000). The Sandinistas engaged in numerous efforts to improve the conditions of agricultural producers in Nicaragua. These efforts included land redistribution to create state farms and production cooperatives and improvement in living and working conditions for permanent and temporary wage workers (on state farms) and poor and landless peasants (in production cooperatives). Guaranteed state prices, state marketing services, bank credit, technical assistance and agricultural research, support for peasant and worker mass organizations, and social services were all extended to the reformed state and reformed and non-reformed peasant sectors (Aravena, 2000). While the Sandinistas made significant social progress in healthcare, education, housing, and access to credit for small producers thanks to the nationalization of the banking system, the Sandinista's mixed economy was unsustainable in the global context.

As the euphoria of the revolution subsided, the country faced hyperinflation, unprecedented levels of negative real growth, and severe external imbalance. Under their mixed economic system, the private sector controlled its property and, consequently, production, but was stripped of its political power within the state. In its 1982 Country Report on Nicaragua, the World Bank identified the dilemma of the mixed economy – that class tensions arising from the struggle for political control of the state had damaging economic consequences. In 1988 and 1989, the Sandinista government made serious efforts to stabilize Nicaragua during its most profound financial crisis since the insurrection. The Sandinistas went to great lengths to provide a favorable investment climate for the private agro-export producers through price guarantees, exchange rate concessions, direct subsidies, and cheap credit; however, these efforts were ineffective.

The Sandinista revolution attempted to redress the enormous inequality and poverty in the country with a range of programs designed to improve the lives of the poor. The Sandinistas also represented a hopeful change toward democratization; however, the U.S. essentially halted these efforts. During Jimmy Carter's presidency, the Sandinistas remained relatively safe from U.S. involvement, though that changed when Ronald Reagan assumed office in 1981. Reagan promptly reversed the Carter administration's policy toward Nicaragua, solidifying the U.S. agenda of prioritizing the fight against communism over the maintenance of democracy. The U.S. had supported the Somoza dictatorship for its political and ideological opposition to communism, paving the way for the Reagan administration's foreign policy toward Nicaragua during the 1980s.

The Reagan Doctrine was used to characterize his administration's policy of supporting anti-communist insurgents wherever they might be. Although the Reagan Doctrine is a fundamentally anti-communist strategy, the president and other high administration officials linked it to the broader goal of promoting democracy. However, in November of 1981, Reagan signed the National Security Decision Directive 17 (NSDD-17, 1982). The NSDD-17 was a top-secret document that established a budget of \$19 million for the CIA to recruit and support Nicaraguan rebels to conduct covert actions against the Sandinista regime in Nicaragua. These rebels are also known as the Contras. They consisted of various U.S.-funded rebel groups that the Reagan administration saw as a convenient tool for removing the leftist government from office. The U.S. government viewed the Sandinistas as a threat to the economic interests of American corporations in Nicaragua and, more broadly, resented Nicaragua for any action that challenged U.S. interests.

The U.S.'s lack of support of the Sandinista government continued through the 1980s due to the Sandinista's leftist agenda. In 1984, the Reagan administration denounced the election results, even though the international community largely accepted the election as free and fair. In 1985, the U.S. declared a trade embargo on Nicaragua (Exec. Order No. 12,513, 1985). Furthermore, the U.S. made several other attempts to undermine the Sandinistas before and after the 1984 election, even though the Sandinistas appeared to be implementing a democratic system of governance. There is no doubt that the U.S. organized and financed the Contra War against the Nicaraguan revolution. In addition, the U.S. government cut off bilateral aid, interfered in multilateral aid programs, and further crippled Nicaragua's economy with the 1985 trade embargo. The undermining efforts of the U.S. had profound impacts on the success of the Sandinista's leftist reforms throughout Nicaragua's revolutionary period. However, following the Contra War's onset, the Sandinistas still nationalized banks and several industrial and food corporations. Furthermore, health, education, housing, freedom of expression and organization, and labor rights improved significantly throughout Nicaragua, especially in rural areas (Gabriel & Satish, 1990).

During the Cold War era, U.S. foreign policy was to prevent the spread of communism as a political and economic system. The broader scope of this period suggests Ortega was forced to succumb to the pressure of the U.S. and the global capitalist market because the domestic conditions proved the Sandinista's dream unsustainable. At the end of the Cold War, the Soviet Union was not defeated in military combat, but rather it collapsed because of internal economic weaknesses evident to the Soviet people and eventually their leaders. The situation in Nicaraguan under the FSLN was similar. Nicaragua's financial woes, mainly caused by the Contra War and U.S. intervention, ultimately led Ortega to abandon the Sandinista dream. This is not a testament

to the effectiveness of these policies in practice but rather to the U.S. efforts to squash any economic efforts or policies that even slightly resembled Soviet communism. By this standard, the war and U.S. efforts drove Ortega to negotiate peace in the latter half of the 1980s. It was clear that leftist reforms were unsustainable not because of their inherent qualities but because the soon-to-be global hegemon would destroy any economic system that did not adhere to a market-oriented economy.

In 1987, peace talks between five Central American heads of state led to the signing of the Central American Peace Accords. In 1988, the Contras first entered peace talks with the Sandinista government, and despite U.S. opposition, disarmament of the Contras began in 1989 (U.S. State Dept, 2001). In agreement with the accord and negotiations, Ortega arranged to hold national elections in February of 1990 that would involve the participation of opposition parties and would be monitored by international election observers (U.S. Dept. of State, 2001). The U.S. continued the economic embargo, vowing to lift it if the Sandinistas were ousted in the election, while supporting the opposition candidate and promising aid to Nicaragua should the opposition candidate be elected.

Ortega played a notable role in Nicaragua throughout the Sandinista Revolution. He assisted in overthrowing the U.S.-backed Somoza family dictatorship before becoming Nicaragua's president from 1984 to 1990. During his revolutionary leadership, the FSLN demonstrated its commitment to democracy and implemented social and economic policies that radically redistributed land and wealth to poor Nicaraguans. As a result, health, education, housing, freedom of expression and organization, and labor rights saw widespread improvement throughout the country. Unfortunately, though, it was clear that a commitment to democracy was not the stance the FSLN needed to take to avoid U.S. intervention. Even in the free and fair 1984

election, the U.S. denounced the results. This demonstrated that, despite Reagan's claims that U.S. foreign policy in Nicaragua prioritized the promotion of democracy, the U.S. was far more concerned with capitalism than democracy. While Ortega and the FSLN showcased their commitment to implementing a democratic regime, their economic policies initiated U.S. intervention and fueled their unfriendly relationship with the U.S.

Thus, in order to build a cordial relationship with the US, Ortega needed to re-position himself as a leader committed to an economic agenda that contradicted the one he pursued in the 20<sup>th</sup> century. Moreover, Ortega understood that a cordial relationship with the U.S. was not centered around democracy promotion. That would fail to explain the U.S. support of the Somoza dictatorship or U.S. intervention during the revolution. Instead, a genial relationship with the U.S. required Ortega to take economic and ideological stances that contradicted his positions as a revolutionary during his first presidential term.

The next presidential election in Nicaragua was held in 1990. Although Ortega did not win, this period marks the beginning of Ortega's ideological and economic shift complementary to that of the West. It is important to note that Ortega changed over the next 15 years, making it hard to pinpoint precisely when he abandoned his leftist revolutionary ideals and adopted Western neoliberalism. The following section provides examples to demonstrate his gradual deviation from the ideological and economic policies he pursued during the 1980s.

### **Post-Revolution (1990-2006) – The Conservative Shift**

The international community carefully observed the 1990 general elections. On February 25<sup>th</sup>, the U.S.-endorsed-and-financed candidate Violeta Barrios de Chamorro won 55% of the popular vote (IACHR, 1991). Despite the confidence of Ortega, as well as many others, he was

only able to garner 41% of the vote (The Carter Center, 1990). Chamorro's victory led to a historic peaceful transfer of power in Nicaragua, demonstrating a continuation of Ortega's commitment to democracy (Uhlig, 1990; IACHR, 1991). A diverse array of anti-Sandinista groups on the political right supported Chamorro. However, she had no choice but to adopt a conciliatory approach to her dealings with the FSLN (Uhlig, 1990). While the Sandinistas lost, they remained extremely powerful in Nicaragua – they continued their control of much of the bureaucracy and the civil service unions. Ortega himself remained a member of the National Assembly and a top figure within the FSLN. Although Ortega was no longer president and the FSLN held far fewer seats in the National Assembly than before, Ortega still held significant political influence in Nicaragua. He initiated nationwide labor strikes and street protests, among other means of organization, providing him with considerable leverage over the Chamorro administration (Uhlig, 1990).

Following the transition from the Ortega administration to the Chamorro administration (February to April 1990), Chamorro immediately began to dismantle the Sandinista's economic program and open the way for a transition toward a free-market economy in Nicaragua. As a result, the U.S. ended its trade embargo on Nicaragua, and the country was able to rejoin the international financial community. The Chamorro government continued to pursue the stabilization measures of Ortega while simultaneously establishing an accelerated program of economic liberalization, which fit perfectly with the vision promoted by the IMF and the World Bank (Dijkstra, 1998). At the beginning of 1994, the Chamorro government signed the Enhanced Structural Adjustment Facility (ESAF) agreement with the IMF (IMF, 1994). That same year, Chamorro reached a deal with the World Bank to approve an economic-recovery loan (IMF, 1994). By signing the ESAF agreement with the IMF, the Chamorro government accepted the



views of the multilateral institutions regarding compensation, the privatization of state enterprises, and a reduction in the size of the public sector (IMF, 1991). Once the loan came into force, the aid of supportive bilateral donors flooded the country (Dijkstra, 1998).

