



# CENTRAL AMERICA 2030

**FIU** | Steven J. Green  
School of International  
& Public Affairs  
FLORIDA INTERNATIONAL UNIVERSITY

**GLOBAL AMERICANS**

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## Introduction

The countries of Central America—Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, and Panama—face many of the same challenges. The most obvious and publicly discussed of these challenges is crime and insecurity, stemming both from the subregion’s unfortunate geographic location between cocaine producing countries to its south and cocaine consuming countries to the north—primarily the United States—and domestic gang violence and corruption.

But these threats are embedded in an already fertile environment, fed by weak state capacity, economic underperformance, challenging demographics, and rising voter rejection of the political class. Even once secure, democratic Costa Rica is confronting challenges of insecurity and growing citizen disenchantment. To better understand and analyze these issues, their interrelationships and likely impact in the future, we have untangled them into five separate themes: 1) security and violence; 2) weak institutional capacity; 3) economic growth; 4) demography; and 5) technology. In addition, we discuss two cross cutting themes: popular opinion and the likely impact of extreme weather on many of these factors and the region’s future.

## Transnational Security Challenges

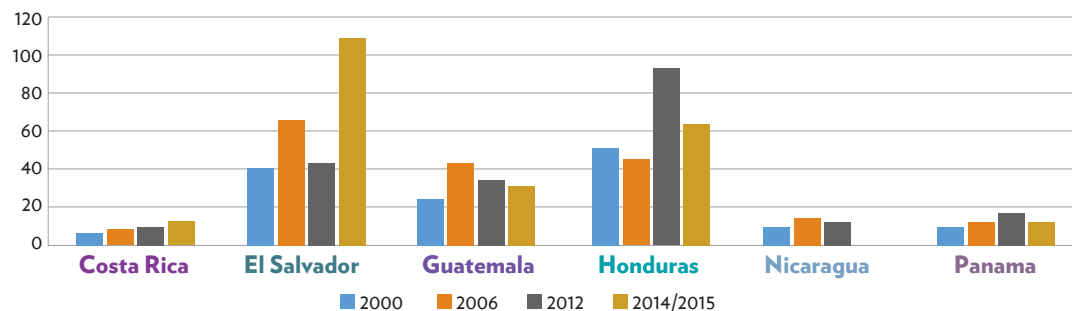
Transnational crime and security remain Central America’s biggest threat—a threat that is spilling outside the region’s borders, affecting Mexico and the

United States<sup>1</sup>. But it is far from solely an international problem resulting from the region’s use as a transshipment point for narcotics heading north from South America. There is also a strong domestic component that has peripheral links to local criminal networks. Groups like MS 13 and the 18th Street Gang—commonly known as “maras”—are largely focused on domestic crime, including extortion and theft. In recent years, they have captured entire neighborhoods—primarily in El Salvador, Honduras and Guatemala—and engage in open warfare with local security forces.

Approximately 90 percent of the cocaine entering the American market now flows through Guatemala and Honduras.<sup>2</sup> Guatemala is also gradually becoming a major drug producer itself. Opium poppies are grown in remote mountain regions of the country and then processed and sold to Mexican traffickers.<sup>3</sup> In addition, 54 criminal drug organizations are engaged in extortion and drug trafficking. Four cartels operate in distinct areas while competing and gaining political influence. These criminal organizations have become so entrenched that even if cocaine delivery routes are diverted away from Central America, they will seek illicit revenues through extortion and other forms of violent crime.<sup>4</sup> (For murder rates per 100,000 residents from 2000 to 2014/2015 see Figure 1 below.)

The networks for illegal trade—both transnational and domestic—are also used for more than the transshipment of narcotics or for local crime. Those chan-

**FIGURE 1**  
Murder rates per 100,000 residents from 2000 to 2014/2015



SOURCE: United Nations Office on Drugs and Crime. 2016. *Global Study on Homicide*.

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

2. International Narcotics Control Strategy Report, Volume 1: Drug and Chemical Control.” 2018. Washington, DC: United States Department of State Bureau for International Narcotics and Law Enforcement Affairs. <https://www.state.gov/documents/organization/278759.pdf>.

3. Ellis, R. Evan. 2017. “Guatemala: The Military in a Supporting Role in the Fight Against Transnational Organized Crime.” *Ensayos Militares* 3 (1): 39–60.

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

nels are also used for other illicit commerce, such as human trafficking, arms smuggling, money laundering, and the production and smuggling of counterfeit goods. Many groups work in collusion with state officials—elected and nonelected—at national and local levels, particularly in the Northern Triangle countries: Guatemala, Honduras and El Salvador.

Despite its reputation of stability, Panama is not immune to these challenges and increasingly faces transnational security threats. Given its position as a logistics/transportation hub and banking center, Panama has become a base for the trafficking of counterfeit goods and money laundering. In this case, money laundering comes not only through Panama's notoriously opaque banking system—which is slowly being reformed—but through trade overpricing in the export processing zone in the port city of Colon, a more difficult form of laundering to detect.

These security and development concerns have been a centerpiece of U.S. policy toward the region. The U.S. Southern Command maintains a presence of 600 personnel at Joint Task Force Bravo at Soto Cano Air Base in Honduras, engaging in security and humanitarian missions throughout Central America. The Central American Regional Security Initiative (CARSI) provides U.S. assistance, primarily in the areas of crime reduction, security and rule of law. Conceived in September 2014, the Alliance for Prosperity of the Northern Triangle will eventually provide \$20 billion to boost economic growth, create jobs, improve public safety and strengthen institutions. In early 2015, the U.S. appropriated \$750 million to support the initiative, though funding has lagged and according to some administration statements, priorities may shift within the program. All told, as of FY2016, the U.S. provides \$544,857,077 in assistance to five countries in Central America: El Salvador, Guatemala, Honduras, Nicaragua, and Panama. Of that, \$79,032,940 (14.5 percent) was allocated through the U.S. Defense Department.

### Weak Institutional Capacity

While there is some variation—with Costa Rica and Panama performing slightly better—state weakness remains one of Central America's primary challenges and should be seen as one of the main causes of the isthmus' crime and insecurity problems.

All but one of the countries in the region maintain democratic regimes within a broadly defined democratic framework of government. The regime of

Daniel Ortega in Nicaragua has clearly violated those definitions, placing competing branches of government under his and his wife's personal control. And given the ongoing repression of protests against the Ortega regime, which began in April 2018, Nicaragua's institutional capacity and legitimacy has been even further weakened. But despite the presence of democratic checks and balances and processes in the remaining five countries, state capacity and governance remain the fundamental institutional challenge in the region. That weakness undermines the capacity of the states across the subregion to collect taxes, maintain the monopoly on the legitimate use of force, mediate conflicts effectively and peacefully, and deliver basic services.

The World Bank maintains a Governance Index that measures political stability and absence of violence, voice and accountability, government effectiveness, regulatory quality, rule of law, and control of corruption. It then scores each of those variables individually and ranks them on a comparative percentile scale of 0 to 100, with the best performing countries receiving higher percentiles. The average percentile for Central America is 42.9, with Costa Rica ranking highest (72) and Honduras (28.8) and Guatemala (26.8) ranking lowest.<sup>4</sup> In addition to fundamental issues in the rule of law, these challenges of governance affect security, potential for economic growth, poverty alleviation and inclusion, and the ability of the state to manage political conflict and violence.

