A Step Away From Clientelism

# CENTRAL AMERICA - CAFTA and the U.S. Patron-Client Relationship with Dominican Republic and Central America

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### Abstract

Patron-client relationships have detrimental implications on the socioeconomic development of communities. In this paper, I study the patron-client relationship between the U.S. and Central America and present a conceptual framework that suggests that the existence of a patron-client relationship 1) increases competition, 2) reduces social trust and collective action, and 3) is detrimental to its prospective regional socioeconomic development. I also review CAFTA and claim that it breaks with the traditional patron-client relationship between the U.S. and Central America, and that it provides some positive incentives that may benefit Central America's development efforts.

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### INTRODUCTION

In August 2005, the Congress of the United States (U.S.) passed the Central America Free Trade Agreement (CAFTA). The presidents of the seven participating countries (Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and the U.S.) praised the agreement as a watershed event that marked the beginning of a new era in regional cooperation and integration. But does CAFTA break away from previous U.S. foreign policies toward Central America? The purpose of this paper is to analyze the relationship between the U.S. and the Central American countries that signed CAFTA (Costa Rica, Dominican Republic [1], El Salvador, Guatemala, Honduras, Nicaragua), and examine whether CAFTA truly marks a new phase in the relationship between the U.S. and Central America. I explore the dynamics of the patron-client relationship and whether the association between U.S. and Central America under the Caribbean Basin Initiative and CAFTA can be categorized as such, or as something else; for example, colonialism, imperialism, or hegemony.

My central thesis is that the traits of contemporary U.S.-Central America relations can best be characterized as patron-client and that CAFTA, while not completely breaking with this asymmetric relationship, provides mechanisms and incentives that can help Central America lessen the patron-client links. In other words, CAFTA may have been designed by the U.S. to maintain its preeminence in Central America, but some of its provisions can assist Central America's economic integration and reduce the patron-client relationship. My key claim in this paper, and one that deserves ample attention, is that contemporary relations between the U.S. and Central America fit the "patron-client" mold. To support my claim, I provide a theoretical framework that details the characteristics of a patron-client relationship and historical evidence that show that relations between the U.S. and Central America fit these traits. My other claim is that CAFTA is a significant break from previous U.S. relations with Central America because it embodies provisions that may lessen Central America's dependence on U.S. markets and thus break away from the patron-client relationship.

I divide this paper into four sections. In the first section, I provide the definitions of some of the key terms used throughout the paper. I use these definitions to determine the type of relationships the U.S. and Central America have had.

In the second section, I use Putnam (1993) to build a conceptual framework that further details the characteristics of a patron-client relationship and its impact on collective action and future growth. Robert Putnam's (1993) analysis of civic traditions in modern Italy identifies characteristics of a patron-client relationship and how these limit the likelihood of collective action and development prospects. I scale up Putnam's theory to argue that the existence of patron-client relationship at the state level reduces the likelihood of regional cooperation among weak countries. In a perfect world, I would use empirical data to substantiate the conceptual framework; however this effort is beyond the scope of this paper and is an issue to be addressed in future research. For the purpose of this paper, I will base the conceptual model mostly on Putnam's (1993) findings and also on claims by Samuel Huntington (1968).

The third section of the paper will be a succinct historical overview of U.S.-Central America relations during the twentieth century and an analysis of the Caribbean Basin Initiative and CAFTA. I claim that for most of the twentieth century the U.S. had an imperial relationship with Central America. I show that the imperial relations do not fit the patron-client conceptual framework I construct because it was marked by constant episodes of forceful coercion. I then show that the imperial relationship eventually evolved into a hegemonic system in which the U.S. reduced direct influence over Central American affairs and institutionalized its dominance through international regimes, namely the Caribbean Basin Initiative and CAFTA. This phase of U.S.-Central American relations, I argue, fits the patron-client mold.

In the fourth section, I review whether CAFTA is consistent with previous U.S. policies toward Central America. I examine the potential impacts of CAFTA on the patron-client relationship with Central America. As I mentioned earlier, I claim that while CAFTA does not break away from the asymmetric relationship between the U.S. and Central America, it contains provisions that can potentially lessen the patron-client bond.

## I. DEFINITIONS & CONCEPTUAL FRAMEWORK

There is a wide range of complex and overlapping terms to describe the relationship between large countries and small countries. In this section I define some of the key terms I use to characterize the changing nature of U.S.-Central American relationship. While the definitions I present may not be the definitive meanings for these terms, they provide a conceptual framework from which I conduct my analysis of the relationship between the U.S. and Central America.

The fours terms I focus on to describe asymmetric associations between states are Colonialism, Imperialism, Hegemony, and Patron-Client. *Colonialism* is the enlargement of a strong nation's authority over a territory outside its own boundaries. Colonization facilitates economic domination over the resources, labor, and markets of the conquered territory. The key trait of a colonial relationship is the direct control of *country A* by *country B* .