The economic situation of Nicaragua during the Chamorro administration demonstrated the benefits of embracing the neoliberal economic model promoted by the IMF and the World Bank. By extension, Chamorro was also successful in finding common ground with the U.S. through her neoliberal practices. As a result, her administration avoided U.S. intervention and fostered a relationship with the U.S. that benefitted Nicaragua. Therefore, the economic agenda of Chamorro indicated very clearly that the U.S. would immediately halt its interventionist pursuits so long as an administration is willing to accept the tenets of capitalism and support neoliberal policies. The Chamorro government did continue to strengthen the democratic institutions of Nicaragua. However, the country was still considered a weak democracy at this point, indicating the lack of U.S. intervention was based on something other than Nicaragua's democratic norms and institutions.

Though, it was not until the months leading up to the 1996 presidential election and the following years that Ortega's ideological and economic shift was in full force. During the campaign, Ortega began to make concessions on his revolutionary promises and adapt his strategies to better fit the mold of the neoliberal global order. As a result, Ortega abandoned much of the leftist Sandinista ideology championed in the early years – he publicly embraced the market economy and stated his desire for a constructive relationship with the U.S. (Rohter, 1996).

In 1996, Ortega ran to be Chamorro's successor because Nicaraguan law at this time did not allow her to run for a consecutive term. Ortega's main opponent was Arnoldo Alemán, the

mayor of Managua. Alemán ran as a candidate of the Liberal Alliance, a coalition of political factions on the right who opposed the Sandinistas throughout the revolution. During the campaign, Alemán argued that, if elected, Ortega would return to the difficult days of the 1980s (Rohter, 1996). At the same time, Ortega began to take actions that reflected his desire to build a cordial relationship with the West, and the U.S. in particular. Ortega made a serious attempt to reach out to the business elites of Nicaragua to show that he converted to the benefits of the market economy. Though Ortega's efforts were to no avail – Alemán won the presidential election, gaining 51% of the vote to Ortega's 38% (CRS Report, 1997). Alemán served as a member of the Constitutionalist Liberal Party (PLC), the primary political vehicle for the nation's Liberals, which replaced the earlier Liberal Alliance.

From 1988 to 1989, the Sandinista government applied policies meant to achieve stabilization and structural adjustment in Nicaragua, but the major financial institutions, such as the IMF and World Bank, were unsatisfied with the outcomes. These policies strengthened under the presidencies of Chamorro (1990-96) and, now Alemán (1997-2001), granting them the support of the IMF, World Bank, and the Inter-American Development Bank (IDB), as well as generous assistance from bilateral donors (Aravena, 2000). In 1997, the Alemán government accepted a second ESAF agreement, including a highly restrictive fiscal and monetary policy (IMF, 1998). While Nicaragua experienced delays of dismemberment for failure to meet some requirements during the Chamorro government, Nicaragua successfully met the terms and conditions of the second ESAF agreement, demonstrating Alemán's commitment to the policies promoted by the IMF and the World Bank. Ultimately, Alemán's presidency was a continuation of the economic policies of the Chamorro government, namely the efforts to maintain friendly relationships with the multilateral financial institutions, and thus the U.S.

During Alemán's term in 1999, Alemán and Ortega reached an agreement known as *el pacto* (the pact), which entrenched the PLC and FSLN as the central players in Nicaraguan political life (Bruntel, 2009). The pact's implementation began in January 2000, when the FSLN and PLC blocs in the National Assembly enacted a set of "reforms" that rewrote Nicaragua's Constitution to their mutual benefit (Bruntel, 2009). One provision granted sitting presidents' immunity from arrest and prosecution, and another gave the president automatic membership in the National Assembly upon leaving office (Widdicombe, 2002). The primary goal of the provisions shielded Alemán from prosecution on corruption charges. He allegedly stole upwards of \$100 million from state coffers and used it for personal enrichment (Widdicombe, 2002). Another major goal was to alter the rules governing elections to the benefit of Ortega. Since 1995, the winner of the race had to receive at least 45% of votes to avoid a runoff; now, it was possible to win with as little as 35% of the vote if it exceeded the next candidate by 5% (OAS, 2001). The two also used the pact to grant the parties control over government institutions intended to be independent of the executive and legislative branches. For example, the size of the Supreme Electoral Council (CSE) – responsible for ensuring the integrity of Nicaraguan elections – was increased from five to seven members, with the FSLN and PLC able to select three each (The Carter Center, 2001). In addition, the Supreme Court of Justice was expanded from 12 to 16 judges, half of whom would be chosen by each party (The Carter Center, 2001). The primary goal was to ensure they could have more loyal representatives in the institutions thereafter, though the pact would lose its momentum after the coming presidential election.

In 2001, Ortega ran for president again and lost to Enrique Bolaños, one of Alemán's Vice Presidents, also of the PLC. Bolaños won by a margin of 56 to 43 percent (Freedom House, 2001; The Carter Center, 2001). Bolaños was a businessman with strong anti-Sandinista

credentials. He made it his top priority to eliminate government corruption by immediately launching an investigation into Alemán's activities during his presidency, which undermined the immunity given to Alemán in the pact. Unfortunately, his decision to turn on his predecessor and fellow PLC member proved to be a political disaster that led to more cleavages among the Liberals in Nicaragua. The PLC members of the National Assembly remained loyal to Alemán, leaving Bolaños without a party and forcing him to work with the FSLN (Bruntel, 2009).

However, Bolaños ended his working relationship with Ortega in 2003 due to U.S. pressure over concerns of Ortega's leftist past, which revitalized the pact between the FSLN and the PLC. And in 2004, the parties combined their majority and enacted a constitutional change that drastically curtailed Bolaños' presidential authority and left him a national figurehead (CRS Report, 2007). Bolaños refused to recognize the amendments, and a constitutional standoff assumed, paralyzing the government. The Organization of American States (OAS) mediated negotiations between Bolaños and Ortega, and in October 2005, they agreed that changes would not occur until after the next president took office in 2006.

The pact, throughout all its years, is significant for several reasons, though primarily because it represents Ortega's initial steps to consolidate political power. It is important to note that Ortega utilized the pact to his benefit, hence the back-and-forth between PLC members (Alemán and Bolaños) he chose to support. As mentioned, neither Alemán nor Bolaños were supporters of the FSLN throughout the 1980s. However, Ortega created a cleavage among the PLC party and exploited this split to his benefit by allying with one. The pact, which still impacts national politics to this day, demonstrated that Ortega remained influential throughout these years. He used this influence to rekindle relationships with political foes he saw would assist him in consolidating his power.

Throughout the Bolaños presidency, Ortega continued to take stances that demonstrated his newfound approach to politics in Nicaragua. In addition to his clear actions to consolidate FSLN power through the National Assembly, Ortega made several overtures with right-wing establishment figures in the country. Notably, in 2005, Ortega made his first attempt to reconcile with the ultra-conservative Cardinal Miguel Obando y Bravo by converting to Catholicism. The same year, Bravo officiated Ortega's marriage to Rosario Murillo (Toussaint, 2018). In 2006, the FSLN extended their support to a law that completely banned abortion, including in cases where the woman's health or life are in danger or where the pregnancy resulted from rape (Amnesty International, 2009; Lord, 2009). This endorsement solidified the Catholic leader's political relationship with the Sandinistas and reflected Ortega's ideological conversions.

This section aimed to illustrate Nicaragua's political and economic landscape leading up to the 2006 presidential elections. It is essential to highlight the situation leading up to this election because it demonstrates the U.S. commitment to capitalism over democracy. Even in the context of the Cold War, if the democratic peace theory should hold, then the U.S. should not have supported the brutal dictatorship of the Somozas'. The only reason it did was because this dictatorship was anti-communist and promoted U.S. economic interests. To further summarize the weakness of the democratic peace theory in this context, the Sandinistas under Ortega began to democratize Nicaragua while implementing leftist leaning economic policies, thus threatening U.S. economic interests and the neoliberal agenda. As a result, the Sandinistas were subject to U.S. intervention, though the Somoza dictatorship enjoyed strong support from the U.S. Again, this is in the context of the Cold War, but it still demonstrates that the U.S. supported capitalism over democracy, and it still does to this day, as one will see in the next section with Ortega's return to power and assault on democracy in Nicaragua. During Ortega's presidency in the

1980s, he made little effort to accept the global neoliberal agenda of both the U.S. and the multilateral financial institutions. As a result, his administration was subject to intense U.S. intervention, the Contra War. If the U.S. supported democracy, they would not support a dictatorship.

After Ortega was defeated in the 1990 election, the following three administrations committed themselves to forming and maintaining friendly relationships with the neoliberal financial institutions, such as the IMF, and the U.S. As a result, they were immediately ushered back into the international financial community and subsequently avoided U.S. intervention in their political and economic affairs. Ortega's actions following his 1990 defeat reflect an understanding of U.S. foreign policy pertaining to intervening in countries abroad. Ortega realized that U.S. support was not dependent on democracy but capitalism. If Ortega wanted to avoid U.S. intervention in his upcoming presidencies, he needed to abandon the leftist economic policies he championed throughout the 20<sup>th</sup> century. Ortega drastically shifted his ideological and economic beliefs toward those that fit within the tenets of capitalism and contradicted those he supported throughout the revolution. This shift happened gradually, beginning in 1990, and it was not until the 2006 election that these efforts proved to be successful. As a result, Ortega won the 2006 presidential elections in Nicaragua, reflecting a turning point for both Nicaragua and himself.