For example, tax avoidance in El Salvador is estimated to amount to 2.7 percent of the country's Gross Domestic Product (GDP). For Guatemala that number is 3.4 percent of GDP and for Nicaragua, 2.7 percent. Between the high avoidance rates and low tax brackets to begin with, these countries' tax collection to GDP ratios remain low, undermining their governments' ability to provide basic services to citizens in areas like education, healthcare, justice, infrastructure, and security. To give some examples, in El Salvador tax revenue only represents 15.8 percent of GDP; in Guatemala that number sinks to 10.3 percent of GDP; Honduras 19 percent; Nicaragua 16.3 percent; and Panama 10.2 percent. For the sake of comparison: Argentina's tax revenue to GDP ratio is 24.4 percent; South Korea's is 26.3 percent; and Spain's is 33.48 percent.<sup>5</sup>

While the higher ratios of Argentina and the other countries are no guarantee that the public funds are well spent, they do indicate the weakness of a basic

4. Worldwide Governance Indicators." 2016. Washington, DC: World Bank. <http://info.worldbank.org/governance/WGI/#home>.

5. CEPALSTAT: Bases de Datos Y Publicaciones Estadísticas." 2018. Santiago, Chile: Comisión Económica para América Latina y el Caribe. <http://estadisticas.cepal.org/cepalstat/Portada.html>.

function of a state. A low revenue base restricts what a government can do to answer basic demands of its citizens such as invest in education and basic infrastructure. It's not surprising, then, that literacy rates and average years of education in Central America remain lower compared to other countries in the region. Other indicators remain low as well. According to the CIA World Factbook, only 42.5 percent of Guatemala's roads are paved; 22.8 percent of Honduras' roads are paved; and 20.6 percent of Nicaragua's roads are paved.

Another symptom of weak state capacity, particularly in terms of rule of law, is state corruption. And here, again, Central American countries rank poorly when compared globally. According to Transparency International's 2017 Corruption Perception Index, which annually ranks 180 countries globally by perceived levels of corruption on a score of 0 to 100 (with a 0 ranking representing highly corrupt and 100 very clean), five of the six countries in the region rank below the global median. Only Costa Rica, which ranked 38th position in 2017 with a score of 59, was above the midpoint of the 180 countries included. Panama was next at 98 (with a score of 37), El Salvador at 112 (score of 33), Honduras at 135 (score of 29), Guatemala at 143 (score of 28), and, last, Nicaragua at 151 (score of 26).

One positive development on this front has been the creation of extranational commissions to combat corruption and impunity in Guatemala and Honduras. In Guatemala, the UN supervised International Commission against Corruption and Impunity (CICIG) has worked closely with the country's attorney general to investigate and prosecute a number of high level corruption cases, including against a former president and vice president. In Honduras, the Organization of American States' (OAS) Support Mission against Corruption and Impunity in Honduras (MACCIH) has a similar, though more limited, mandate. Both organizations, unfortunately, have been under attack by their host governments, leaving their mandates and futures in doubt.

Last, recent events in Honduras and Nicaragua—as well as ongoing, endemic gang related violence in El Salvador—demonstrate the deteriorating capacity of those states to mediate conflict. Apart from the gang violence in El Salvador and Honduras described above, widespread popular protests and hard governmental responses—in the case of Honduras over the contested November 2017 presidential elections and in the case of Nicaragua over President

Ortega's control over the government and state and state-sponsored repression—point to the risk of rising popular discontent and the inability of governments to channel and resolve these conflicts peacefully.

### Economic Growth

Expectations of economic growth in Central America remain positive, albeit modest; but numerous potential downsides and barriers remain. International Monetary Fund (IMF) projections put the Latin America and Caribbean region's real GDP growth rate at between 2 and 2.8 percent annually from 2018–2023, well below projected global growth of between 3.7 and 3.9 percent (see Figure 2).<sup>6</sup> However, several countries in Central America are expected to outperform the Latin American and Caribbean region as a whole. This is particularly true of Panama, which is expected to grow at a rate of 5.5 to 5.8 percent annually through 2023.<sup>7</sup> In fact, the only Central American country that is not projected to surpass average Latin American growth rates is El Salvador.<sup>8</sup> Nevertheless, natural disasters—to which Central America is particularly prone (see outliers on page 8)—and political instability in Nicaragua and the Northern Triangle may negatively affect economic growth projections and will likely affect the most vulnerable citizens across a range of factors.

Even assuming that the exogenous factors of natural disasters never come to pass, there are still a series of challenges. First among them is that the positive, though modest, growth rates will not be sufficient to address issues of the region's chronic poverty. According to the World Bank, on average across the six countries, poverty rates (percent living on less than \$5.50 per day) remain at 20 percent; the average, though, masks the high rates of poverty in Guatemala (48.8 percent) and Honduras (50.4 percent). In those countries, extreme poverty remains stubbornly high compared to numbers within the region. Guatemala's rate of extreme poverty (those living on less than \$1.90 per day) is at 8.7 percent and Honduras' rate is 16 percent, compared to Costa Rica's rate of 1.3 percent and Panama's rate of 2.2 percent.

These growth rates are not likely to pull a sufficient number of workers out of the very large informal sectors in most of these economies into formal jobs—which, according to World Bank studies, is the most sustainable path out of poverty. On average 47.4 percent of the workforce in Central America toils away in the insecure, often benefits-free informal

6. World Economic Outlook Database." 2018. Washington, DC: International Monetary Fund. <https://www.imf.org/external/pubs/ft/weo/2018/01/weodata/index.aspx>.

7. Ibid.

8. Ibid.

**FIGURE 2**  
**Projected Annual Change in Real Gross Domestic Product, 2016–2023**

COUNTRY	2016	2017	2018	2019	2020	2021	2022	2023
Costa Rica	4.51	3.20	3.60	3.60	3.50	3.50	3.50	3.50
El Salvador	2.37	2.40	2.30	2.30	2.20	2.20	2.20	2.20
Guatemala	3.07	2.75	3.25	3.63	3.76	3.66	3.61	3.58
Honduras	3.75	4.79	3.46	3.65	3.74	3.75	3.85	3.85
Nicaragua	4.70	4.90	4.70	4.50	4.50	4.50	4.50	4.50
Panama	4.99	5.36	5.60	5.80	5.60	5.50	5.50	5.50
Latin America	-0.65	1.27	2.00	2.76	2.79	2.81	2.80	2.81
World	3.23	3.76	3.94	3.64	3.76	3.75	3.70	3.71

SOURCE: International Monetary Fund. 2018. World Economic Outlook Database, April 2018. Washington, DC: International Monetary Fund.

sector. This ranges from highs of 73.4 percent (Honduras) and 66.8 percent (Guatemala) to the lows of 21.6 percent (El Salvador). Even in relatively stable Costa Rica, 43.2 percent of workers are employed in the informal market, according to the International Labour Organization (ILO).

It should also be noted that a significant amount of the region’s liquidity and economic growth is fueled by remittances, largely from the United States. In 2016, according to the World Bank, more than \$18 billion flowed into all six countries from relatives and friends living and working outside their home countries. Those cash transfers account for a large part of the local economies, ranging from the high end of 18.5 percent of El Salvador’s and 16.8 percent of Honduras’ GDPs to 0.9 percent of Costa Rica’s and 0.8 percent of Panama’s GDPs. The uncertainty over immigration policies in the United States—including the Trump administration’s decision to end Temporary Protected Status for more than 250,000 Hondurans and Salvadorans—or a global economic downturn would have an outsized effect on Central America’s growth prospects in the next 12 years.