*Imperialism* is more complex. Like colonialism, it is a policy of extending control over foreign entities in order to maintain or build up an empire. However, the control can be through direct means, such as territorial conquest or imposed government, or through indirect methods, such as trade regimes or limited political autonomy. The powerful state essentially dominates its subservient states, regardless of their preferences, but it allows for some level of autonomy.

In theories of international relations, the term *Hegemony* has a particular definition and narrow use. It refers to situations in which one powerful state exerts political, economic, and financial superiority over other states (Wallerstein, 2004). In a hegemonic world order, the hegemon exerts its power through consensual form, not through force. Subordinate states defer to the policy leadership of the hegemon, in return for selective incentives (Gilpin, 1975; Keohane 1984; Hasenclever, et al, 1993; and Wallerstein, 2004). It is a system of reciprocity.

While hegemony may resemble imperialism, Keohane (1984) distinguishes these two terms very emphatically. “The key distinction between hegemony and imperialism is that a hegemon, unlike an empire, does not dominate societies through cumbersome political superstructure, but rather supervises the relationships between politically independent societies through a combination of hierarchies of control and the operation of markets” (Keohane, 1984: 45). Furthermore, in a hegemonic relationship, weaker states consent to follow the lead of the hegemon, while under imperialism, an imperial power does not bother achieving any type of consensus, since they have explicit control of weaker states.

In practice, the distinction between *Patron-client* relations and hegemony is not a clear cut. So much so that at times Keohane (1984) and Wallerstein (2004) use the terms interchangeably. Like hegemony, patron-client relations involve exchanges and reciprocal obligations between actors. It is a compulsory pact, tacit or explicit, between the patron, an actor who has authority based on social capital, financial power, or some other resource, and the client, another actor that benefits from supporting or showing deference to the patron (Putnam, 1993, Wallerstein, 2004; Keohane, 1984; Cardoso and Faletto, 1979). Additionally, like hegemony, patron-client relations, according to Eisenstadt and Roniger (1984), can be formally institutionalized in structured regimes or can be sustained by unofficial institutions [2] that manage the relations between patron and clients. Buttressing their respective roles, institutions shape the behavior of both patron and clients and limit their choices to reinforce the status-quo.

For Putnam (1993), the lopsided friendship is the key trait of patron-client relations. He argues that exchanges between patron and clients are vertical and the requirements are asymmetric. Furthermore, patron-client relationships limit the solidarity of clients:

"*Two clients of the same patron, lacking direct ties, hold nothing hostage to one another. They have nothing to stake against mutual defection and nothing to fear from mutual alienation. They have no occasion to develop a norm of generalized reciprocity and no history of mutual collaboration to draw on. In the Vertical patron-client relationship, characterized by dependence instead of mutuality, opportunism is more likely on the part of both patron (exploitation) and client (shirking). Vertical networks are less helpful than horizontal networks in solving dilemmas of collective action*" (Putnam, 1993: 175).

This claim, that patron-client relationships limit cooperation between clients, is a key component of the conceptual framework created in the next section.

While Putnam (1993) was referring to personal patron-client relationships, I claim that the same dynamics exist at the state level. For instance, in works dealing with the relationship between the U.S. and Latin America, Gunder Frank (1979) and Cardoso and Faletto (1979) describe dealings that resemble the patron-client relationship. They claim that core countries provide selective incentives to dominant factions in periphery states, in exchange for their support in opening domestic economy to investment from core countries. The exchange of selective benefits for support of the patron’s policy is the key characteristics of patron-client relationships and of hegemony.

Moreover, both Keohane (1984) and Wallerstein (2004) claim that extreme asymmetric relations between states allow the patron (strong) states, to dictate the terms of international regimes to client (weaker) states. Keohane stresses that powerful states are able to determine the constraints and terms of international regimes. Weak states join international regimes out of fear of economic collapse or because of incentives provided by the patron (Keohane, 1994). For example, after WWII, “the United States sent material goods to Europe that were of greater value than those received. In return, the U.S. gained influence- the basis for what Klaus Knorr (1975, p. 25) calls ‘patronal leadership.’” (Keohane, 1984: 128). In other words, after WWII the U.S. had a patron-client relationship with Europe wherein the U.S. provided selective financial and military incentives (non-public benefits) to European states in return for their acceptance of U.S. leadership in constructing international regimes that institutionalized U.S. preeminence (Keohane, 1984; Hobsbawm, 1994).

Wallerstein (2004) also claims that the dynamics of patron-client relations exist at the state level. In fact, his world-system theory is based on the assertion that formal and informal international institutions facilitate the asymmetric relationship between strong states and weak states. Through formal and informal channels, “strong states relate to weak states by pressuring them to follow their lead in internal arenas (treaties, international organizations). And while strong states … buy off the individual leaders of weak states, weak states … buy the protection of strong states by arranging appropriate flows of capital” (Wallerstein, 2004: 55). In other words, client states secure the “protection” of the patron states by showing deference and adhering patron-centered institutions.