For clarity, there are two relationships highlighted throughout this chapter. The information above reflects the first relationship in which, throughout the latter half of the 20<sup>th</sup> century, Ortega pursued a democratic government with a mixed economy. This economic approach was too leftist for the U.S., and as a result, U.S. intervention occurred. The remainder of this chapter highlights the second relationship in which, throughout the 21<sup>st</sup> century, Ortega

accepted the tenets of capitalism and embraced the neoliberal global order, though immediately began to erode the democratic institutions in Nicaragua upon his reelection in 2006. Today, Ortega is the dictator of Nicaragua and has set up a dictatorial dynasty. As a result, over the last 16 years, the U.S. has not intervened in this brutal dictatorship because Ortega is now a market-friendly leader – the same situation present during the Somoza dictatorship. The following section of this chapter discusses Ortega’s return to power in 2006, the impact of his newfound ideological and economic policies on his relationships abroad, and his avoidance of U.S. intervention.

### **Presidency of Daniel Ortega (2006-2018)**

This section of the chapter discusses Nicaragua’s position both domestically and internationally following Ortega’s return to the presidency in 2006. I have separated the following section into two parts; the first discusses Ortega’s economic model and the second highlights Ortega’s assault on democracy. This section illustrates Ortega’s simultaneous acceptance and practice of neoliberalism and his efforts to erode the democratic institutions of Nicaragua to consolidate his political power. Ortega shifted his economic policies to continue the cordial relationships built throughout the post-revolutionary period with the U.S. and its global financial allies. Ortega abandoned the revolution’s policies and acted in direct contradiction to these ideals. If his economic policies aligned with the Western neoliberal agenda, he could do virtually anything to consolidate his power and remain in office – something he had learned throughout his involvement in Nicaraguan politics.

## **Economic Model**

From 2006 and on, Ortega has adopted economic policies that contradict those he implemented during the 20<sup>th</sup> century. Whether or not he believes in the prosperity of these policies is up for debate. However, the years following his 2006 reelection demonstrate clear motives for shifting his economic and ideological beliefs. Ortega witnessed a stark difference in the relationship between Nicaragua and the U.S. during the 15 years he was out of office – a peaceful relationship immediately following his defeat in 1990. Before, Ortega was subject to U.S. intervention throughout his first term as president. However, the foremost thing that changed between Ortega and the following three administrations was these administrations' economic policies. Thus, to achieve this same level of peace, Ortega understood that he needed to shift his agenda to better match that of his predecessors. Any leader in the world understands that a peaceful relationship with the U.S. is extremely beneficial to their country. Unfortunately, though, that peaceful relationship requires adherence to neoliberalism.

While the West was wary of Ortega's return, he was able to win the 2006 election by making his campaign acceptable to the ruling classes, the Superior Council for Private Enterprise (COSEP), the leadership of the Catholic church (represented by Bravo), Nicaragua's PLC, and the multilateral financial institutions. As a result, Ortega won the race with 38% of the vote, and Montealegre followed with 28% (The Carter Center, 2007). In addition, the FSLN won 30 seats in the National Assembly, bringing their total to 38 and granting the party significant legislative control (The Carter Center, 2007). Furthermore, the FSLN assured Nicaraguan and transnational capitalists that it would defend their economic interests, demonstrating the maintenance of the economic policies of the other post-1990 government. Not only was this promise required for Ortega to win the election, but it was required to avoid another bout of U.S. intervention. Since



the biggest influence on U.S. foreign policy are business elites, Ortega needed to endorse neoliberal economic policies to ensure a cordial relationship with the U.S. and thus avoid U.S. intervention. If not, the economic elites would influence foreign policy to intervene, regardless of Nicaragua's status of democracy. Accordingly, Ortega showed these campaign promises of neoliberal policies were not empty almost immediately following his reelection. Nevertheless, the relationship between Ortega and the Western world did not immediately improve, though it remained neutral (free of U.S. intervention) during his first years in office.

After they won, the FSLN embarked on an economic program described as a market economy with a preferential option for the poor (Walters, 2017). A program that combines social policies with a neoliberal economic model. The policies were based on connecting small-scale producers to the large-scale private sector, free trade, attracting transnational corporate investment, and expanding the agroindustry (Walters, 2017). The program also included renationalizing health and education systems, greater social spending, and other welfare programs. However, while pursuing redistribution through social spending, the FSLN virtually did away with the "area of social property," first created during the Nicaraguan Revolution, including the state and cooperative sector, so that 96% of the country's property was now in the hands of the private sector (Walters, 2017). It quickly became apparent that Ortega was willing to adopt policies that reversed those he implemented during the revolutionary years. In fact, it was also evident that the endorsement and implementation of a free-market economic program were more important to the administration than any pursuit of social programs that addressed the needs of the masses.

The following paragraph provides further context on the economic program introduced above. In a 2009 NACLA report, Hoyt argued that an impartial assessment of Ortega's

government in Nicaragua must consider establishing poverty reduction programs. In response, Walters (2017, p. 9) argued that, while Hoyt was not incorrect, objective analysis cannot be limited to the government's poverty reduction programs. Furthermore, Walters (2017) argued that the assessment of Ortega's government must also pay close attention to Ortega's economic policy elements focused on enriching the more affluent members of his coalition, often at the expense of his popular base (Walters, 2017, p. 9). According to Walters (2017), Ortega's economic planning has been defined by two divergent priorities. First, he alleviated extreme poverty through generous social welfare programs funded by massive Venezuelan aid packages and primarily administered through an FSLN-controlled private enterprise called ALBANISA. And second, he maintained an attractive investment climate by embracing free-trade policies and extending destructive extractive industries into new territories. When a leader pursues a set of policies at odds with one another, one set of goals will inevitably be prioritized over the other. The contrast between generous social programs and neoliberal economic policies demonstrates Ortega's desire to gain popularity in Nicaragua and on the international stage.

While the remainder of this section focuses on Ortega's economic policies beyond his administration's social programs and poverty alleviation efforts, it is still important to discuss them for contextual purposes. The FSLN initiated a new literacy campaign that reduced illiteracy from almost 21% in 2007 to less than 5% in 2009 (Hanemann, 2005). Program Amor, sponsored by the Ministry of the Family, focused on the disintegration of the family, child labor, and getting street children into school (Arrién, 2006). Immediately following his reelection of 2007, Ortega made it a point to eliminate barriers that prevented many poor children from attending school, including all school fees and the requirement for school uniforms (Arrién, 2006). The

administration also gave free meals to schoolchildren and created a new preschool program (Arrién, 2006).

Additionally, the Zero Hunger (Hambre Cero) program targeted hunger and food scarcity among the rural poor by providing one pregnant cow, a sow, hens, seeds, and construction materials to those with at least one *manzana* – 1.68 acres – of land (Morales, 2020). This land requirement meant that a significant portion of the rural population, who were landless, were excluded from the program. The Zero Hunger program is a prime example of Ortega's divergent economic program. While it was helpful to some, its reach was heavily constrained. That is not to say the program was unproductive, but it demonstrates a departure from the social programs pursued during the 20<sup>th</sup> century. Other programs included the delivery of zinc roofing tiles (Plan Techo) and Crissol (Christian, Socialist, and Solidarity Program) administered loans for agricultural production, vaccine distribution, and other free health programs that benefitted thousands (Walker & Wade, 2016). While the social programs created by the Ortega administration were beneficial to a vast majority of Nicaraguans, their effectiveness was constricted because they were pursued under a neoliberal economic model.

Ortega's implementation of market-friendly economic policies is demonstrated through his allegiance to the expansion of trade in Nicaragua. Just before Ortega was re-elected, the Nicaraguan National Assembly approved the Dominican Republic-Central American Free Trade Agreement (CAFTA-DR) with the U.S. that went into effect on April 1, 2006 (National Archives, 2004; SICE, n.d.). Ortega immediately embraced the trade agreement with the U.S., which is essential to note because Ortega had accused the Bolaños government of subjugating Nicaragua to Washington's economic interests before this point. In 2007, Nicaraguan imports from the U.S. were worth \$890 million, and exports to the U.S. were worth \$1.6 billion (U.S.

Census, n.d.). Nicaragua's exports to the U.S. grew 170 percent between 2006 and 2015, and U.S. investment increased by 414 percent (USTR, n.d.). Compared to other CAFTA-DR countries, Nicaragua was particularly attractive to textile and apparel investors because of its relatively low wage costs. Additionally, Nicaragua is the only CAFTA-DR country allowed to export a certain amount of apparel products composed of third country (party) fabric to the U.S. duty-free (USTR, n.d.). By 2011, Nicaraguan exports to the U.S. were \$2.6 billion, and imports from the U.S. were \$1.1 billion (U.S. Census, n.d.).

In addition to increasing trade with the US, Ortega also fostered a strong relationship with the IMF to demonstrate his newfound loyalty to neoliberalism. Upon Ortega's reelection in 2006, the program in force between the previous government and the IMF had ended. In this context, Ortega's goal was to convince the IMF to embark on a new program, though the U.S. saw no need for this since it considered Nicaragua's debt to be bearable since the reductions. Likewise, Ortega insisted that if he received the new program, the program would reassure the foreign investors that the IMF and World Bank wanted to attract to the country. The IMF finally accepted but demanded that the FSLN extend the neoliberal reforms underway for 17 years (1990-2007) and apply fiscal austerity to achieve a primary budget surplus (World Bank, 2007b). Ortega did precisely as the financial institutions said, again demonstrating his newfound adherence to the neoliberal global order.