### Demography and Urbanization

Central America’s youth bulge can be either an advantage or a serious risk for national and regional stability. At the moment, however, given rates of employment, education levels and the relative low rates of economic growth, it remains a risk. Of particular

concern is the large number of youth between the ages of 15 and 24 who are neither formally employed nor in school, the so called *ni-ni*s.

Today, 56 percent of Guatemalans, 54 percent of Hondurans, and 46 percent of Salvadorans are between the ages of one and 24.<sup>9</sup> Increasing population densities in the cities have aggravated levels of poverty and crime, impelling large migrations of people to the United States. Guatemala’s population, the largest and most rapidly growing in the region, will reach more than 21 million by 2030. It has the highest fertility and population growth rates in Latin America, and half the population is currently under the age of 19.<sup>10</sup> Most of the growth occurs among the large and generally poor indigenous population.

Demographic destiny is only somewhat less daunting in Honduras and El Salvador. Population growth in Honduras has declined since the 1990s, but hovers at about 2 percent annually. The CIA World Factbook estimates that the 15 to 29 year old Honduran age group will continue growing rapidly for the next three decades. In contrast, growth and fertility rates have stabilized in El Salvador. The CIA World Factbook argues that El Salvador “is well into its demographic transition, experiencing slower population growth, a decline in the number of youths, and the gradual aging of the population.” At the same time, educational attainment levels in Central America remain significantly below those of other Latin American count-

9. The World Factbook: Age Structure.” 2017. Washington, DC: Central Intelligence Agency. <https://www.cia.gov/library/publications/the-world-factbook/>.

10. Ibid.

**FIGURE 3**  
**Education Levels in Central America**

COUNTRY	Adult Literacy Rate (Ages 15+)	Average Years of Education (Ages 25+)
Costa Rica	97.4%	8.6
El Salvador	88.0%	6.5
Guatemala	81.3%	7.1
Honduras	89.0%	6.3
Nicaragua	78.0%	n/a
Panama	94.1%	9.3

SOURCE: UNESCO Institute for Statistics. 2018. UIS.Stat.

ries, with average years of education ranging from 6.3 in Honduras to 9.3 in Panama (see Figure 3).<sup>11</sup> These educational deficiencies remain a barrier to economic growth in Central America as the countries of the region attempt to diversify their economies, a problem that will likely continue through 2030.

According to World Bank statistics, an average of 23.6 percent of Central American youth—excluding Nicaragua, for which data were not available—are neither working nor studying: the ni-ni’s. This includes a high of 28 percent of “ni-ni youth” in both Guatemala and Honduras, 26 percent in El Salvador, 19 percent in Panama, and 17 percent in Costa Rica. In the highly urbanized Central American region (the percent of population living in urban areas in all six countries is 63.3 percent), these ni-ni’s represent a highly recruitable pool for gangs, both domestic and transnational or, given high poverty rates and minimal opportunities for social mobility, likely migrants to Mexico and the United States

### Technology and Communications

Internet penetration in the region remains high, and because of the familial and personal connections with Central America and the United States, there is also a high level of personal communications through those networks. As survey research has demonstrated, these levels of personal contacts and communications build a reserve of pro U.S. sentiment that will

only deepen as technology and those contacts expand.<sup>12</sup> There is, though, a potential downside to the region’s connectivity: its potential exploitation for misinformation and appropriation by transnational criminal networks.

Despite increasing levels of Internet penetration in Central America (see Figure 4 below), the region still lags well behind its larger Latin American counterparts in terms of population usage and general cybersecurity awareness. So, although most countries in Central America have high levels of mobile phone subscriptions, they lack the general cybersecurity hygiene to protect themselves.

Central Americans in general lack basic cybersecurity hygiene and awareness with few successes by governments—with the exception of Panama—to prepare their citizens for the increasingly connected digital world. In Nicaragua, 50 percent of companies have been victims of cybersecurity attacks.<sup>13</sup> In Honduras and El Salvador, governments have had limited capacity to build cybersecurity institutions to investigate and respond to attacks. The financial sector in Honduras has had to develop its own cybersecurity policies, as it cannot rely on the government to do so. The private sector in El Salvador has undertaken similar efforts with a focus on protecting e-commerce. Guatemala has made building cybersecurity institutions a priority, but questions remain regarding the justice system’s ability to effectively prosecute offenders. Additionally, cooperation between Guatemalan authorities and international counterparts is limited.<sup>14</sup> Costa Rica passed cybersecurity legislation to prosecute offenders and has promoted international security standards, yet remains in the nascent stages of developing a national framework. These conditions raise major concerns as cybersecurity tools and methods used by criminal actors are far outpacing governments’ capacity to detect, deter, and respond.

Panama is one of the few countries in Latin America and the Caribbean that has developed a comprehensive National Strategy for Cybersecurity and Protection of Critical Infrastructure, while also becoming a party to the Budapest Convention. The national strategy

11. Data for the Sustainable Development Goals.” 2018. Paris: UNESCO. <http://uis.unesco.org>.

12. See, for example: Baker, Andy, and David Cupery. 2013. “Anti-Americanism in Latin America: Economic Exchange, Foreign Policy Legacies, and Mass Attitudes toward the Colossus of the North.” *Latin American Research Review* 48 (2): 106-30.

13. “Security Report Latinoamérica 2018.” 2018. Buenos Aires: ESET. [https://www.welivesecurity.com/wp-content/uploads/2018/06/ESET\\_security\\_report\\_LATAM2018.pdf](https://www.welivesecurity.com/wp-content/uploads/2018/06/ESET_security_report_LATAM2018.pdf).

14. Saavedra, Boris. 2015. “Cybersecurity in Latin America and the Caribbean: The State of Readiness for the Defense of Cyberspace.” Washington, DC: William J. Perry Center for Hemispheric Defense Studies. <http://chds.dodlive.mil/files/2013/12/pub-other-saavedra.pdf>.

**FIGURE 4**  
**Central American Internet Penetration, 2016**

COUNTRY	Population	People With Internet Access	Mobile Phone Subscriptions	Internet Penetration
Costa Rica	4,757,606	2,331,227	7,101,893	49%
El Salvador	6,107,706	1,832,312	9,194,242	30%
Guatemala	16,015,494	3,683,564	16,911,811	23%
Honduras	7,961,680	1,512,719	7,725,092	19%
Nicaragua	5,945,646	1,070,216	7,067,860	18%
Panama	3,867,833	1,070,216	6,205,238	45%

SOURCE: Created using information from the Organization of American States and InterAmerican Development Bank

consists of six focus areas: ensuring privacy and confidence in the use of information and communication technology (ICT); eliminating the illicit use of ICT; ensuring continuity of critical infrastructures; developing industry friendly cybersecurity norms; promoting a culture of cybersecurity; and protecting state owned networks. It also outlines 43 specific tasks and processes to advance strategic priorities.<sup>15</sup> Panama also joined the international STOP.THINK.CONNECT campaign in 2014 to promote safe practices on the internet.

