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**Trade and Conflict in Central America:
The Implication on Belize and Guatemala
(2001-2013)**

中美洲的貿易與衝突及其對貝里斯與瓜地馬拉之意涵 (2001 -2013)

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ABSTRACT

Over the years of progression of the Central American territorial disputes, the Central American nations have successfully incorporated measures which have with time reduced the possibilities of militarize boarder disputes. This research explores whether or not the argument that trade reduces the likelihood of territorial conflict applies to the case of Central America. An illustrative case study and a time-series cross-dyads GEE (Generalized Estimating Equations) model applied to analyze the impact of trade on territorial conflict in Central America; were used to conclude that higher trade interdependence between two countries decrease the likelihood of militarized conflict.



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List of Abbreviations

| Abbreviations | Meaning |
|---------------|--|
| APP | Appendix |
| CAFTA | Central American Free Trade Agreement |
| MID | Militarized Interstate Dispute |
| ICOW | Issues Correlates of War |
| CA | Central America |
| GEE | Generalized Estimating Equations |
| ICJ | International Court of Justice |
| UN | United Nations |
| CARICOM | Caribbean Community |
| OAS | Organization of American States |
| PSA | Partial Scope Agreement |
| DRCAFTA | Dominican Republic-Central America FTA |
| FTA | Free Trade Agreement |
| SICA | Central American Integration System |

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Chapter 1

Introduction

1.1 Puzzle

Concerns of territorial conflicts have taken post among the most salient issues of international relations. *Enduring Territorial Disputes: Strategies of Bargaining, Coercive Diplomacy and settlement* by Wiegand points out that up until 2011, 71 disputes involving nearly 40 percent of all sovereign states remained unresolved (Wiegand 2011). In the midst of these controversies, lays a complex web of land and maritime territorial disputes fastened in the social, economic and political livelihood of Central Americans.¹

The Central American territorial claims involve land and maritime areas of economic and strategic importance to the countries. These values of wealth and physical security are detrimental to the countries national identity. However, with all at stake, these countries, embroiled in years of territorial dispute, have in recent years managed to abstain from military actions in times of heightened tensions.

Critical to the question of this thesis is the growing economic interactions in the region. Central America's burgeoning period of peace has been accompanied by growing economic interactions between the periods 2000 and 2013 (see Figure 1-14). Has economic trade promoted stronger collaborative ties among these countries thus decreasing the prospect of militarized conflict? This thesis seeks to explore whether or not the argument that trade reduces the likelihood of territorial conflict applies to the case of Central America.

1.2 Research Question

Does greater trade interdependence reduce the likelihood of militarized territorial conflict among neighboring Central American countries? Central America exhibits territorial disputes varying from contested demarcation lines to territorial occupation. The territorial dispute between Belize and Guatemala which persisted due to poorly defined borders versus Honduras occupation of the Conejos Island heightening political tension, and Nicaragua's

¹ "Central America is the southernmost part of North America, linking the continent to South America and consisting of the countries of Guatemala, Belize, Honduras, El Salvador, Nicaragua, Costa Rica, and Panama".
<http://www.oxforddictionaries.com/definition/english/Central-America>

occupation of land within the limits of Costa Rica's border in 2010 (Palmer et.al 2013) ; demonstrates the diverse nature of territorial conflict in Central America. These territorial conflicts should have increased the stake for the occurrences of militarized dispute thus increasing the probability for the escalation of wars; however, recent years have been characterized by lower levels of violence (Orozco 2001; Ruiz-Dana et.al 2007; Palmer et.al 2013).

1.3 Research Purpose

Fundamental to the formation of a nation state is the creation of borders and the ways in which conflict based on the agreements of the territorial boundaries are resolved. Subsequent to the period ending the Spanish colonialization; Central America became a homestead for several land conflicts ranging from land demarcation to territorial occupation. Majority of the historical disputes in Central America settled prior to the year 2000, resulted in military confrontation (Orozco 2001; Ruiz-Dana et.al 2007; Palmer et.al 2013). The dispute between El Salvador and Honduras which was centered on the demarcation of boundaries initiated in the year 1910 escalated in the year 1969; both countries went to war. Land dispute between Honduras and Nicaragua initiated in the year 1912 also developed into a military clash in the year 1957 (Orozco 2001; Palmer et.al 2013). In addition to the already mentioned land disputes were territorial conflicts between Honduras and Guatemala and Costa Rica and Panama. These historical Central American disputes also resulted in military confrontation.