Thus, in 2007, Nicaragua was awarded a significant debt reduction by multilateral creditors as part of the Heavily Indebted Poor Countries (HIPC) initiative (World Bank, 2007b). In 2006 alone, the IMF canceled \$206 million in debt for Nicaragua (IMF, 2006). Also, in 2007, the World Bank and the IBD canceled a substantial portion of Nicaragua's debt (IBD, 2007). From 2007 to 2011, the IMF lent Nicaragua over \$120 million. While there are countless strings

attached to the cancellation of debt by these institutions, especially the IMF, there is no doubt that these measures positively impacted the Nicaraguan economy in the coming years. Besides, these institutions' primary goal is to allow the indebted country just enough room to grow (or at least survive). In turn, they will continue to adhere to the neoliberal global order. Ortega did just that.

Beginning in 2007, Ortega encouraged the participation of the business sector in policymaking, which was another vital course of action that allowed him favorable outcomes and relationships in the years to come. This same year, members of the COSEP were invited to frequent meetings with the president's economic advisor and vice president (Spalding, 2013). COSEP has been the primary organization of Nicaraguan big businesses, who opposed the Sandinistas' economic policies during the revolution and opposed Ortega's 1990 run for office. Following Ortega's reelection in 2006, he fostered a cooperative relationship with COSEP, which allowed for an increase in foreign investment in Nicaragua. Most investments in the country from other countries and transnational corporations were facilitated by legislation passed since 2007 (Spalding, 2013).

Thus, from 2007 and on, Ortega has opened Nicaragua even more to the interests of foreign companies. In the areas of agro-business, the mining industry, and fisheries, Ortega increased the exploitation of the country's natural resources by big transnational capital. The Observatory of Multinationals in Latin America (OMAL) has conducted in-depth studies of the compromises made by Ortega regarding multinationals, concluding that he was not only carrying on the legacy of his predecessors but rapidly expanding these practices. In 2014, Mónica Baltodano, former guerilla commandant, shared her opinion on the matter:

*“With Ortega’s arrival in the presidency in 2007, a tendency that had been becoming more and more clear was patently manifested. The economic pragmatism shown by the FSLN with respect to privatizations and neoliberal policies was fully displayed. That initiated a new phase in which Ortega entered a rapprochement process with the other pillar of national power: the heads of big business grouped under the Superior Council of Private Enterprise (COSEP) umbrella. That was when the symbiosis was initiated between Ortega and big national capital. I call it a symbiosis rather than an alliance because what defines the nature of the current regime is that its main mission is to create or strengthen the market economy conditions, buttressing big capital, while handing out crumbs to the poor to keep them pacified.”*

The following years of Ortega’s presidency highlight Baltodano’s assessment of his market economy approach packaged with generous social programs, two objectives that inevitably work in contrast to one another. In the U.S., for example, the government spends less money on social programs for healthcare and education because its social welfare system contains a large private-sector/non-governmental component. To understand the impacts of the economic model created by Ortega in the 21<sup>st</sup> century, it is crucial to begin the discussion with Nicaragua’s economic performance trends. The economic performance during the early years of the Ortega administration was mixed. In 2007, Nicaragua’s GDP totaled \$7.4 billion (World Bank, n.d., A). From 2007 to 2008, average annual growth was 2.3%, but it fell to 1.5% in 2009 due to rising fuel costs, inflation, and growing unemployment (ECLAC, 2010). Nevertheless, by 2012, Nicaragua had the second-highest growth rate in Latin America at 5% (ECLAC, 2010;

Wade, 2015). While there are countless explanations for this growth, it is important to note the connection these positive growth trends have with Ortega's relationship with the IMF.

In 2009, the IMF lent the Nicaraguan government a considerable amount to help it face the international economic recession caused by the major banking crisis in the U.S. in 2007-2008 – demonstrating the extent of IMF support for the government of Nicaragua (Toussaint, 2018). Additionally, a 2012 Tax Concentration Law overhauled the Nicaraguan tax system to benefit domestic and international investors. As a result, Nicaragua was increasingly recognized as a sound investment prospect, accounting for the nation's economic growth rate in 2012 and beyond.

By 2012, Nicaragua's GDP was up to \$11.9 billion as the economy continued to grow. That same year, Nicaragua's foreign direct investment (FDI) totaled just over \$775 million, up from about \$380 million in 2007 (CRS Report, 2007; World Bank, n.d., A). From 2007 to 2012, Nicaragua received more than \$1.5 billion in renewable energy investments, the largest per capita investment in Latin America (IRENA, 2015). Also, from 2007 to 2012, maquiladora production enormously expanded as Nicaragua's proliferating free-trade zones became coveted production sites for North American manufacturers. North American capitalists exploit suppressed wages in developing countries to produce goods intended for immediate export to affluent consumer markets nearby, a strategy known as "nearshoring" (Walters, 2017, p. 9). In 2012, these free-trade zones employed 100,000 workers (one-sixth of Nicaragua's formal workforce) and exported about \$2 billion worth of products to foreign trading partners (World Bank, n.d., B). Laborers earn an average of \$157 a month, the lowest wage of any maquiladora workers in Central America, a number estimated to cover barely 33% of a household's basic needs (Maquila Solidarity Network, n.d.). Not only do the economic trends of Nicaragua over

these years indicate the shift of Ortega, but they also indicate a prosperous relationship with the U.S.

By 2014, Nicaragua's GDP was up to \$11.9 billion. The economy had grown 4.7%, up from 4.5% in 2013, primarily driven by consumption (especially private consumption) (ECLAC, 2015). That same year, FDI in the country hit a record high at \$1.07 billion (World Bank, n.d.). In 2014, Nicaraguan exports to the U.S. totaled \$3.1 billion, and imports from the U.S. were worth \$1 billion (ECLAC, 2015). During this time, free trade zones in Nicaragua accounted for \$2.4 billion in total exports (World Bank, n.d., B). The US has remained Nicaragua's primary trading partner throughout all these years because the CAFTA-DR substantially accelerated trade between the two nations. The top exports to the U.S. include knit apparel, woven apparel, precious metal and stone (gold), electrical machinery, and meat (beef, frozen) (ECLAC, 2015; USTR, n.d.). From 2015 to 2018, Nicaraguan exports to the U.S. went from \$3.1 billion to \$3.4 billion, respectively (U.S. Census, n.d.). During this same period, imports from the U.S. increased from \$1.3 billion to \$1.6 billion (U.S. Census, n.d.). From 2015 to 2018, FDI in Nicaragua decreased from \$967 million and \$838 million (World Bank, n.d., A).

According to trade publications, many multinational mining conglomerates regard Nicaragua as one of the best nations in the world for mining investment – thanks in large part to its lenient restrictions on the industry and willingness to grant concessions (CDA, 2014). By the middle of 2015, Nicaragua's three largest gold mines had produced well over six million ounces of precious metal for the world market (CDA, 2014). Meanwhile, environmental and community activists fighting the Ortega government's concessions to transnational companies for large-scale gold mining projects have faced criminalization and violence from national police forces (Cuffe, 2017; Hendricks & González, 2020). Environmentalists also joined thousands of peasants,



indigenous, and Afro-descendant people in protesting the construction of an interoceanic canal by a Chinese corporation that the Ortega government granted exclusive rights to in 2013 (Goett, 2016). The concession also gave the go-ahead to a series of subsidiary projects, such as tourist resorts, another free-trade zone, an oil pipeline, and an international airport (Hendricks, 2016).

In 2018, Ortega abandoned any lasting ties to his leftist origins by announcing social security reforms that sparked massive protests across the nation and resulted in repressive actions from the government. As a result, several countries, including the U.S., sanctioned top aides, including the Vice President, for Ortega's actions toward civilians. Though, as of 2021, Nicaraguan exports to the U.S. totaled \$4.6 billion, and imports totaled \$2.1 billion (U.S. Census, n.d.). This alone is enough to demonstrate U.S. foreign policy goals toward the Ortega administration. While Ortega had begun his de-consolidation of democracy long before 2018, the U.S. was not bothered to respond to these actions until they had to. When the entire world reported on the 2018 crisis in Nicaragua, the U.S. was pressured to act in accordance with their phony commitment to democracy promotion. However, once the international community moved on to the next global atrocity, the U.S. was free to continue its economic relationship with Ortega and Nicaragua.

The performance of the Nicaraguan economy and the domestic and international policies of the Ortega administration made it clear that he had embarked on a journey of capitalist expansion – including a wave of transnational and local corporate investment in free-trade zones, the agroindustry, mining, logging, and tourism; spurred by the government's tax breaks, land concessions, and other policies that have been praised by neoliberal financial institutions, such as the IMF. Desired growth drives the expansionist process for a capitalist economy. In many

contexts, it is fundamentally impossible without the support of the IMF and multilateral financial institutions and therefore impossible without conforming to U.S. wishes.

The Ortega government has recently reached agreements with international financial institutions to implement an increasingly neoliberal program. This includes a \$65 million loan from the IBD to reduce subsidies to the electricity sector, the privatization of infrastructure prepared in conjunction with the COSEP and other private sector representatives, and the reduction of pensions as the result of pressure from the IMF (CDA, 2016; 2017). Keep in mind, the social security reduction marked the onset of the April 2018 protests in Nicaragua and Ortega's withdrawal of the measures later that month. Regardless, the IMF congratulated Ortega's government for its achievements in a statement published in February 2018 (IMF, 2018).