More generally though, there is also a new growing risk for these increasing levels of connectivity. The first is the exploitation of these networks for misinformation and cyber espionage by extra-hemispheric actors such as China and Russia. For example, Russia Today (RT) has launched a Spanish language service, and by late 2016 RT in Spanish was available in almost every Latin American country: 27 TV cable providers offer RT in Spanish as a separate channel to its subscribers. Furthermore, the RT in Spanish YouTube Channel had almost 4.5 million monthly viewers and approximately 400,000 subscribers by mid 2018. Russia’s Sputnik news and China’s Xinhua and China People’s Daily are active in reporting on the region. China’s CCTV is also widely available in the region. Many of these media sources have very active Twitter accounts as well as affiliated bots. (As of July 2018, @RTenEspañol had 2.91 million followers;

@SputnikMundo had 57.7 thousand followers as well as multiple spin off accounts.)

The second risk is the use of new communication networks and technologies to move illicit goods and engage in money laundering. Globalization and connectivity cut both ways; networks and social media platforms can be used to facilitate the logistics for the commercial and financial transactions necessary for licit commerce as much as they can for illicit commerce and their financial transactions.

The last issue in technology is the rise of automation arising from technological innovation. Automation is becoming an increasing concern for Latin America and the Caribbean with the potential to disrupt labor intensive industries and workforces in areas such as textiles and manufacturing. It is estimated that approximately half of all manual labor jobs today can be transitioned to machines.<sup>16</sup> This is especially threatening to Central America; most of the countries’ exporting products require an unskilled labor intensive workforce with the bulk of export growth coming from unskilled labor intensive products.<sup>17</sup>

### Outliers

There are two outliers that will affect political, economic and security stability in the region. These are: declining support for democracy and democra-

15. Latin American and Caribbean Cybersecurity Trends and Government Responses.” 2013. Washington, DC: Organization of American States and Trend Micro. <https://www.trendmicro.de/cloud-content/us/pdfs/security-intelligence/white-papers/wp-latin-american-and-caribbean-cybersecurity-trends-and-government-responses.pdf>.

16. “Un Futuro Que Funciona: Automatización, Empleo Y Productividad.” 2017. New York City: McKinsey Global Institute. <https://www.mckinsey.com/-/media/mckinsey/featured%20insights/digital%20disruption/harnessing%20automation%20for%20a%20future%20that%20works/a-future-that-works-executive-summary-spanish-mgi-march-24-2017.ashx>.

17. Bashir, Sajitha, T. H. Gindling, and Ana Maria Oviedo. 2012. “Better Jobs in Central America: The Role of Human Capital.” Washington, DC: The World Bank Human Development Department. <https://openknowledge.worldbank.org/bitstream/handle/10986/11924/729120ESW0ENGL0s0in0Central0America.pdf?sequence=1&isAllowed=y>.



tic institutions and the risk of extreme weather. We talk about each individually before delving into the individual factors likely to affect the region and the country-by-country analysis of worst case and best case scenarios.

### Public Opinion

Any analysis of the region's future needs to acknowledge and take into account the troubling shifts in public opinion in the region that will likely affect political stability, economic growth and security. Each indicator is analyzed in the country-by-country tables below. Generally, there has been a long-term decline in the region in support across a battery of issues regarding citizens' faith in the political system. And though a majority of citizens still support democracy, in some countries it is by the slimmest of margins.

To give some Central American averages that will be disaggregated by country below: 58 percent of Central Americans across the six countries believe more than half their politicians are corrupt; only 20.7 percent trust their political parties; and 54.8 percent of citizens have little to no confidence that the judiciary will punish the guilty. It's no surprise, then, that support for democracy in the region stands at just 57 percent, with only 41.8 percent of Guatemalans saying they support democracy, the lowest rate in the hemisphere. On a more optimistic—and surprising—note: life satisfaction across the six countries stands at around 80 percent.<sup>18</sup>

### Climate Change/Extreme Weather

Central American citizens remain deeply concerned about the effect of extreme weather on their lives and security—and with good reason. Whether we believe climate change is caused by human activity or not, the reality is that Central America remains uniquely vulnerable to natural disasters, including hurricanes and flooding, and the mudslides that often accompany them, as well the reverse: droughts that have threatened food security and displaced small farmers. According to a Global Americans research project from 2016, a series of extreme weather events, including hurricanes, mudslides, and rising temperatures in Guatemala have led to increased incidence of vector diseases (such as malaria), increases in unclean water resulting in a spike in children's death from diarrhea-related diseases, and starvation and malnutrition.<sup>19</sup> By July

2018, extreme temperatures in El Salvador had already led to the loss of the equivalent of 1.5 million 60 kg bags of corn, creating food insecurity.

The risks of extreme weather on their livelihoods, homes and lives is not lost on Central Americans. According to the 2016/2017 LAPOP surveys, 82.3 percent of Central American citizens say they are “very concerned” about climate change. In the next 12 years, severe weather events may well cause economic upheaval, food insecurity, and health crises—all of which will create not just a drag on local economies, but also pressures for outmigration.

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18. These numbers draw from Vanderbilt University's Latin America Popular Opinion Project (LAPOP) a biannual survey of public opinion in more-than 25 countries in the Western Hemisphere. <https://www.vanderbilt.edu/lapop/insights/IO929en.pdf> For the sake of this introductory summary we have provided unweighted averages of the percentages of each of the six countries, and so the regional numbers should be only taken as notional. Last accessed 8/21/18.

19. For more on this, visit the Global Americans series on the impact of climate change on the poor in Guatemala: “Climate change and food security in Guatemala (May 5, 2017); “Climate change and migration in Guatemala” (May 9, 2017); “Climate change, housing and displacement in Guatemala” (June 2, 2017); “Climate change and health in Guatemala” (October 16, 2017). <https://theglobalamericans.org/category/climate-change/> Last accessed 8/21/18.

## Factors Affecting Stability in the Region

With the exception of Guatemala, Central America remains relatively ethnically homogenous. While there are indigenous and mixed communities in El Salvador, Honduras, Panama, and Costa Rica, and significant Afro-descendant populations in Honduras and Panama, the isthmus is largely free of the sort of ethnic cleavages that have led to conflict and questions of nation-state in other regions. 39 percent of Guatemala's population is indigenous, representing more than five ethnicities, and its indigenous population remains excluded politically, socially and economically. In all countries—not just in Central America but across the Americas—ethnicity and race remain a marked factor in economic opportunity, poverty and structural exclusion of the poor, driving low rates of human development, political disenfranchisement, and popular discontent.

The combination of these patterns of exclusion with the demographics of the region, insufficient rates of economic growth to pull new entrants into the formal labor market, weak state capacity, and public disgust over corruption is a toxic mix for security and stability in the region. Below are some of the key factors that will drive those in the region in the next 12 years.

### SOCIAL, DEMOGRAPHIC FACTORS

- Urbanization;
- Youth bulge;
- Ni/Ni youth;
- Popular attitudes;
- Returning migrants.

### SECURITY FACTORS

- Poorly trained and corrupt police forces;
- Growth of the military in policing activities;
- Limited civilian control over the military;
- High crime and murder rates;
- Weak state;
- Ungoverned spaces;
- Transnational criminal networks;
- Local gangs;
- Abusive security forces.

### ECONOMIC FACTORS

- Poverty;
- Inequality;
- Structural, endemic exclusion and lack of opportunity;
- Corruption;
- Unemployment and under-employment (including informal sector);
- Limited natural resources;
- Illicit networks.

### POLITICAL FACTORS

- Poor governance;
- Growing citizen dissatisfaction with the political class;
- Declining support for democracy;
- Weakening or collapse of traditional party systems;
- Growth of small parties and outsider politicians;
- Corruption;
- Weak means for resolution of conflicts.