Lastly, another key attribute of a patron-client relationship at the state level is that patron states and client states face unequal constraints in examining the option to join the institutions created by the patron to reinforce the patron-client relationship. More generally, Keohane (1984) argues that given the existence of an asymmetrical relationship between states, “any agreement resulting from bargaining will be affected by the different opportunity costs of alternatives faced by the various actors- that is, by which party has the greater need for agreement with the other” (Keohane, 1984: 71). Since clients have the greater opportunity costs, they are more willing to accept the terms of the patron, even if these seem to mostly favor the patron state. Client states that do not adhere to the patron state’s asymmetric exchange, policies, and/or institutions are ostracized from the benefits of collective good provided by the capitalist world-system (Olson, 1971; Cardoso and Faletto, 1979; Wallerstein, 2004, and Hasenclever, et al, 1994); e.g. Cuba, Iran, Zimbabwe.

The terms I noted above are not an exhaustive list of the terms used to describe relations between strong and weak states. However, they are the most pertinent terms in characterizing the relationship between the U.S. and Central America throughout the twentieth century and up to the 2004 CAFTA agreement. As noted above, some of the terms overlap, but each provides a sufficiently different variation to warrant separate consideration. For example, the difference between colonialism and imperialism is that imperialism’s systematic dominance can encompass direct control, like in colonialism, but also indirect controls, like in hegemony. The differences between hegemony and imperialism are less ambiguous. Under an imperialistic relationship, stronger countries impose their will notwithstanding any objections or disutility to the weaker states. In a hegemonic relationship, as mentioned earlier, the subservient states willingly defer to the hegemon’s leadership; no force is needed. And actually, under a hegemonic relationship the dominance over the weaker states “is rationalized through an ideology incorporating compromise or consensus between dominant and subordinate groups” (Keohane, 1984: 44). In essence, a hegemonic relationship is chiefly consensual, whereas an imperialist relationship is compulsory.

The patron-client relationship is an overarching concept that closely resembles hegemony. Keohane (1984) states that hegemonic leadership resembles “patronal leadership” in that hegemons provide incentives to the weaker states in exchange for their deference. For example, during the *Pax Britannica* Eduardo Galiano (1997) and Tulio Halperin-Donghi’s (1993) recount that England provided Argentina and Brazil incentives to go to war against Paraguay in the war of the Triple Alliance (1864-1970). In a different occasion, England also provided incentives to Chile to invade Bolivian and Peruvian mineral-rich nitrate fields in the war of the Pacific (1879-1884). In these two instances the hegemon, England, provided its “clients” increased credit, trade agreements, and technical support in exchange for their willingness to implement its policies. Like England during the *Pax Britannica* , the U.S., during the *Pax Americana* , provided weaker countries with incentives in exchange for their allegiance (Keohane, 1984; Hasenclever, et al, 1994; Hobsbawm, 1993). The point here is that the characteristics of the hegemonic relationship resemble those of the patron-client relationship.

The patron-client relationship does not always overlap with hegemony. It, for example, promotes a vertical relationship between patron and clients. As pointed out by Putnam (1993), the vertical integration limits interaction between clients and limits collective action (Putnam, 1993; Olson, 1971; Huntington, 1968). The lack of social trust, Huntington (1968) warns, limits “political community,” which limits the development of political institution and the orderly relations between political forces. [3] In terms of the patron-client relationship, the vertical integration between patrons and clients ultimately leads to the inability of clients to form political institutions and to cooperate to achieve a common goal. Hegemony, on the other hand, does not always promote a vertical integration. In trying to rebuild Europe, the U.S. supported the horizontal integration of Europe. Organizations like the European Economic Community and the European Payments Union were supported by the U.S., the hegemon, and served as mechanisms to facilitate European integration (Hobsbawm, 1993; Keohane, 1984). Thus, hegemons do not always act like patrons who want to maintain the extreme asymmetric relationship between them and their clients.

## II. CONCEPTUAL MODEL

Now that I have defined a patron-client relationship, and compared and contrasted it with hegemony, I want to review four main implications of Putnam’s (1993) study of patron-client relationships in southern Italy. These are:

1. both patron and client benefit from a patron-client relationship;

2. patron-client relationships foster competition among clients;

3. patron-client relationships limit the emergence of civic-trust among clients and their ability to cooperate in collective action;

4. In the long-run, the lack of collective action reduces the prospective for economic development and the emergence of democratic institutions.

I claim that patron-client relationships at the state level will also evince these same traits. Due to the focus of this paper on CAFTA and its effect on the patron-client relationship between the U.S. and Central America, I cannot substantiate with empirical data the claim that Putnam’s findings are also found at the state level. However, I will review Putnam’s findings, and contend, as an assumption, that these can apply to patron-client relationships between states.