Table 1: Territorial Disputes in Central America prior to 2001

| Historical Territorial Conflicts in Central America | | | |
|--|-----------------------------|---|----------------|
| Parties in Dispute | Year Dispute Started | Year Dispute Escalated into major conflict | Status |
| Guatemala – Honduras | 1843 | 1928 | Solved in 1933 |
| Costa –Rica - Panama | 1879 | 1921 | Solved in 1941 |
| Honduras – El Salvador | 1910 | 1969 | Solved in 1999 |
| Honduras - Nicaragua | 1912 | 1957 | Solved in 1963 |
| Costa Rica –Nicaragua | 1981 | 1985 | Solved in 1985 |

Information retrieved from Issues of Correlates of War (ICOW) 1.01 Territorial Claim Data –Paul R Hensel updated April 15 2014

Table 2: Territorial Disputes in Central America between 2001 and 2013

| Territorial Disputes In Central America between 2001 and 2013 | | | |
|--|----------------------|-------------------------------|-----------------------------|
| Parties in Dispute | Area Disputed | Year Dispute Initiated | Status Prior to 2013 |
| Honduras-El Salvador | Fonseca Golf | 1854 | In dispute |
| Nicaragua - El Salvador | Fonseca Golf | 1913 | In dispute |
| Guatemala –Belize | Southern Belize | 1946 | In dispute |
| Honduras- El Salvador – Nicaragua | Fonseca Golf | 1981 | Settled 2003 |
| Honduras – Nicaragua | Maritime dispute | 1986 | Settled 2007 |
| Costa Rica – Nicaragua | San Juan River | 1997 | In dispute |

Information retrieved from Issues of Correlates of War (ICOW) 1.01 Territorial Claim Data –Paul R Hensel updated April 15 2014

Unlike some of the historical land disputes which resulted in military clashes; the current territorial conflicts (conflicts subsequent to the year 2000) indicates lower level conflict. Despite numerous recent border incidences, which ranges from issues of illegal settlements to threat to human life (Perez 2009); patterns of interaction shows relatively low levels of violence (Orozco 2001; Ruiz-Dana et.al 2007; Palmer et.al 2013, Hensel 2013). From August through November 2010, Nicaragua felled trees and dredged the San Juan River to build a canal across Isla Portillos. In doing so, Costa Rica asserted that Nicaragua's Army incurred onto and occupied Costa Rican territory in violation of Costa Rica's rights. This demonstrates a sharp contrast to the manner in which these neighboring nations dealt with the past territorial conflict, heightened tensions did not lead up to armed conflict (Palmer et.al 2013).

On a larger note, trade analysis of economic interaction between the Central American nations indicates trade growth between the periods 2000 and 2013 (see Figure 15 - 19). Could this succinct division between the historical and current period of territorial conflict be linked to the presence of a more interactive network of trade among these stronger democracies?

This research aims at analyzing the reason behind the previously stated phenomenon. The research looks at the relationship between trade and territorial conflict. It seeks to analyze the possibility of attributing lower levels of violence in territorial conflicts to greater levels of interdependence within the region. Analysis of the case should prove whether territorial conflict among the Central American countries is supported by the Liberal argument to trade and conflict propositions. It advances in hopes of supporting the idea that economic interdependence creates mediums for communication and ultimately brings about peace and security (Collins 2012).

This research takes a different approach to highlighting the changing tides of the territorial clashes among Central American countries. Over the years of progression of the Central American territorial disputes, the Central American nations have successfully incorporated measures which have with time reduced the possibilities of militarize boarder conflict .