More than a set of individual variables, the above-listed factors should be seen in combination—at the worst a vicious circle of: weak state capacity; wrenching socio-economic disparities and patterns of exclusion; political anger; collapsing or fragmenting party systems; and persistent, or even rising, crime and violence.

Below is a country-by-country analysis of the principal challenges and opportunities for the future and a projection of what the region will look like in 2030. In it we include the World Bank's Governance Index that scores six variables: 1) voice and accountability; 2) political stability and absence of violence/terrorism; 3) government effectiveness; 4) regulatory quality; 5) rule of law; and 6) control of corruption, on a percentile rank from 0 to 100, with 100 being the highest/best score. In addition, we include the index scores of the Fund for Peace and Foreign Policy magazine's State Fragility Index. The index compiles 12 indicators, combined with pre-existing quantitative data sets from organizations like the UN, World Bank, and WHO and a qualitative review from a team of social science researchers. The index scores up to 120 with the higher numbers representing greater state fragility and then ranks countries by score with those at the top of the ranking the most fragile. (By way of comparison, Libya scores as 94.6 in the index and ranks 25th among all the countries in index, meaning it is the 25th most fragile state in the 178 countries studied.)

## Country by Country

COSTA RICA						
Electoral Cycle	2020	2022	2024	2026	2028	2030
	FEBRUARY 2 Municipal elections	FEBRUARY 6 Presidential and Legislative elections	FEBRUARY 4 Municipal elections	FEBRUARY 1 Presidential and Legislative elections	FEBRUARY 6 Municipal elections	FEBRUARY 3 Presidential and Legislative elections
Support for Democracy		71.5%	State Fragility Index	Index scores of 43.2 out of 120 and country ranking of 144 out of 178.		
Number of Homicides per 100,000		11.9				
World Bank Governance Indicators	Voice and Accountability	Political Stability and Absence of Violence/Terrorism	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
	85	70	67	68	67	75

	Most Likely Scenario by 2030	Opportunities	Challenges	Best Case Scenario	Worst Case Scenario
Security/ Violence	Security will worsen in the next 12 years. Without a military and with only a strapped national police force, Costa Rica will struggle to contain the pressures of narcotics trafficking through its borders.	U.S. assistance can help bolster Costa Rica's national gendarmerie without militarizing the national police force.	Costa Rica's much renowned no-military-policy risks greater penetration by narcotics groups into the country's territory.	Collaboration with the U.S. strengthens the country's police and security function, thwarting the creeping influence of narcotics groups while avoiding the militarization of the gendarmerie.	The country's national police force finds itself overrun and outgunned by narcotics traffickers as the country's security infrastructure and political system become corrupted.
Weak Institutional Capacity	Improvements are made in tax collection as the country's sizable public debt to GDP increases because of increased demands for social services and pensions. The police force will struggle to address growing insecurity and transnational criminal networks.	The U.S. and other donors can provide critical assistance to upgrade tax collection systems and provide training and technology to the national police force without militarizing the body.	Tax collection is the fourth lowest in the region, against one of the highest public debts to GDP ratios. The low percent of paved roads (25.97 percent) and a small national police force will complicate law enforcement against the increasing presence of narcotics traffickers.	Technical and professional improvements are made to the national police force and transportation infrastructure that allow Costa Rica to confront transnational criminal networks. At the same time, the government improves its tax collection and thus meets its ballooning social safety net obligations.	Ballooning public deficits force the government to cut back on its social obligations, causing a greater public shift to embrace political outsiders. The national police force struggles to contain rising crime and narcotics traffickers.
Economic Growth	The economy will continue to plug along a path of 3.5 percent growth per year; given the country's relatively low levels of poverty and diversified economy, this growth is satisfactory. Unemployment levels will remain high.	With a largely literate and well-educated population, Costa Rica is in a strong position to continue to attract higher end, tech-based investment, as it has done in the past.	Costa Rica's economy remains small. It has few natural resources and relies on its agriculture and tourism base. The largest risks are automation, a further weakening of the party system, and the continued success of outsider candidates.	Improved taxation tamps down public debt and permits the government to meet its social obligations. Building off its tech base and its relations with China, it is also able to boost investment in the tech industry.	In a breakdown of the party system, a new crop of populist politicians over-promise on social projects, irresponsibly swelling the public debt. Security concerns dampen domestic and international investment. Extreme weather hurts economic growth and displaces populations.
Demography and Urbanization	In the short- and medium-term the influx of Nicaraguans fleeing the Ortega government's repression triggers a nationalistic reaction and increases competition for lower-end jobs.	The flow of Nicaraguan refugees provides an opportunity for increased U.S. assistance that increases its engagement with the country and helps spur small- and medium-sized business development while also alleviating budget pressures.	The most urbanized country in the sub-region (78 percent ) leaves huge swaths of uninhabited land (often unreachable given low rates of road pavement) open for narcotics traffickers.	Costa Rica gains the technical capacity to better monitor airspace and detect narcotics traffickers. Popular distrust of politicians improves and there is a return to a more stable party system.	Political anger increases against politicians, elevating a series of outsider, populist politicians that increase polarization, especially as crime worsens.
Technology	Costa Rica will continue to build on its advantages in technology: education, extant investors and tech investors. To do so it will need to better collaborate and deepen trade relations within the region and with Asia.	With the highest level of internet and mobile phone penetration in the sub-region, Costa Rica is well positioned to leverage its connectivity for both greater investment in the industry and for improving e-governance.	Costa Rica remains a small economy, deeply intertwined with the U.S. economy, in particular in its tourist and service economy related to tech call-in centers. Automation is also a threat.	Despite its own limited market, the government ramps up its e-government and cybersecurity capacity, and uses that and partnerships with international tech companies to build out its value-added tech industry.	Threatened by declining security, tech investors either start to pull out or shy away from investment in Costa Rica.