Ortega's relationship with the IMF is pertinent to Nicaragua's position in the global market and Nicaragua's relationship with the U.S., as the IMF is Washington's principal economic enforcer. The Ortega government maintained excellent relations with the IMF due to its promise to continue making neoliberal structural reforms and maintaining strict budgetary discipline by reducing public expenditures (IMF, 2006). As the IMF and World Bank typically operate, the neoliberal structural reforms were carried out under the guise of the struggle to reduce poverty. A few of the social programs developed under Ortega, *Usura Cero* (a micro-credit program), *Bono Productivo* (credit granted mostly to poor women in rural areas), and *Casa para el Pueblo* (Houses for People), and all other programs, were fully compatible with the policies supported by the IMF and World Bank (Toussaint, 2018). So long as the government continued to support foreign investments, facilitate a flexible labor market, sign free-trade

treaties, increase privatizations of companies and public services, and so on, it garnered support from the leading international financial institutions.

The multilateral institutions' expectations of Nicaragua are simply an extension of the U.S. neoliberal economic agenda. While the relationship between the U.S. and Ortega was not perfect after he returned in 2007, it was significantly better. The most obvious indication of improvement was a lack of U.S. intervention over the last 15 years. Despite the U.S.'s initial worry of Ortega pursuing his leftist agenda of the 1980s, their relationship remained intact through 2018 (CRS Report, 2007; 2017). While the U.S. has expressed relative condemnation of the Ortega administration's efforts to de-consolidate democracy in Nicaragua, the tangible efforts of the U.S. government demonstrate how moderate these concerns are. Despite Ortega's strenuous efforts toward his citizens in 2018 or the last 15 years of efforts to erode Nicaragua's democratic institutions, the last few years have solidified the U.S.'s deceptive commitment to democracy promotion abroad. So long as Ortega provides stability and cooperation on key issues, the U.S. government has no true intention of acting on the government's consolidation of power through the destruction of Nicaragua's democratic institutions, as economic elites are satisfied with the administration's economic pursuits.

From 2007 to 2018, the Ortega government has conducted no structural reforms, even though it has a comfortable majority in the National Assembly – no nationalization of the banks, no agrarian reform, and no tax reform, among many other opportunities to reduce social inequalities. However, during this time, the number of multimillionaires in the country has increased, demonstrating that the increase in wealth produced over this period was not distributed to the popular sectors because national and international big capital has grabbed the lion's share (Toussaint, 2018). As a result, 21<sup>st</sup>-century Sandinismo has not reclaimed the project

of agrarian reform that it promoted during the Revolution (1979-1990). Rather, it adapted to the global neoliberal context.

The explanation for the lack of structural reforms is apparent. Over the last 15 years, Ortega has favored domestic and foreign capital interests with the support of the IMF, World Bank, and other financial institutions dominated by imperialist powers. Despite the celebration of poverty reduction programs and the expansion of social services from neoliberal institutions, Ortega's "market economy with a preferential option for the poor" has hardly been a transformative economic alternative for Nicaragua. The rising profits and growing influence of the private sector and neoliberal institutions in Nicaragua make developing a sustainable, egalitarian alternative increasingly unlikely. Too often, reconciling growth strategies and poverty reduction aims has meant prioritizing financial prerogatives to the detriment of social programs. Regardless of his promise, in no way has the Ortega government's social policies changed the nature of the capitalist system; in fact, they have only helped to further the neoliberal agenda while at the same time developing clientelism between the poor and the political and economic elites in power.

The Sandinista's contradictory project of promoting social investment, on the one hand, and unfettered transnational capital accumulation through concessions, tax breaks, and repression of worker and peasant protest and political dissent is now catching up with the Ortega government. Although the U.S. has not entirely stayed out of Nicaraguan politics, its actions remain aimed at countering any anti-capitalist radicalization of civil society than at undermining FSLN leadership, including the financing of civil groups that are anti-Sandinista (Robinson, 2003). As a result, the FSLN offers an illusionary transformative process that advances the interests of the popular and working-class masses. On the other, the FSLN has plundered the

state and imposed the interests of transnational capital. Thus, it should come as no surprise that when Ortega announced he was rescinding the pension reform, he was surrounded not by grassroots representatives among the protestors but the owners of the free-trade zone companies and leaders of the COSEP.

The Ortega government's attack on democracy began with his reelection in 2006 and has continued to the present day, though the U.S. has not intervened in Nicaragua since the reelection of Ortega. This thesis argues that the lack of intervention stems from a commitment to the tenets of capitalism and the neoliberal global order, rather than the tenets of democracy. Thus, Ortega's neoliberal order allowed him to get away with his blatant abuse and destruction of democracy. Ortega has demonstrated a commitment to neoliberalism, and thus any action beyond this commitment is irrelevant to the U.S. This includes his repressive actions toward Nicaraguans for opposing his government and, more generally, his desire to consolidate his political power through the erosion of democratic norms and institutions. In other words, all it takes to satisfy the U.S. is a commitment to neoliberalism. A commitment to democracy is a nice touch, but it is not required.

### **De-consolidation of Democracy**

After the fall of the Somoza dictatorship in 1979, despite their efforts to consolidate democracy in Nicaragua, Ortega's government was subject to U.S. intervention because they rejected neoliberalism. Upon his return to power in 2007 and the years following, despite Ortega's efforts to de-consolidate democracy in Nicaragua, his government escaped U.S. intervention because it accepted neoliberalism. While Ortega has demonstrated his willingness to accept a market-oriented economic system since his return to power in 2006, he has

simultaneously consolidated his political power by severely weakening Nicaragua's democratic institutions. In other words, Ortega's economic shift has protected him from U.S. intervention on his return to power and his assault of democracy.

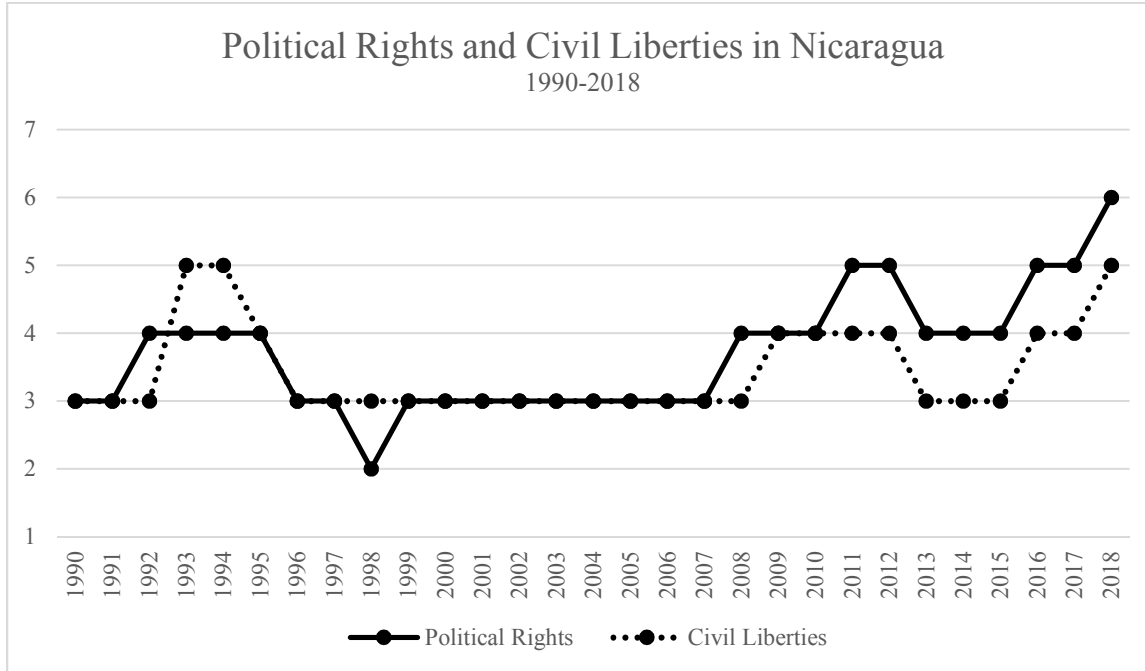
The election of 2006 was deemed free and fair, though it would be one of the last times the Ortega administration indicated any desire for democracy. The election was observed by several international organizations, such as the OAS and the Carter Center, and domestic groups, such as *Ética y Transparencia* (Ethics and Transparency, E.T.) (The Carter Center, 2007). All observers agreed that Ortega had won the presidency with 38% of the vote, and although the Carter Center made several recommendations for improvement, the overall assessment was positive (The Carter Center, 2007). In fact, the most trivial aspect of the election was the U.S. government's role in its effort to control the outcome. The U.S. supported Montealegre over Ortega for several reasons, one being Montealegre's prominent business ties and former financial position under the Bolaños government. More importantly, the U.S. worried about Ortega becoming president due to his leftist past in the 1980s. Soon enough, Ortega would demonstrate his seriousness in adapting to the tenets of capitalism, though the U.S. was still wary of Ortega's objectives at the time of the election.

The period from Ortega's 2006 reelection and on, however, witnessed the erosion of democratic institutions as Ortega extended his power over the judiciary, the electoral commission, and civil society. The Ortega administration from 2007 onward indicated a departure from the democratic values of the Sandinistas in the 1980s as he began to expand his authority at the expense of Nicaragua's democratic institutions. In his first month as president, Ortega persuaded the National Assembly to reverse the constitutional changes passed in 2004 that curtailed Bolaños' presidential power and to enact new laws strengthening the president's

authority relative to that of the legislature. This is significant because the FSLN was willing to reduce the presidential authority of a leader they disliked, only to extend those same powers to themselves once Ortega was re-elected in 2006. In other words, the constitutional reforms set in 2004 were to the benefit of the FSLN and Aleman's PLC. However, once the FSLN returned to power in 2006, the reforms were reversed because now they hindered the party's authority.