From a rational choice viewpoint, no state or actor will voluntarily enter into a relationship or international regime that is detrimental to him. In a patron-client relationship, clients enter into such relations because they benefit from the selective goods that are provided by the patron – work, protection, market access, etc. (Putnam, 1993; Hasenclever, et al, 1994). A patron benefits because he acts as monopsonist, and is able to dominate relations with the clients.

The second claim of the present conceptual model is that the patron-client relationship is marked by constant competition among clients. In the case of southern Italy, Putnam found that “peasants were in constant competition with each other for the best strips of land on the *latifondo* , and for what meager resources were available” (Putnam, 1993: 143). The vertical system that existed, where the patron selectively provided land and resources to clients in exchange for their loyalty, was more important than horizontal integration or cooperation between the clients. Actually, clients were more at war with each other, than with the patron or any other sector of society. Thus, the patron-client relationship fostered competition and quarrelling among the clients.

The continuous competition feeds the third claim on the conceptual framework. The vertical nature of patron-client relationships and the continuous competition reduces the civic trust among clients. Because clients’ interaction with each other is limited, distrust dominates any relations between clients. This sentiment is echoed by de Tocqueville who noted that lack of association between people leads to backwardness and the prevalence of distrust (Huntington, 1968: 31). In a patron-client relationship, distrust prevails as a result of the almost exclusive bilateral relationship between the patron and the clients, and the competition among clients. The limited interaction between clients thus stymied the emergence of social trust (Putnam, 1993; Olson, 1971; Huntington, 1968).

The lack of social trust, in turn, limits collective action among the clients. According to Olson (1971), even if a set of actors have common interests or can benefit by acting together to achieve a common goal, it does not follow that they will join to work toward their common goal. In a large group, where an individual’s marginal contribution is small and the benefit is a public good, rational individuals, all else equal, will free ride instead of contribute to the collective effort (Olson, 1971; Hasenclever, et al, 1994).

Collective action, Olson concludes, is unlikely in a large group. In smaller groups, Olson argues, collective action is more likely because individual contributions are more perceptible and organizational costs are lower.

A way of overcoming collective action problem is through social-trust. Putnam (1993), Olson (1971), and Huntington (1968) argue that the existence of social trust in a group allows them to build organizations that can help address collective action problems. The purpose of organizations "is the furtherance of the interests of their members" (Olson, 1971: 5) and the existence of organizations allow a group to achieve collective action. Organizations can both coerce and provide incentives to get members to act collectively (e.g. unions, cartels). However, the act of establishing an organization is a collective action problem all by itself. But Putnam (1993), Huntington (1968), and Olson (1971) claim that the more interaction between people leads to more social trust, which allows people to group together to create small organizations - guilds, PTAs, bowling clubs, buyers association, sellers associations - which can then grow into formalized organizations - political parties, unions, and cartels. These organizations, small or large, formal or informal, allow members to collectively pursue common goals.

The nature of patron-client relationships is to concentrate interaction between the patron and the client, and limit interaction among clients. Thus, patron-client relationships, as Putnam (1993) found, limited social interaction among peasants, which limited social trust and little, if any, collective action.

As for the fourth claim of the present conceptual model, Putnam (1993) and Huntington (1968) argue that the existence of a patron-client relationship is detrimental for socioeconomic development or institutional performance. In a backward society plagued with patron-client relations, people lack a sense of community; "each leader, each individual, each group pursues and is assumed to be pursuing its own immediate short-run material goals without consideration for any broader public interest" (Huntington, 1968: 31). Huntington (1968) and Putnam (1993) link patron-client relations to the lack of social trust and to the backwardness of a community. They support that claim by arguing that the existence of social trust helps create organizations, which facilitate collective actions, which assists socioeconomic development (Putnam, 1993; Olson, 1971; Hasenclever, 1993; Huntington, 1968). Similarly, interaction between different social groups, Huntington argues, results in the development of a "community" which allows different social groups to establish a stable political system. Thus, by limiting interaction between clients, the existence of patron-client relations limits the economic and political development of a state or a region.

## III. U.S.-CENTRAL AMERICAN RELATIONS

In this section I review the historical relations between the U.S. and Central America and reason that for most of the twentieth century they can be characterized as imperialistic. Then I look at the Caribbean Basin Initiative and CAFTA and argue that these U.S. initiatives toward Central America exhibit the characteristics of a hegemonic system and of a patron-client relationship.

### *U.S. Imperialism in Central America*

Before Franklin D. Roosevelt's "Good Neighbor Policy," which scaled back the U.S.'s interventions, the U.S. frequently intruded in Central America's domestic affairs. In Nicaragua, for example, the U.S. committed troops on three separate occasions: 1909-1910, 1912-1925, and 1926-1933; in the Dominican Republic, the U.S. maintained a military presence from 1916-1924 and held financial supervision of the country's finances from 1905 to 1941 (Brinkley, 1997). And in the other Central American countries, the threat of marines intervening was a seemingly permanent constraint in relations with the U.S.