EL SALVADOR						
Electoral Cycle	2019	2021	2024	2027	2029	2030
	FEBRUARY 3 Presidential election first round  MARCH 10 Presidential second round if needed	Congressional and Gubernatorial elections (not yet scheduled)	Presidential election (not yet scheduled)  Congressional and Gubernatorial elections (not yet scheduled)	Congressional and Gubernatorial elections (not yet scheduled)	Presidential election (not yet scheduled)	Congressional and Gubernatorial elections (not yet scheduled)
<b>Support for Democracy</b>	54.6%	<b>State Fragility Index</b> Index score of 71.2 out of 120 and country ranking of 59 out of 178.				
<b>Number of Homicides per 100,000</b>	82.84					
World Bank Governance Indicators	Voice and Accountability	Political Stability and Absence of Violence/Terrorism	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
	55	45	43	47	26	33
	Most Likely Scenario by 2030	Opportunities	Challenges	Best Case Scenario	Worst Case Scenario	
Security/ Violence	Security will continue to deteriorate, accelerated by forced repatriation of migrants, including convicted criminals. Policies to provide greater security will be successful in pockets, but not at a national level.	While controversial, peace talks with criminal gangs provide an opening for the government to reduce levels of violence while reasserting control over large swaths of un-governed territory.	As a result of the civil wars of the 1980s, El Salvador remains deeply polarized. A series of corruption scandals have plagued both parties, increasing citizens' frustration with their political class.	An emerging group of local politicians that have successfully addressed security at the municipal level rise to national office. ARENA and FMLN put aside their differences	Criminal activity worsens, and popular fatigue with the crime and violence and corruption leads to the rise of outsider, anti-system candidates.	
Weak Institutional Capacity	The government finds itself increasingly overwhelmed by crime and violence, ceding even more parts of the country to local gangs which become increasingly involved in transnational criminal networks.	The Alliance for Prosperity expands its mission to address security and economic development challenges by building state capacity, improving both security policy and governance at the local and national level.	Political polarization, extreme concentrations of wealth, and an under-professionalized police force will remain challenges. The recognition of China, which stands less to gain from a future of good governance in the region, brings a risk of greater corruption.	A new generation of pragmatic politicians, together with the international community, ushers in a new-post-partisan era, leading to a deep reform of state capacity, including police reform and civil service improvements.	El Salvador's state remains crippled by corruption and security challenges. Gangs and transnational criminal groups penetrate the state and electoral system.	
Economic Growth	El Salvador's GDP growth will continue to bump along at just over 2percent , still insufficient to provide necessary employment growth in the formal sector	The free-trade agreement with the U.S., CAFTA-DR, remains an important engine for economic growth and development—for El Salvador and the other members in the region.	El Salvador remains a small economy with limited natural resources, few comparative advantages—save its ties to the U.S. market through CAFTA-DR—and with highly concentrated wealth.	El Salvador makes a coordinated push for investment in targeted sectors and works with regional partners to integrate to improve supply chains and join other economic unions in the region.	Rising crime continues to suppress investment and economic growth rates, at the same time that extreme weather patterns hurt economic growth and lead to displacement of populations.	
Demography and Urbanization	El Salvador's population growth rate has declined, reducing its youth bulge. Nevertheless, the country remains one of the most densely populated in the region. It also has one of the lowest rates of educational retention in the sub-region.	The U.S. can work with El Salvador to address the challenges of delinquency and security at the same time that U.S. private sector can help reform and integrate reformed former gang members.	Regardless of a shrinking youth population in the next 12 years, gang violence and recruitment will remain a problem, as will the reduction of new entrants into the labor force as contributors to the state pension fund.	Declining numbers of youth entering the labor market will help boost formal employment rates at the same time that it reduces the recruiting pool for the country's maras.	The U.S. policy of accelerating the return of undocumented immigrants and asylum seekers increases both the numbers of gang members and improves their ability to coordinate internationally.	
Technology	With internet penetration rates of 30 percent, El Salvador remains far behind many countries in the hemisphere. Absent a coordinated push by the government and international donors this is unlikely to change.	U.S. internet companies and the U.S. and El Salvadoran governments have an opportunity to expand collaboration across a range of issues, including e-government and cybersecurity.	Expanding internet access is key to addressing the country's severe digital divide. The country remains vulnerable to cybersecurity threats.	The country gains the tools and know-how to better penetrate and disrupt the activities of the maras and collaborates with U.S. and others to update both the government's e-activities and cyber-security measures.	Law enforcement remains outflanked by illicit groups, which also deepen their internet ties to translational groups. The digital divide deepens. Chinese state-media assumes a greater role in the country media ecosystem.	

GUATEMALA						
Electoral Cycle	2019		2023		2027	
		JUNE Presidential, Congressional and Gubernatorial elections (not yet scheduled)		Presidential, Congressional, and Gubernatorial elections (not yet scheduled)		Presidential, Congressional, and Gubernatorial elections (not yet scheduled)
	AUGUST Presidential election second round if needed (not yet scheduled)					
Support for Democracy	41.8%	State Fragility Index	Index score of 81.8 out of 120 and country ranking of 59 out of 178.			
Number of Homicides per 100,000	27.26					
World Bank Governance Indicators	Voice and Accountability	Political Stability and Absence of Violence/Terrorism	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
	35	26	30	47	15	25
	Most Likely Scenario by 2030	Opportunities	Challenges	Best Case Scenario	Worst Case Scenario	
Security/ Violence	Security conditions in Guatemala will likely worsen in the next 12 years. The corruption that enables narcotics trafficking and crime will remain endemic.	The likely deterioration of security in Guatemala will offer opportunities for greater security-based cooperation with the local government as well as continued support for CICIG.	Guatemala's ongoing security challenges will remain and likely worsen, threatening the downward spiral of its already weak state. Criminal groups will expand and increase their presence in national politics.	The deteriorating security situation in Guatemala leads local politicians to seek U.S. support in the reform and training of local police forces and to engage in broad-based development programs.	Guatemala teeters on the edge of a failed state, with large portions of the country left open to illicit groups and national politicians under their influence due to dirty campaign contributions and connections.	
Weak Institutional Capacity	Guatemala continues to struggle to address the country's imposing social development and fiscal needs. The result is growing citizen frustration and minimal improvement in social development.	The U.S. and other donors can work with the government on improving tax collection and addressing corruption in ways that will help meet popular demands for a more effective state.	Public-private collusion will remain a challenge in addressing governance. The ongoing threat of illicit gangs will continue to impede effective public control over parts of the country.	Growing popular frustration impels the government to tackle the issue of state capacity and governance at its roots. CICIG is permitted to continue its independent investigations.	Illicit networks expand their presence. Guatemala's fluid party system continues to lead to an increase in patronage and pay-to-play tax and procurement. Voters become even more disenchanted with democratic governance.	
Economic Growth	GDP growth remains between 3 and 4% per year, as it has in recent years, but is still insufficient to pull enough youth and the underemployed into the formal sector.	There are no easy solutions for faster economic growth in Guatemala. The government can do more to help integrate and tap the talents of returning migrants and expand the country's economic integration with the rest of the region.	The lack of natural resources, an undereducated labor force, and an ineffective state represent serious drags on Guatemala's ability to grow much faster than its current rate.	Future governments make a concerted effort to improve education and vocational training and target specific sectors of its existing manufacturing base to link up to supply chains regionally and attract foreign investment.	The illicit economy expands as violence and crime grows, scaring off investors and tamping down economic growth. Extreme weather events cause major disruptions in the economy.	
Demography and Urbanization	The levels of underemployment of youth remain relatively unchanged and urbanization in Guatemala City increases as extreme weather events cause dislocation.	The movement of greater numbers of people to Guatemala can provide an opportunity for greater economic inclusion (including of youth) in the formal economy.	Inadequate schooling and school retention rates and the country's vulnerability to severe weather events such as hurricanes, mudslides, and drought.	Future governments of Guatemala recognize the political, security and economic risks of rapid urbanization and work to turn this pool of potential workers into a skilled labor force.	The trends of urbanization and under-employed/ under-educated youth go ignored and create a pool of marginalized society that is ripe for recruitment and exploitation by criminal elements in the country.	
Technology	Internet penetration rates will increase from 23%, but it will not sufficient to turn Guatemala into a tech-powerhouse economically. Nevertheless, criminal elements will continue to expand and use their connectivity to better coordinate illicit activities.	With outside help, the Guatemalan government improves connectivity to increase efficiency in the electronic delivery of social services, while improving government cybersecurity.	Technology for legitimate purposes in Guatemala remains under-exploited. Illicit groups have increasingly turned to these methods, albeit in a rudimentary fashion, to coordinate their activities.	The Guatemalan government invests in vocational programs to educate youth in technology and invests in technology-related industry.	Internet penetration rates remain largely unchanged, furthering the digital divide, both within the country and globally.	