Below is a visual representation of Nicaragua's Freedom House scores from 1990 to 2018 (Figure 1). Freedom House assess the real-world rights and freedoms of individuals based on a two-tier system of scores and status. Each country or territory is assigned between 0 and 4 points on a series of 25 indicators, for an aggregate score of up to 100. These scores are used to determine two numerical scores, for political rights and civil liberties, with a rating of 1 representing the 'most free' conditions and 7 the 'least free'. A country or territory's political rights and civil liberties scores then determine whether it has an overall status of Free, Partly Free, or Not Free.

Figure 1. Freedom in the World: Nicaragua (1990-2018)



Source: “Country and Territory Ratings and Statuses, 1973-2022,” by Freedom House, n.d., <https://freedomhouse.org/reports/publication-archives>

From 1990 to 2006, the years in which Ortega was not president, the democratic situation in Nicaragua remained relatively the same. There were some issues during the 1990s, though the situation neutralized between 1996 and 2006. Figure 1 demonstrates that Ortega promptly began his assault on democracy in 2007. From 2013 to 2015, neither indicator changed, though by 2016 they began to decrease. From 1990 to 2017, however, Nicaragua’s status was Partly Free, and Nicaragua has only been considered Not Free since 2018. After Ortega was re-elected in 2006, he began to assault the democratic institutions of Nicaragua. Regardless of the label given by Freedom House, or any measure of democracy for that matter, it is clear that the democratic situation of Nicaragua began to decline when Ortega was re-elected in 2006. The election of Ortega in 2006 began a period of democratic deterioration marked by the consolidation of all branches of government and the limitation of fundamental freedoms that continues to this day.



As of 2006, Nicaragua was an electoral democracy (Freedom House, 2008). The Constitution held that citizens directly elect a president and a 92-member, unicameral National Assembly. Both presidential and legislative elections were to be held every five years, and presidents could not run for two consecutive terms (Cherry, 2014). As was the presidential election of 2006, the legislative elections were regarded as free and fair (Freedom House, 2008). The FSLN and PLC remained dominant parties in Nicaragua's National Assembly, holding 38 and 25 seats, respectively (Freedom House, 2008). In May of 2007, the National Assembly approved a new Law of Access of Public Information that required public entities and private companies doing business with the state to disclose certain information. However, the law also preserved the right to prevent information related to state security, raising questions of transparency (Freedom House, 2008). Though, it was not until later that Ortega began to seriously use the National Assembly to consolidate his power. At this time, he chose to focus his efforts elsewhere.

The 2008 municipal elections in Nicaragua raised many concerns. It was clear that the FSLN was beginning to take control of the CSE, the public body responsible for organizing elections in Nicaragua. Before the elections, the CSE ruled that the Sandinista Renovation Movement (MRS) and Conservative party could not participate because they could not present a full slate of candidates (Fernández, 2008). This decision, in part, was fueled by the CSE's decision to reduce the time frame for parties, alliances, and candidates to register (Fernández, 2008; Walker & Wade, 2016). Critics viewed this move as an effort to protect the FSLN and PLC from electoral competition (Fernández, 2008). In addition, the major domestic observer group, E.T., and other credible international observers were barred from the elections (Freedom House, 2008; Walker & Wade, 2016). Official results reported that the FSLN won 105

municipalities, the PLC with 37, and the Nicaraguan Liberal Alliance (ALC) with 6. To no surprise, allegations of fraud quickly surfaced, such as the expulsion of party monitors and early closing in some voting stations. Yet, FSLN members and supporters maintained the party's success (Walker & Wade, 2016).

Moreover, the Ortega administration also began the erosion of civil society in Nicaragua. Throughout 2008, there were several instances of alleged government-orchestrated mob violence or vigilante justice against members of opposition political parties and civil society (U.S. State Dept, 2009). Human rights groups reported that government authorities ordered the Nicaraguan National Police (NNP) not to interfere with vigilante acts, which resulted in the failure of the NNP to provide support to demonstrators and arrest or detain people who engaged in pro-government mob violence (U.S. State Dept, 2009). In addition, the Ortega administration consistently harassed independent media outlets for reporting any criticism of the government (U.S. State Dept, 2009). He also took several steps to eliminate the freedom of assembly by restricting access to public places where groups could assemble and countering group demonstrations in general (U.S. State Dept, 2009).

Ortega's first presidential term in the 21<sup>st</sup> century was the beginning of the harsh steps he would take to erode Nicaragua's democratic institutions and norms. In 2009, Nicaragua saw a lack of respect for the rule of law, continued politicization of the judiciary and the CSE, erosion of freedom of speech and press, government harassment and intimidation of nongovernmental organizations (NGOs), and violation of trade union rights (U.S. State Dept, 2009). These steps were evident in the Ortega administration's objective to consolidate its power, though they were primarily continuing his efforts throughout the previous year. In 2009, Ortega's primary concern

was reversing the Constitution's provision that presidents could not serve two consecutive five-year terms.

Thus, in October of 2009, the Constitutional Chamber of the Supreme Court of Nicaragua issued a decision that permitted the President and Vice President to run for reelection (Figueroa, 2009). This decision partially annulled articles 147 and 178 of the Nicaraguan Constitution, establishing the aforementioned presidential term limits (Figueroa, 2009). Although independent jurists highly disputed the ruling, the Liberal justices lacked a majority to overturn it, clearing the way for Ortega to run again in 2011 (Reuters, 2009). This reform set a dangerous precedent in Nicaraguan politics. Eventually, it led to the abolition of presidential term limits in 2014, allowing Ortega to continue running and serving as Nicaragua's president.

In 2010, political power was increasingly concentrated in the hands of the FSLN, and Ortega continued to exercise significant control over the legislative, judicial, and electoral branches. New tactics to disrupt civil society were introduced, such as unlawful killings by security forces, police abuse of suspects during arrest, and the politicization of the Supreme Judicial Council (CSJ) (U.S. State Dept, 2011). Though most of 2009 and 2010 marks the continuation of de-democratization efforts by the Ortega administration to consolidate its power, the 2011 election of Ortega set the stage for what was to come in Nicaragua.

In 2011, Ortega was re-elected with 63% of the vote (The Carter Center, 2012). The FSLN has held a majority in the legislature since Ortega's reelection in 2006 and has played a significant role in Ortega's ability to consolidate his power. However, the National Assembly gained considerable influence in 2011 because it had gained enough seats (62) for a two-thirds majority, giving the party the ability to pass laws without the votes of any other party, make

appointments to the Supreme Court and CSE, and block any opposition legislation (The Carter Center, 2012). The FSLN only held 38 of the 92 seats before this election.

Despite Ortega's clear advantage in the National Assembly, the election was arguably illegal; the government barred many domestic observer groups, and invitations to international observer groups were issued so late that many could not attend (The Carter Center, 2012). A post-election report published by the Carter Center, a human rights NGO funded by the former U.S. president Jimmy Carter, described the election as a "watershed event, realigning political power [and] dealing a debilitating blow to Nicaraguan democracy" and cited a variety of irregularities including problems with the distribution of voter identification cards, the vote count, and the reporting of results (The Carter Center, 2012, p. 3). Both international and domestic observers challenged the results, and none of the opposition candidates recognized the validity of the reported outcomes.

Between 2011 and the election of 2016, the Ortega administration continued its assault on democracy. The principal abuses included significantly biased policies to promote one-party dominance, continued widespread corruption of the NPP, the CSE, and the CSJ, and further intimidation and harassment of independent journalists and news outlets. Throughout the years, riot police have violently repressed many protests in Nicaragua, such as demonstrations organized to strike for higher wages, better working conditions, the right to organize independent unions, and so on (Cuffe, 2017). In 2014, seven of the nation's eight national television stations were controlled by a ruling family member or a close political ally. Also, in 2014, the National Assembly passed a total of 97 constitutional amendments (CRS Report, 2017). Some amendments enhanced the executive branch's powers, allowing Ortega to rule by decree and unilaterally select police and military commanders (CRS Report, 2017). Other reforms included

indefinite reelection, the elimination of runoff elections, and enforced party-line voting in the legislature.

By 2018, the Ortega administration took a sharp turn when protests broke out over social security reforms that increased taxes and decreased benefits. In April, peaceful protestors were met with violent repression by the regime, and as of late November 2018, the ensuing conflict had left at least 350 dead (U.S. State Dept, 2019). In addition, the regime engaged in unlawful killings and kidnappings, forced disappearances, arrests of independent journalists, censorship, and substantial interferences with the rights of peaceful assembly and freedom of speech (U.S. State Dept, 2019). To no surprise, from 2018 to the present, the same issues in Nicaragua have persisted, including another fraudulent election and an Ortega victory in November 2021.

The return of Ortega in 2007 brought significant attacks on the democratic institutions of Nicaragua to consolidate the regime's power. Over the last 15 years, Ortega has extended his power over the judiciary, the electoral commission, and civil society. As a result, he has allowed himself to be president for life. He has built a dictatorial dynasty that reflects the Somoza dictatorship he helped topple in 1979 and contradicts the democratic norms of the Sandinistas of the 1980s. Yet, throughout all these years, Nicaragua has seen nothing but economic sanctions (e.g., sanctions on trade) from the U.S. and other Western nations that claim to support the promotion of democracy abroad. Ortega was protected from U.S. intervention on this go-around because of his commitment to neoliberalism; he was allowed to consolidate his political power in exchange for his adherence to the tenets of global capitalism.