At the same time, North American capital penetrated throughout the Caribbean Basin to monopolize the production of primary products: sugar, coffee, bananas, and other agricultural products (Halperin-Donghi, 1993; Galeano, 1997). "Coffee cultivation expanded in the Central American highlands, (while) the lowlands saw the establishment of a 'banana empire' ruled directly from Boston" (Halperin-Donghi, 1997: 159). Local partners were excluded from the production processes. American capital took over railway lines, originally financed domestically, and monopolized transportation, "electric light, the mails, telegraph and telephone, and- a no less important public service- politics: In Honduras a mule costs more than a deputy, and throughout Central America U.S. ambassadors do more presiding than president" (Galeano, 1997: 107). The Central American countries were appendages of the U.S.

To ensure that U.S. interests were protected from social agitation, potential and materialized, the U.S. decided to impose or support iron-fist dictators who suppressed social unrest and put U.S. interests and policy first and foremost. Power was concentrated in the hands of Dominican Republic's Rafael Leónidas Trujillo, El Salvador's Maximiliano Hernandez Martinez, Guatemala's Jorge Ubico Castaneda, Honduras's Tiburcio Carias Andino, and Nicaragua's Anastasio Somoza (Galeano, 1979; Halperin Donghi, 1993). These dictators received support from the U.S. in exchange for preference to and protection of U.S. capital.

After WWII, there were no immediate changes in the relations between the U.S. and Central America. The U.S. continued supporting pro-U.S. dictators, and due to the emergence of the Cold-War it became ever-more vigilant in stamping out any anti-U.S. movements. The U.S. opposition of Guatemalan president Jacobo Arbenz is indicative of the continued imperialistic mentality by the U.S. Because Arbenz supported major social reforms [4] that threaten the omnipotent position of the United Fruit Company and other U.S. interests, and, single-handedly, voted against a 1954 OAS declaration presented by the U.S.'s to ban communist parties in the Americas, the U.S. adopted measures to overthrow Arbenz (Gleijeses, 1991). The U.S. sponsored "disaffected Guatemalan army officers whom it helped to arm and organize secretly in Honduras" (Halperin-Donghi, 1993: 257). "Colonel Rodolfo Castillo Armas, a graduate of the Fort Leavanworth military post, invaded his own country with troops trained and equipped for the for the purpose by the United States, and with support from U.S.-piloted F-47 bombers" (Galeano, 1979: 113). After the overthrow of Arbenz, the Guatemalan army, under the guidance of the U.S., disbanded labor movements and peasant organizations.

The U.S. also orchestrated the assassination of Trujillo in the Dominican Republic, and then devised a military coup to depose the left-leaning democratically elected Juan Bosch (Huntington, 1968). The coup led to a civil war in 1963, which gave the U.S. the excuse to intervene militarily. "The unilateral U.S. presence in the Dominican Republic was soon converted into a more decorous multilateral OAS presence that arranged for presidential elections in 1966" (Halperin-Donghi, 1979: 326).

Under the U.S. President Reagan, military interventions in Central America continued. Nicaragua and El Salvador suffered from an over-zealous Reagan policy against left-leaning governments. In Nicaragua, the Reagan administration openly supported and praised the Contras anti-revolutionary conflict against the Sandinista government. The U.S. support for the Contras funded a bloody decade long counter-revolutionary war, which ended with peaceful, albeit questionable, elections in 1990. During this time, Honduras was used by U.S. in as staging grounds for U.S. military operations against Nicaragua. The impact of the U.S. military presence on "the Honduran society as a whole was not wholly positive, (however) this poorest of Central American countries had few … alternatives" but to endure the U.S. military presence and direct dealings with the Honduran military (Halperin-Donghi, 1993: 398).

When aggregated, the traits of the U.S.-Central American relations most of the twentieth century are sufficiently significant to characterize them as imperialism. Direct military interventions, direct support for dictators, infiltration of North American capital, policy management, and economic dependence of Central America on U.S. markets (Bulmer-Thomas, 2003; Galeano, 1979) are all characteristics of an imperialist relation.

### *The Caribbean Basin Initiative*

In 1983 the U.S. initiated the Caribbean Basin Initiative (CBI) that provided Caribbean and Central American countries preferential access to U.S. market, in exchange for their compliance with a set of U.S. requirements. To benefit from the CBI, countries had to demonstrate that they were anti-communist and respectful of American property (Office of United States Trade Representative, 2005a; World Bank, 2005). The CBI also required participating countries to purchase inputs for textiles and apparel goods from the U.S., adopt strict anti-drug-trafficking measures, and adhere to international intellectual property rights laws (World Bank, 2005; Department of Commerce, 2005; IIPA, 2005). For example, under the CBI, duty free and quota free treatment was only granted to “textile and apparel products assembled from U.S. fabric in CBI beneficiary countries from U.S. fabric and yarn. Duty free treatment also will be provided for apparel assembled from CBI regional fabric, subject to a quantitative limit which increases over time” (U.S. Office of Market Access Compliance, 2005) [5]. In other words, textiles and apparels made from U.S. components were fully duty-free and quota-free, while those made with domestic components were subjected to trade barriers (World Bank, 2005). This gave a distinct advantage to U.S. imports, and depressed the development of domestic industry that could supply components to the export sector. The result was a vertically-integrated international production process.