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HONDURAS						
Electoral Cycle	2021		2025		2029	
	NOVEMBER 28 Presidential, Congressional and Municipal Elections		NOVEMBER 30 Presidential, Congressional and Municipal Elections		NOVEMBER 25 Presidential, Congressional and Municipal Elections	
Support for Democracy	51%	State Fragility Index	Index score of 77.3 out of 120 and country ranking of 68 out of 178.			
Number of Homicides per 100,000	56.52					
World Bank Governance Indicators	Voice and Accountability	Political Stability and Absence of Violence/Terrorism	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
	33	34	23	31	12	28
	Most Likely Scenario by 2030	Opportunities	Challenges	Best Case Scenario	Worst Case Scenario	
Security/ Violence	Honduras' security situation will deteriorate, with politicians from all sides of the party system accused of collusion with narcotics traffickers. Political polarization and the election of the fringe leftist Libre Party remains a distinct possibility.	U.S. relations with the government of Juan Orlando Hernández remain strong despite a controversial election. The U.S. should work with his government to deepen security collaboration, as well as improve state capacity.	President Juan Orlando Hernández' controversial re-election in November 2017 has exposed the country's growing political divisions. The alleged penetration of transnational criminal networks in the country remains a challenge.	President Hernández continues his security policy, prioritizing an increasingly professionalized police force over the military. Future presidents continue to collaborate with the U.S. on security and development regardless of their partisan affiliation.	Security continues to deteriorate, with narcotics traffickers taking over huge swaths of territory to ferry drugs to the north and produce opium. The leftist outsider Libre party taps into popular disaffection and is elected.	
Weak Institutional Capacity	Honduras remains a weak state, struggling to assert control over parts of its territory currently used for the trafficking of narcotics.	Despite electoral controversies of 2017 and the coup of 2009, Honduras remains an ally of the U.S. in matters of security and anti-narcotics policy.	Honduras remains one of the most indebted states in Central America. It is also one of the most dependent on remittances.	Security cooperation with the U.S. is deepened, fringe parties are effectively reduced in terms of their popularity, and the political center holds. MACCIH is allowed to continue and expand its work unfettered.	Pervasive corruption continues, with deepening ties between narcotics traffickers and politicians across the political spectrum, bringing Honduras close to becoming a narco-state. MACCIH is disbanded.	
Economic Growth	GDP growth will remain stable and above the regional average, but insufficient to seriously reduce poverty in one of the poorest countries in the hemisphere.	Access to the U.S. market remains a significant advantage for the economy; greater efforts at harmonization across the region and within U.S. free trade agreements provide an opportunity for Honduras' economy.	With few natural resources, it will be difficult for Honduras to make a dramatic economic leap forward. Moreover, its basic manufactured products/exports will face greater competition from emerging Asian economies.	Trade relations on the isthmus and across the region are deepened, allowing for the development of more value-added supply chains. The Alliance for Prosperity helps spark small business development.	The deteriorating security situation drags on investment and economic growth. The illicit economy assumes a greater share of the economy. Immigration policy in the U.S. reduces flow of remittances. Extreme weather patterns hurt economic growth and displace populations.	
Demography and Urbanization	Poverty (50.4 percent) and extreme poverty (16 percent), and high levels of informal sector un-employment will remain at stubborn levels. Both will impede the integration of the youth <i>ni/nis</i> .	Assistance programs by the U.S. and other donors can focus on addressing the educational deficit of young Hondurans (the lowest rate of average years of schooling in the sub-region, 6.3).	Honduras shares with Guatemala the highest rates of <i>ni/nis</i> at 28 percent and one of the highest rates of employment in the informal sector (73.4 percent), representing a serious drag on socioeconomic development.	Economic growth increases as the government focuses on youth-based programs to bring informal sector workers into the formal market, boosting employment and economic growth.	Large pools of youth remain under-engaged and provide a highly recruitable pool for illicit gangs, worsening the country's already precarious security situation and rapid population shifts from rural to urban areas.	
Technology	Low levels of internet penetration improve marginally, while failure to upgrade electronic systems makes the government vulnerable to cyberattacks. Fringe parties become partners of Russian and Chinese state media.	The U.S. government can greatly expand internet connectivity, building of the country's already robust mobile phone use and work with the government to improve cybersecurity.	The low levels of internet penetration will make it difficult to jumpstart to a more technically connected economy.	Partnering with donors and the private sector, the government engages in an upgrade of its e-government capacity and cybersecurity and better connects the population through education and vocational programs.	Internet penetration rates increase only marginally, while illicit groups take greater advantage of the space. Russia and Chinese media and social media presence expands, increasing the spread of misinformation.	

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NICARAGUA								
Electoral Cycle	2021		2022		2026			
	NOVEMBER 7 Presidential and Legislative elections		NOVEMBER 6 Municipal elections		NOVEMBER 8 Presidential and Legislative elections	NOVEMBER 7 Municipal elections		
<b>Support for Democracy</b>	58%	<b>State Fragility Index</b>		Index score of 75.3 out of 120 and country ranking of 75 out of 178.				
<b>Number of Homicides per 100,000</b>	7.37							
World Bank Governance Indicators	Voice and Accountability	Political Stability and Absence of Violence/Terrorism		Government Effectiveness	Regulatory Quality	Rule of Law		
	30	40		24	32	30		
	<b>Most Likely Scenario by 2030</b>		<b>Opportunities</b>		<b>Challenges</b>		<b>Best Case Scenario</b>	<b>Worst Case Scenario</b>
<b>Security/ Violence</b>	While low by the standards of its neighbors, Nicaragua's murder rate will likely increase as the government struggles to address popular demands for change from the autocratic regime of Daniel Ortega.		With a potential change in government, the U.S. will have opportunities to collaborate with a new government on security reform, and hopefully prevent Nicaragua being swept up in endemic regional crime and violence.		Whatever the outcome of the current political deadlock and wave of repression, Ortega's politicization of the security forces will become a challenge for security and safety in the country.		With a peaceful, democratic transition, the U.S. and other regional partners are able to work with Nicaragua's security forces to improve cooperation and coordination.	Ortega refuses to relinquish power despite broad popular opposition; repression and polarization escalate; and the government-created paramilitary squads become partisan guns for hire and later illegal gangs.
<b>Weak Institutional Capacity</b>	The next 12 years are uncertain given the popular protests, repression and President Daniel Ortega's tenuous hold on power. Much will hinge on potential regime change.		A potential negotiated exit of the Ortega regime will provide a window of opportunity to reset the Sandinistas' autocratic control over the state and its checks and balances on executive power.		The Ortega years will weigh heavy. There is no successful blueprint for how to undo years of politicization and corruption imposed by autocratic leaders. Paramilitary squads and politicized armed forces and police represent a challenge for security policy.		A peaceful exit of the Ortega government allows for a more collaborative approach with donors to reset Nicaragua's institutions to make them more apolitical and independent.	The Sandinista regime remains in power. It makes common cause with transnational criminal groups and deepens relations with actors such as Russia and China.
<b>Economic Growth</b>	The country's recent economic growth rates of over 4 percent annually will decline in the short term if there is no political change. According to a recent report, the economy has contracted by 12% since the start of the protests.		The U.S. can better leverage its economic relations through CAFTA-DR to both punish human rights-abusing and corrupt public and private officials and reward market-oriented entrepreneurs.		As with many Central American countries, Nicaragua's economy has been marked by crony capitalism. Small business development remains limited and the country remains one of the region's poorest.		A peaceful, electoral transition from the Ortega government restores business confidence and businesses that supported Ortega support a new government. Investment returns to Nicaragua. By 2030 growth returns to its previous levels.	The political standoff between the protestors and the Ortega government is prolonged; other governments impose sanctions in an effort to force the Ortega/Murillo regime to step down. The consequences could take years to overcome. Extreme weather is also a concern.
<b>Demography and Urbanization</b>	Data collection on demographics remains a challenge in Nicaragua. As a result, the capacity of the government and its partners to address these issues is weakened.		With a more reliable partner in government, the U.S. and outside donors can provide technical assistance in the collection of this important information.		Within Central America, Nicaragua has the highest rate of workers in the informal sector at 73.4 percent. There are no data on the numbers of <i>ni/nis</i> and underemployment.		There is a peaceful, negotiated transition that allows international donors to inject investment in the areas of formal job creation and rebuilding the country's torn political and social fabric.	The Ortega government or a shadow government refuses to yield power. The result is increased violence and repression and the politicization/polarization of a new generation of student leaders and civil society.
<b>Technology</b>	Internet penetration will remain well below the regional average, hobbled by political turmoil and government indifference.		International donors and the private sector have a huge opportunity here, especially given Nicaragua's tourism industry and its destination as a community for U.S. retirees.		With informal sector workers representing 73.4 percent of the labor force and internet penetration rates of 18%, the ability of the Nicaraguan economy to jump into the tech economy is limited.		A political transition opens up an opportunity for greater international donor and private sector collaboration to improve connectivity.	The digital divide increases. Russia and Chinese media, which already have a stronghold in the region, increase as a tool of the Sandinista political machine whether in or out of power.