In the last few years, the human rights situation in Nicaragua has only gotten worse, where deadly police repression, wrongful imprisonment, ill-treatment, harassment, and criminalization of human rights activists and journalists have becoming increasingly common

practices under Ortega's government (Amnesty International, 2021). Leading up to the election in November of 2021, the government made efforts to eliminate and discourage electoral competition through arbitrary detention, enforced disappearance, and the prosecution of opponents and presidential candidates, as well as by creating obstacles to the candidacy of the main opposition parties (Amnesty International, 2021). Ortega has managed to cling on to power and was re-elected for a fourth presidential term in November. The elections were marked by arbitrary arrests of activists and journalists, among other acts of harassment, coercion, and political violence (Amnesty International, 2021).

Meanwhile, the U.S. remains Nicaragua's top trading partner. According to the State Department, the U.S. buys 49% of Nicaraguan exports and supplies 22% of its imports. In 2021, total (two-way) goods trade between the two countries was \$6.8 billion, up from \$4.9 billion in 2020 (U.S. State Dept., 2021; U.S. Census Bureau, n.d.). Both countries remain party to CAFTA-DR and membership in the OAS, IMF, World Bank, IDB, and the WTO (U.S. State Dept., 2021). In January of 2022, the U.S. imposed sanctions on Nicaraguan officials, including the defense minister (U.S. Department of the Treasury, 2022). While the U.S. and many other advanced industrialized democracies are confident that economic sanctions are useful instruments in dealing with hostile countries, the research demonstrates a relatively low success rate of sanctions (Morgan et al., 2014). Regardless of the research, in June of 2021, Ortega has already stated that sanctions would not deter his government (Reuters, 2021: para 1).

This is all to suggest that, despite the ongoing human rights violations and destruction of democratic norms and institutions in Nicaragua, its economic relationship with the major international financial institutions and the broader international community, including the U.S., has hardly changed. The U.S. has not intervened overtly or covertly in Nicaragua since Ortega

returned to office, and based on the theoretical framework I have presented, I expect U.S. foreign policy toward Nicaragua will not change so long as Ortega is committed to the tenets of capitalism and a neoliberal global order.

## **Conclusion**

The present case study questions the integrity of the democratic peace theory. The first section, while understanding the context of the Cold War, demonstrates that U.S. foreign policy prioritizes capitalism over democracy. The U.S. supported the Somoza dictatorship because they were anti-communist, and the U.S. attempted to oust the next democratically elected leader because he was pursuing leftist economic reforms. The second section demonstrates the same agenda of U.S. foreign policy. Ortega was re-elected in 2007 and began to consolidate power by destroying Nicaragua's democratic institutions. However, Ortega has avoided U.S. intervention because he has demonstrated a commitment to neoliberalism and thus to U.S. economic goals.

The democratic peace theory claims that democracies rarely fight one another because they share common norms of democratic institutions that restrain the prospects of war. The underlying logic here suggests the spread of democracy will promote world peace. However, when applying this to a different outcome (e.g., covert operations), this line of thinking fails to explain the relationship between the U.S. and Nicaragua following the reelection of Ortega in 2007. The absence of peace when Ortega pursued leftist economic policies and developed a democratic government versus the absence of war when Ortega pursued neoliberal economic policies and deconsolidated democratic institutions are the two relationships I have highlighted that cannot be explained by the democratic peace theory.

While the theory's underlying logic suggests the spread of democracy will promote world peace, the utility of the democratic peace theory is only extended to a dyad that includes two advanced democracies. This line of thinking versus the reality of the situation does not match. If the global promotion of democracy leads to world peace, then an advanced democracy would logically choose to preserve any democratic developments abroad because it would be more desirable to have a weak democracy than a non-existent democracy. What would be the purpose of acting un-democratically toward a developing democracy if the underlying logic suggests that democracy will lead to peace?

Instead, this thesis has argued that as leaders in weak and/or developing democracies implement leftist economic policies that threaten the investments, capital, and wealth of economic elites in advanced industrial democracies (e.g., the U.S.), then these elites are more likely to utilize their political influence and power to shape foreign policy (e.g., overt or covert intervention) to such country. The present case study illustrates this argument. The literature shows the most decisive influence of U.S. foreign policy is the business elite (Jacobs & Page, 2005). The economic elites in the U.S. were wary of Ortega's return in 2006 due to his history of leftist economic and social policies that were unfavorable to these elites. However, Ortega demonstrated his commitment to neoliberalism, allowing him to escape U.S. intervention as he slowly deteriorated Nicaragua's democracy and democratic institutions.

Thus, when an advanced industrialized democracy must choose between supporting a democratic leader that rejects neoliberalism and an autocratic leader that accepts neoliberalism, the economic elites will decide to support the latter. This thesis does not argue that the democratic peace theory is useless, for the correlations between democracy and peace are robust.



Instead, this thesis argues that there are additional and often more significant causes of peace between two nations.

The present case study can be interpreted as the opposite of the case study on Honduras as it relates to the theoretical framework of this thesis. Both, however, rely on the same causal mechanism to explain the presence, or lack thereof, of the U.S. intervention in the country. One democratic leader was ousted because he rejected neoliberalism, and one un-democratic leader was left untouched for accepting neoliberalism. Thus, while they are opposite, they both illustrate the epitome of the Western neoliberal agenda of pursuing the maintenance and expansion of democracy secondary to that of global capitalism. In both studies, it is evident that the U.S. and its international allies were more concerned with sustaining or developing the global market than with democratic institutions or norms.

## CHAPTER IV: CONCLUSION

Since 1945, the U.S. government has conducted covert and overt interventions in more than 70 nations, including many democratic states (Blum, 2004). Many democratic nations, such as the U.S., are self-proclaimed supporters of democracy both at home and abroad. The U.S. claims democracy as the best form of government and believe it should be promoted and protected worldwide. Yet, U.S. foreign policy is undevoted to democratic morals and is instead under the obligation to serve other imperatives. Both domestically and internationally, the practice of democracy is publicly framed as the most desirable form of governance, though reality tells a different story. If the belief is that democracy is the best form of government, one democratic nation should value the democratic nature of another nation. However, that is not always the case, and the foreign policy of the U.S. offers a great deal of insight into additional forces underlying peace between certain nations.

As demonstrated in the first chapter of this thesis, the U.S. was not concerned about preserving or supporting democracy in Guatemala based on its decision to oust a democratically elected leader and replace him with a military dictator. The democratic peace theory holds that relations among democratic states are more peaceful than non-democratic states. Still, this framework does not support the motivations behind the U.S. foreign policy decision to oust a democratically elected president. Such instances have forced democratic theorists to come up with an explanation, and they insist that the democratic peace is restricted to democracies with advanced industrial economies. Not to mention, the U.S. and its ties to the UFC demonstrate an economic aspect to the decision to oust Árbenz, suggesting that capitalist interests may have been more influential in the decision than the preservation or support of democracy.

If the democratic peace theory holds that democratic nations are more peaceful than non-democratic nations, then one would assume that well-established democracies would support emerging or weak democracies. However, the Guatemalan coup d'état of 1954 demonstrates otherwise. If the shared practice of democracy is the key to peaceful relations, the U.S. would not have ousted a democratically elected leader. Economics fueled this decision, which would suggest that shared capitalist interests are another, and possibly more comprehensive, explanation for peaceful relations. The capitalist peace theory contends that peace among nations is not always because of democracy, but instead, peace exists among nations with capitalist economies. Democracy may sometimes be the common denominator among peaceful nations, but certainly not always, and there are numerous examples that demonstrate this.

In the following examples, note that each leader was democratically elected. There is evidence to suggest the U.S. played a role in orchestrating the 2004 coup d'état that ousted Jean-Bertrand Aristide, Haiti's first democratically elected president (Weisbrot, 2012). In 2008, the Media Luna attempted coup in Bolivia to oust Evo Morales involved right-wing leaders and groups from Bolivia's lowlands financed by the U.S. (Burbach, 2008). In 2010 and 2011, Hillary Clinton imposed Michel Martelly as president of Haiti, although Martelly was not recognized by Haiti's Electoral Council as one of the qualifiers (Johnston, 2016). Many Haitians boycotted the 2010 election because the most popular political party in the country, Fanmi Lavalas, the party of Aristide, was excluded from the ballot (Johnston, 2016). Martelly was announced the winner with only 20% of the electorate voting. The elections were funded by USAID, Canada, the OAS, the E.U., and other foreign, pro-democratic bodies (Johnston, 2016).

Between 2012 and 2015, \$30 million from the National Endowment of Democracy (NED), funded by the U.S., went to political parties, dissident movements, and the media in

Ecuador. In 2015, the Confederation of Indigenous Nationalities of Ecuador (CONAIE), the country's largest indigenous organization, thanked USAID for its funding and called for an indigenous-led uprising (Fuentes, 2011; Resmini, 2019). Although the coup failed, the U.S. demonstrated clear efforts to oust Rafael Correa (Fuentes, 2011; Resmini, 2019). Also in 2015, the U.S. engineered a coup against President Otto Perez Molina of Guatemala (Black, 2015; Nikandrov, 2015). In 2016, U.S.-backed right-wing movements launched a campaign against President Dilma Rousseff of Brazil for "corruption" and she was impeached by a parliamentary coup the same year (Fishman, 2021). In 2018, former Brazilian president Lula de Silva was the leading candidate to win the presidential election but was imprisoned due to a lawfare operation of the U.S. and Brazil's right-wing, again using bogus corruption charges (Fishman, 2021). The list could go on and on, but the point is that the U.S. has continuously imposed neocolonial regimes and maintain those regimes in an effort to open their markets to the U.S. and therefore align themselves with U.S. foreign policy. The U.S. operates under the façade of democracy promotion to advance the opposite goal: provoke covert and overt actions against democratic governments. Democratic and popular governments that stand up for their people are the targets of U.S. democracy promotion.