The CBI marked a transition in the U.S.-Central American relations from mostly imperialist to mostly hegemonic. After the end of the Cold-War, and the end of the armed conflicts in Central America, the U.S. ended direct military interventions in Central America. The U.S. was also successful at providing selective incentives to Central America, in exchange for their voluntary acceptance of U.S. hegemony in Central America.

The CBI resulted in increased bilateral trade between each participating countries and the U.S. It led, as mentioned earlier, to increased vertical integration: the U.S. supplied inputs and the CBI countries assembled the goods and exported them back to the U.S (World Bank, 2005). The CBI was also an effective tool to arrive at a consensus with participating countries to adopt anti-communist policies, purchase more expensive U.S.-made inputs, and adopt policies to protect U.S. interests. The CBI is an institution that Keohane (1984) and Hasenclever, et al, (1994) would describe as an instrument of U.S. hegemony. The CBI also demonstrated the characteristics of a patron-client relation, a la Putnam (1993), in that it increased vertical-integration between patron and clients, and stymied interaction within and between “client” states.

### *CAFTA*

The latest phase of U.S.-Central American relations is marked by the 2004 CAFTA agreement. This agreement is intended to increase the economic links between the U.S. and Central America through increased trade. “The Central America-Dominican Republic-United States Free Trade Agreement, which was signed on August 5, 2004, is designed to eliminate tariffs and trade barriers … on more than 80 percent of U.S. exports of consumer and industrial products … Eighty percent of CAFTA-DR imports already enter the United States duty free under the Caribbean Basin Initiative” (Office of the United States Trade Representative, 2005b). CAFTA is more than a trade agreement; it includes provisions addressing investment, property rights, and government procurement.

### BOX 1 – MAJOR CAFTA PROVISIONS

- **Services**: all public services are to be open to private investment.
- **Investment**: governments promise to grant ironclad guarantees to foreign investment.
- **Government procurement**: All government purchases must be open to transnational bids.
- **Market access**: governments pledge to reduce and eventually to eliminate tariffs and other measures that protect domestic products.
- **Agriculture**: duty-free import and elimination of subsidies on agricultural products.
- **Intellectual property rights**: privatization of and monopoly over technological know-how.
- **Antidumping rules, subsidies and countervailing rights**: governments commit to phase out protectionist barriers in all sectors.
- **Competition policy**: the dismantling of national monopolies.
- **Dispute resolution**: the right of transnational to sue countries in private international courts.
- **Environmental protection**: the enforcement of environmental laws and improvement of the environment.
- **Labor standards**: the enforcement of the International Labour Organization’s core labor standards.
- **Transparency**: the reduction of government corruption.
- **Test-Data Exclusivity** for pharmaceutical corporations

**Sources**: Text retrieved from Dominican_Republic-Central_America_Free_Trade_Agreement (Wikipedia) and corroborated with Office of the United States Trade Representative (2005b) and World Bank (2005).

It is difficult to predict the impact of any trade agreement. Thankfully, the CBI provides some hindsight as to the impact of past trade between the U.S. and Central America. As mentioned above, the CBI increased trade between Central America and the U.S. It also helped increase the volume and range of Central American exports, from textiles and apparel produced in Free-Trade-Zones (FTZs) to high technology goods from Costa Rica and Dominican Republic. “At the same time, while trade has made a significant contribution to growth in Central America (under the CBI), its impact has not been sufficient to lift aggregate growth rates enough to transform these countries’ economies and radically reduce poverty rates” (World Bank, 2005: 3). Similarly, due to the U.S. input requirement under the CBI, the FTZs that mushroomed under the CBI provided limited linkages and opportunities to local producers and vendors. Furthermore, the CBI did not include any mechanisms for regional trade between Central American countries. Thus, the CBI actually increased the vertical integration of the U.S. and Central American economies (World Bank, 2005). The U.S. supplied the inputs, and Central America supplied the labor. These characteristics of the CBI fit the patron-client relationship.

CAFTA breaks from the rigidity of the CBI. First, “the benefits offered under the CBI (are) locked in for Central American countries, and some additional permanent duty free access would be obtained for goods that had been previously exempted from CBI preferences” (World Bank, 2005: 4). CAFTA also creates the “Committee on Trade Capacity Building” that will identify ways for Central American countries to increase their trade capacity. Chapter 19 of the final text of CAFTA details that the Committee will work with participating countries to identify development projects – infrastructure, communication, technology, human capital, etc. – to improve their capacity to export to the American Market. Moreover, the Committee will also work to solicit funding from the development organizations, donor community, and U.S. government for the implementation of the identified projects.