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PANAMA						
Electoral Cycle	2019		2024		2029	
	MAY 5 Presidential, Congressional, and Municipal elections		Presidential, Congressional, and Municipal elections (not yet scheduled)		Presidential, Congressional, and Municipal elections (not yet scheduled)	
<b>Support for Democracy</b>	59.2%	<b>State Fragility Index</b>	Index score of 49.5 out of 120 and country ranking of 136 out of 178.			
<b>Number of Homicides per 100,000</b>	9.67					
World Bank Governance Indicators	Voice and Accountability	Political Stability and Absence of Violence/Terrorism	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
	65	60	61	66	56	36
	Most Likely Scenario by 2030	Opportunities	Challenges	Best Case Scenario	Worst Case Scenario	
Security/ Violence	Panama will remain relatively stable with lower rates of crime and violence than its neighbors and will take moves to address loopholes in its financial rules that permit illicit transactions.	Government efforts to address financial crimes and trade overpricing will provide an opportunity for collaboration with U.S. Treasury Department and Department of Commerce, and DEA and in other areas related to corruption.	Financial corruption and money laundering remain so central to Panama's economy that it will be difficult to root it out entirely. China's role in the geo-strategically important transit hub will increase.	Popular pressure from a series of corruption scandals, including against former President Ricardo Martinelli, forces a thorough clean-up of the country's corruption and lax financial laws.	The cycle of corruption recriminations after successive governments exit office leave the public feeling powerless and angry and little changes are taken to reinforce the rule of law and transparency.	
Weak Institutional Capacity	Because of the canal and its high rates of economic growth, Panama remains in good shape in terms of fiscal revenue. But Panama will continue to struggle to address its corruption issues, with the risk of growing citizen dissatisfaction.	The U.S. can work with Panamanian officials and civil society to push for anti-corruption measures such as a Foreign Corrupt Practices act, greater openness in public procurement, and tighter banking regulations.	Panama's future economic growth is intertwined with the areas most plagued by corruption: finance and infrastructure. Panama has also signed 23 agreements with China, primarily in trade and development.	Greater collaboration with the U.S. and international businesses leaders to build stronger regulations and address corruption and improvements in the rule of law.	Panama continues to struggle to address pervasive corruption, which is worsened by Chinese investment. Frustrated citizens swing their support behind an outsider candidate promising to clean up the system.	
Economic Growth	Spurred by the expansion of the canal, the economy will continue to grow at rates over 5 percent annually, helping to reduce poverty. This assumes that there are no political backlashes related to corruption.	Economic ties to the U.S. market, the expanded canal, and the bi-partisan goal of converting Panama into the logistics hub of the Americas will keep the economy humming and relations with the U.S. strong.	Multi-modal transportation will weaken the utility and profit of the expanded canal and popular, political backlash could also cause political uncertainty.	Investments in infrastructure become a boon to Panama's economy, especially after rule of law and regulatory reform increase the attractiveness of the country to investors.	The infrastructure investment push drives up Panama's relatively low public debt to GDP ratio without producing the expected returns on investment. Political uncertainty begins to negatively affect economic stability. As with the rest of the region, extreme weather is a concern.	
Demography and Urbanization	Urbanization will increase from its current rate of 67 percent, in part due to extreme weather, raising the risk of underemployed youth in the cities.	With a vibrant and growing economy in light manufacturing, logistics and transportation, the government and donors target these sectors to create vocational schools to direct youth to areas of formal employment.	With trust in political parties the lowest in the sub-region (13 percent) and employment in the informal sector at 40 percent, voters become increasingly disengaged, and populist politicians attempt to appeal to this fluid, disconnected base.	Economic growth pulls the <i>ni/ni</i> youth (currently at 19 percent) into the formal sector, part of a coordinated policy by the government to train youth to participate in the formal economy.	A combination of lower-than expected returns on infrastructure investment, increasing urbanization, and popular frustration leads to a populist backlash.	
Technology	In its efforts to expand its role in transportation logistics, the government upgrades its internet and technology infrastructure and works to upgrade its National Strategy for Cybersecurity and Protection of Critical Infrastructure.	With the legal framework and strategy already in place, the U.S. and other countries—including in the sub-region—can collaborate with (and learn from) Panama in the implementation and upgrade of its cybersecurity efforts.	Keeping ahead of cybersecurity challenges in the next 12 years will require being vigilant, and will be especially critical as Panama seeks to become a leader in applying tech to logistics.	The recently created advanced programs being offered at higher education institutions for students and business professionals will create a ready, technical pool for keeping Panama at the cutting edge of technology.	Policy inconsistency across administrations undermines Panama's encouraging early efforts at addressing cybersecurity and making investments in this field.	

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**Principal Investigators:** Brian Fonseca, Director, Jack D. Gordon Institute for Public Policy (JGI); Frank Mora, Ph.D., Director, Kimberly Green Latin American and Caribbean Center (LACC); William Naylor, Global Americans

**Lead Author:** Christopher Sabatini, PhD, Executive Director Global Americans, adjunct professor Columbia University's School of International and Public Affairs and non-resident fellow, Baker Institute, Rice University

**Contributing Authors:** Brian Latell, Ph.D. Senior Research Associate, JGI; J. Patrick Maher, Latin America Analyst; Randy Pestana, Senior Policy Analyst, JGI; Martha Rivera, Research Assistant, JGI; and Adam Ratzlaff, Research Assistant, JGI

**Research Support and Peer Review:** Jose Miguel Cruz, Ph.D., Research Director, LACC; Orlando Perez, Ph.D., Interim Dean, Millersville University; Hannah Batista, Research Assistant, JGI, and Victoria Gaytan, Global Americans.



Jack D. Gordon Institute for Public Policy | Kimberly Green Latin American and Caribbean Center