In the context of the relationship between advanced industrialized democracies and weak or emerging democracies, the U.S. is not an outlier. As I mentioned in the beginning of this thesis, the E.U. (an organization of advanced industrial democracies) is pursuing the same interests as the U.S. (Reynaert, 2011; Axtonova & Bossuyt, 2016; Gómez & Nogal, 2017). Just like the U.S., the E.U. meddles in the emerging democracies of Southern Mediterranean countries for economic reasoning (Reynaert, 2011; Axtonova & Bossuyt, 2016; Gómez & Nogal, 2017). Reynaert (2011) finds that the main objective of the EU's policy towards its southern

Mediterranean neighbors is economic liberalization and that the core elements of democracy are oriented to the promotion of a market based economy (p. 623). In fact, the EU's preoccupation with the market has affected the establishment of democracies in the southern Mediterranean region (Reynaert, 2011: p. 623). While the U.S. may seem like an outlier, scholars have shown that other advanced industrial democracies intervene in weak or emerging democracies around the world. Both the U.S. and the E.U. are acting according to the tenets of capitalism rather than democracy, the U.S.'s relationship with Latin America should be not unique compared to the relationship of other advanced industrialized democracies and weak or emerging democracies.

Throughout this thesis, I have presented two case studies that illustrate that, in the eyes of the economic elite in advanced industrialized democracies, peace among nations may depend more on shared capitalist interests rather than shared democratic norms. More precisely, these illustrations show that as leaders in weak/developing democracies implement leftist economic policies that threaten the investments, capital, and wealth of economic elites in advanced industrial democracies (e.g., the U.S.), then these elites are more likely to utilize their political influence and power to shape foreign policy (e.g., overt, or covert intervention) to such country. In the context of advanced industrialized democracies, such as the U.S., and emerging or weak democracies, such as those throughout the region of Latin America, I have illustrated that capitalism, rather than democracy, may be the more evident force behind peace among nations.

In chapter two, Honduras demonstrates the reality of a democratically elected leader ousted because of his rejection of neoliberalism. From 1982 to the early 21<sup>st</sup> century, Honduras was considered a democratic government as each of its leaders took significant steps to ensure this reality. Notably, the peaceful transfer of power from one president to the next. At the same time, these leaders were adopting neoliberal reforms that allowed for a peaceful relationship

between Honduras and the West. Upon the election of Zelaya, the relationship between Honduras and the Western world, particularly the U.S., began to deteriorate. However, Zelaya did not alter Honduras's path of democratization initiated by the previous administrations. The only deviation was Zelaya's leftist economic policies. To no surprise, the U.S. was suddenly concerned with the weak democratic institutions of Honduras, despite the fact that the democratic situation was no different under Zelaya.

In 2009, Zelaya was ousted in a coup d'état. There is evidence to support the U.S. had knowledge of the coup beforehand, but these revelations were not necessary to conclude the U.S. was ingenuine in its support of global democracy promotion. Moreover, the U.S. made no real effort to condemn the coup, stalled efforts to reinstate Zelaya, and then supported the non-democratic election of Hernandez. Despite countless reports of electoral irregularities from organizations the U.S. claims are credible, the U.S. supported the election and its results. At the very least, the U.S. demonstrated its genuine concerns in Honduras by intervening in the political process to ensure a democratically elected leader was not reinstated to his rightful position. Honduras enjoyed 27 years of uninterrupted democracy – a system that was largely interrupted by the West and its economic elites who felt threatened by Zelaya's efforts to choose the well-being of Hondurans over the capitalist and neoliberal global order.

The same conclusion can be drawn from the case study on Nicaragua, though the process of reaching this conclusion is the opposite of Honduras. During the 20<sup>th</sup> century, Daniel Ortega was targeted by the U.S. as he adopted leftist economic policies that contradicted those of the Somoza dictatorship. Funded and trained by the U.S. in an effort to halt the spread of communism, the Contra War in itself makes it clear the U.S. did not prioritize democracy. The insurgent group was funded to stop the Sandinistas, led by Ortega, because of their assumed

commitment to communism. Since the Cold War era is often used as a justification for U.S. intervention, I have expanded the analysis on Ortega to further demonstrate my theory. Ortega lost the election in 1990 and for the next 15 or so years, Nicaragua and the U.S. built a cordial relationship based on capitalist tenets such as trade and foreign investment. In other words, there were U.S. military efforts to oust these democratically elected leaders. In 2006, Ortega won the presidential election and the West along with its economic elites became worried he would adopt the same leftist economic policies from his previous presidency, but this was not the case.

Instead, Ortega maintained the capitalist economic system built by his predecessors and thus preserved Nicaragua's peaceful relationship with the U.S. and Western business elites. At the same time, however, Ortega began his egregious assault on the democratic institutions of Nicaragua. The U.S. was largely unphased by these efforts, or at least unphased in the sense that the peaceful relationship with Nicaragua would continue despite Ortega's destruction of democracy. Instead of taking serious efforts to condemn Ortega's actions. The U.S. was making a political argument for the people watching at home. There was no genuine concern for democracy in Nicaragua because Ortega quickly demonstrated his commitment to capitalism and neoliberal reform, which has not shifted since his re-election in 2006. Even in 2018 when Ortega unleashed vicious attacks on Nicaraguan civilians that were peacefully protesting, the U.S. made no effort to condemn the Ortega regime in-line with the predictions of democratic peace theorists. There is no doubt that Ortega has destroyed democracy in Nicaragua, yet the democratized world has not indicated any intention to intervene or intention to halt peaceful relationships with the country. Again, any efforts that have occurred are simply grandstanding.

The contribution of this thesis builds off a major flaw in the democratic peace theory – its' trouble in explaining peace between advanced industrialized democracies and weak or

emerging democracies. I have presented a theoretical framework based on this relationship and a different outcome variable (e.g., intervention) than typically considered by liberal peace theorists. This contribution should not be understood as providing supportive evidence of a generalizable theory. The purpose or contribution of this thesis was to present a theoretical framework that is a potential explanation for peace, or lack thereof, between advanced industrialized democracies and weak or emerging democracies, that, in turn, illustrates that the capitalist peace theory may have more explanatory power than the democratic peace theory.

Before I end this discussion, there are a few suggestions to be made on future research that might expand on this thesis and the liberal peace theories in general. Future studies should test the theoretical framework that suggests it is more likely to see an intervention from an advanced industrialized democracy in a weak or emerging democracy when the weak or emerging democracy begins to abandon the tenets of capitalism and the neoliberal global order. Also, future studies can illustrate this theory by examining the dyadic relationship between other advanced industrialized democracies and weak or emerging democracies (e.g., countries in the E.U. and the Southern Mediterranean countries). In addition, it would be beneficial to separate analyses of covert and overt intervention as it pertains to this relationship to potentially identify key features of these operations and how they support the democratic or capitalist peace theories. In other words, are conflicts between advanced and weak democracies overwhelmingly covert operations rather than overt? If so, what are the impacts on the theories? Will scholars continue to argue that such covert operations do not undercut the democratic peace theory? If so, can a more effective explanation be provided that does not use a stretched conception of democracy? Are overt operations merely a situation of the past for many advanced democracies? If so, is it logical to discuss such operations as they pertain to the democratic or capitalist peace theories?



There are many questions to be answered, and this thesis only scratches the surface. The reality of the capitalist, rather than democratic, priorities of the West and advanced democracies alike is a reality that extends far beyond any academic debates. Though it appears the literature is stuck trying to revive a theory that is potentially irrelevant in the 21<sup>st</sup> century.

This thesis has illustrated the empirical reality of my theoretical framework. I have presented two cases to show that as leaders in weak/developing democracies implement leftist economic policies that threaten the investments, capital, and wealth of economic elites in advanced industrial democracies (e.g., the U.S.), then these elites are more likely to utilize their political influence and power to shape foreign policy (e.g., overt, or covert operations) to such country. In one scenario, the U.S. supported the ouster of a democratic leader. In the other scenario, the U.S. supported a leader that was viciously attacking democracy. Scholars can go on and on trying to decipher the tiny details to ensure the democratic peace theory remains relevant, but the reality demonstrates that democracy takes a backseat to capitalism in many U.S. foreign policy decisions. Scholars can limit the democratic peace theory to advanced democracies, though they must understand that this limitation only justifies the utility of a secondary theory. If the democratic peace theory is only extended to a dyad that includes two advanced democracies, what compelled the U.S. to achieve a peaceful relationship with Honduras? Similarly, what compelled the U.S. to maintain a peaceful relationship with Nicaragua? The literature suggests the biggest influence of U.S. foreign policy is from the business elites (Jacobs & Page, 2005). Thus, when an advanced industrialized democracy has to choose between supporting a democratic leader that rejects neoliberalism and an autocratic leader that accepts neoliberalism, the economic elites will decide to keep the latter. The U.S. and the Western world at-large has consistently used moral talk to present an impressive and morally respectable image of their

efforts abroad. The purpose is to appear morally remarkable, though, as we all know too well: actions speak louder than words. Grandstanding, virtue-signaling, or however one wishes to describe such projections, democratic priorities do not transcend priorities of capitalism.

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