Furthermore, CAFTA also includes the mechanism to expand the dynamic growth and nature of export sectors beyond the FTZs. Chapter 4 of CAFTA describes that in order for goods and services to benefit from the market access granted under CAFTA, they must be completely obtained or produced entirely in the territory of one or more of the participating countries; and that each of the non-originating materials used in the production of the good or service undergoes an applicable change in tariff classification (Office of the United States Trade Representative, 2005b). This provision offers an unprecedented opportunity for horizontal integration within a local economy and across Central American countries. It lifts the inflexible conditions under the CBI that favored that inputs be procured from the U.S. Similarly, FTZs laws prohibiting the sale of FTZs goods in the local market become obsolete under CAFTA. Under CAFTA, companies in and out of FTZs will be able to procure duty-free inputs from abroad and sale their goods in the local markets. The lifting of these restrictions provides the possibility for Central American countries to develop domestic industries with linkages to the domestic export sectors and to other Central American economies (World Bank, 2005). In other words, under CAFTA the Dominican Republic, for example, can now purchase inputs from its domestic market or any other Central American country, and export the manufactured good to any participating country duty-free.

From the U.S. standpoint, CAFTA will grant the U.S. reciprocal access to Central American markets, new access to government contracts, and reduce investment barriers. Since the Central American market is the U.S.’s tenth largest trade partner, acquiring preferential access to Central American markets will provide further opportunity to U.S. exporters. In 2004 the U.S. exported almost $16 billion to Central America; more than the combine amount of exports to Russia, India, and Indonesia (U.S. Government Export Portal, 2005). Similarly, as mentioned above, CAFTA opens government procurement to bids companies from any CAFTA member. This would remove strict restrictions that limit and sometimes prohibit foreign participation in government tenders (World Bank, 2005).

CAFTA also provides the U.S. with the way to get Central American countries to adopt tough intellectual property rights laws. CAFTA requires that each participating country “provide adequate and effective protection and enforcement of intellectual property rights in each Party’s territory” (chapter 1, pg. 1 & Chapter 15). In the text of the agreement, this provision lists a series of international treaties that detail strict property rights laws. The U.S. has been, and is, a voluble champion of these property rights treaties. By making it a requirement for each country to ratify these international treaties, the U.S. has managed to influence Central America to ratify these agreements.

Outside the formal CAFTA agreement, during the negotiation of CAFTA the U.S. managed to obtain important concessions from Central America. For example, According to records from the U.S. State Department, during the CAFTA negotiations the U.S. signed bilateral Article 98 Agreements regarding the surrender of U.S. persons to the International Criminal Court (ICC) with three of the six Central American countries. Similarly, among all the countries in the Americas, only six countries in 2003 joined the U.S.'s coalition of the willing: Costa Rica [6], Colombia, Dominican Republic, El Salvador, Honduras, and Nicaragua (ABC News, 2004; Pasicolan and Satterlee, 2003). Again, the formation of the Coalition of the willing took place during the CAFTA negotiations. Without access to documentation about the U.S.'s Article 98 agreements and negotiation for the involvement of Central American countries in the "coalition of the willing", it is difficult, if not impossible, to claim that these concessions were a direct result of the CAFTA negotiation. However, the simultaneity of these concessions with the CAFTA negotiations, on the one hand, and the documented coercive tactics or economic and political "incentives" used by the U.S. to get countries, especially poor countries, to accept Article 98 agreements (Manthorpe, 2003) and to join the "coalition of the willing" (Sanders, 2002: Lobe, 2003; Anderson, et al, 2003, Lynch, 2003) provide some substantiation to the claim that the U.S. used CAFTA negotiations as a "carrot" for Central America to show deference to the U.S.'s foreign policy interests. For example, in 2003, Costa Rica President Abel Pacheco, a firm supporter of CAFTA, fired the then Costa Rican UN Ambassador for giving a speech supporting the continuation of inspections in Iraq, and vehemently asserted that Costa Rica's official position staunchly backed U.S. policy on Iraq (Anderson, et al, 2003; Lynch, 2003).

## IV. HOW CAN THE CBI & CAFTA BE CLASSIFIED?

The CBI and CAFTA represent a new phase in U.S.-Central American relations. These two policy initiative clearly distance themselves from the forceful means used by the U.S. to manage Central American affairs. However, in this section I claim that while both these policies demonstrate the characteristic of a hegemonic relationship, the CBI typifies a patron-client relationship, while CAFTA moves away from it.

As I argued earlier, the U.S. used both the CBI and CAFTA to manage its relationship with Central America through incentives, and not through force. Through these institutions, the U.S. provided Central American countries with selective benefits in exchange for their deference in economic and foreign policy issues. The characteristics of these exchanges are those of a classic hegemonic relationship, a la Keohane (1984).

The CBI, for its part, demonstrated traits of a patron-client relationship. It encouraged and increased vertical integration between the U.S. and each participating country; it did not provide any mechanism for interaction between CBI beneficiary states; and it resulted in continuous concessions from Central American countries to attract foreign investment in FTZs (Jenkins, et al, 1998; World Bank, 2005; Wallerstein, 2004). These characteristics connect well between typical traits of patron-client relationship. Therefore, I conclude that under the CBI the increased vertical integration between the U.S. and Central America and the increasing concessions offered to attract foreign capital are direct results of, and are characteristics that fit, the patron-client relationship between the U.S. and Central America.

CAFTA, on the other hand, is a significant break from the historical patron-client relationship. As described above, CAFTA provides Central America with not only some "payoffs" in exchange for deference to U.S. policies, but it also establishes mechanism to break the vertical-integration of the historical patron-client relationship. Unlike the CBI, CAFTA allows Central American Countries to develop horizontal linkages to help integrate their economies. This is a significant step away from the CBI and from the traditional patron-client relationship, which simply focused on increasing the ability of the U.S. to extract surplus from Central America. Under CAFTA, Central America is able to increase its integration, which may lead to the development of regional organizations that will facilitate collective action among Central

American countries.

While CAFTA is a break from the patron-client relationship, I argue that it is a further step toward solidifying U.S. hegemony in Central America (Keohane, 1984; Hasenclever, et al, 1993). The selective incentives provided to Central America through CAFTA are akin to the selective incentive the U.S. provided Europe after WWII. Back then, the U.S. sought the support of Europe to establish international regimes that would institutionalize the U.S.'s preeminence in the world; through CAFTA, the U.S. is seeking Central America's backing in the war in Iraq, in strengthening intellectual property treaties, and in weakening the ICC. Thus, CAFTA is a hegemonic tool through which the U.S. is providing selective incentives to Central American countries in exchange for their continued backing in international issues and continued access of American capital and interests in Central American economies.

## V. CONCLUSION

Throughout this paper I endeavored to make the case that CAFTA is a significant step away from the traditional U.S. relationship with Central America. I presented a conceptual framework to identify the traits of imperialist, hegemonic, and patron-client relationships. I then presented historical evidence to show that U.S. policies went from imperialist to hegemonic. And lastly, I showed that while both the CBI and CAFTA demonstrate the quintessential traits of a hegemonic relationship, only CBI showed the characteristic of a patron-client relationship. CAFTA's provisions moved the relationship between the U.S. and Central America away from the patron-client framework presented in section III. Thus, CAFTA is a significant break from previous U.S. relations with Central America.

CAFTA presents an unprecedented opportunity to Central America to increase horizontal integration and lessen patron-client bond with U.S. According to the conceptual framework presented in section II, increased horizontal economic integration will weaken the patron-client relationship between the U.S. and Central American countries and create positive conditions for socioeconomic development.

CAFTA may not be the panacea that launches rapid socioeconomic development in Central America, but it is a step away from the historical patron-client relationship between the U.S. and Central America. The trick will be for Central America to take advantage of the incentives provided under CAFTA to develop the horizontal linkages and regional organization that will allow them to work together toward common goals and to lessen dependence on the U.S.

While this paper provides an overview of the patron-client relationship, additional research is needed on the conceptual model I presented above. A study that looks at the 20 years of the CBI and its results, and whether these are in accordance with the patron-client conceptual model presented in this paper, would help determine whether the conceptual model's implications can be scaled up to the state level. But it is certain that the CBI contains stipulations that increased Central America's dependence on the U.S., which is one of the major claims (vertical integration) of the conceptual model. It is also clear that CAFTA moves away from the CBI's rigidity and that it allows horizontal integration between Central American countries. But, whether Central American countries takes advantage of this opportunity to increase trade, develop social trust, create regional organizations, and act collectively toward common socioeconomic development goals, is a subject that needs to be closely studied as CAFTA is fully implemented in the coming years.

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## Footnotes

[1] The Dominican Republic is not geographically part of Central American, but since it is a participant in the CAFTA agreement, for the purposes of this paper, when I refer to Central America I include the Dominican Republic

[2] By institutions I refer to “formal or informal procedures, routines, norms and conventions embedded in the organizational structure of the polity or political economy” (Hall and Taylor, 1996: 6). Also, International regimes (or institutions) “affect the behavior of state and non-state actors in the issue-areas for which they have been created” (Hasenclever, et al, 1997: 1).

[3] “A political force is an ethnic, religious, territorial, economic, or status group” (Huntington, 1968: 8)

[4] The reforms included building of highways and ports that broke United Fruit Company’s transportation monopoly and an agrarian reform that aimed to increase the economic power of peasants by distributing unused land to peasants.

[5] CBI sections 215 and 222 describe in detail requirement of U.S. components in the production of goods.

[6] Costa Rica and Colombia did not commit any troops to the Iraq war, and only El Salvador currently has troops on the ground.