However, consumed by the nature of the dispute and the possible outcome, scholars have often ignored or missed the relationship that has developed from the conflict. For example, in the case of Belize and Guatemala prominent scholars have always placed the focus of their literature on historical dynamics of the dispute in hopes of formulating stronger arguments reasserting Belize's right to sovereignty over its territory. (Humphrey 1961; Shoman 2000; and Boland 2003); all prominent scholars of Belizean history, reiterates the significance of both political and historical aspects of the dispute paying little or no considerations to the impact of even the slightest of economic relations/trade. This has been the same for literature on Central American territorial disputes; Orozco pays more attention to the historical aspects of territorial disputes in Central America placing only surface attention to the effects or impact of economic factors.

Does past literature focus on the historical and political dynamics of Central American dispute because the past chain of events illustrates that political and historical considerations have outweighed the economic ones? Regardless of whether or not this is true, this is an aspect of the Belize/Guatemala territorial dispute and the other Central American territorial conflict which has not yet but should be explored. It is essential that the impact which the emergence of new dynamics (the need for further expansion of economic wealth) has on the decision to further militarize territorial conflicts be explored.

Disputes over territory have taken its place among the most salient issues of international politics. Scholars of international relations have identified conflict over territory as one of the leading source of state war (Hensel and Mitchell 2006). Hence the reason understanding the dynamics of territorial disputes should be of great importance. By studying issues of territorial conflict in Central America, one can develop a greater understanding of strategies that has aided in maintaining the peace between countries struggling to retain title and sovereignty over much valued territory.

1.4 Methodology

This paper seeks to prove whether strengthening trade relations between the neighboring Central American countries, contributed to the decrease in military tension. This paper will include mixed methods of statistical analysis, quantitative research and a case study to test the validity of the hypothesis.

The quantitative study will analyze the relationship between trade and militarized territorial conflict in Central America. The expected outcome of the quantitative analysis should respond to the research question by indicating an inverse relation between trade and militarized territorial conflict; an increase in trade relations should result in the decrease in military tension.

International organizations have been shown to be effective at mediating conflicts in Central America, therefore in order to grasp a thorough understanding of the reasons behind Central America's long period of peace as it pertains to territorial disputes; it is essential that the research examines the extent to which international organizations have been effective in resolving these conflicts. Therefore international organization will be discussed when examining the case of Belize and Guatemala.

The statistical analysis is expected to support the literature review which argues that economic interdependence ultimately brings about peace and security. The literature review also consistently reveals democracy as a contributing factor to peaceful relations; therefore democracy is included as a control variable in chapter 3. The literature review will incorporate published books and journals, so as to grasp a deeper understanding of the relationship between trade and peace among Central American countries.

The fourth chapter of the thesis will include a case study of Belize and Guatemala. The case study attempts to prove whether or not Belize and Guatemala are less likely to engage in militarized territorial disputes because they are connected through bilateral trade. In the case of Belize and Guatemala, characterized by 190 years of territorial dispute; the clash over valued resources being used in trade should create mistrust and thus propel conflict due to the countries resentment for each other.

Conversely most existing empirical evidence supports the expectation that; trade interdependence reduces interstate militarized disputes. Scholars often support that trade accounts for strong economic benefits that would otherwise be lost in the case of conflict (Hegre 2005; Simmons 2005; Huth and Allee 2012).

Literature on the Belize and Guatemala territorial dispute hardly ever focus on the trade relationship between the two countries. Literatures are normally consumed with the history of the dispute and future outcomes of settling the dispute. Therefore understanding the significance of the trade relationship between the two countries will present a new way of analyzing the dispute and will further test the strength of the research question, hypothesis and the validity of the statistical results.

1.5 Limitations

The grand framework of liberalism has two mainstreams: political institutions and economic exchange. In order for liberal peace to materialize, democracies have to be stable. Stability cannot be understood only in military or economic terms. The core of the liberal peace theory constitutes a definition of long term peace and security which is based on democracy respect and interdependence (Doyle 2005). However, this thesis focuses less on how democracies relates to conflict but more on how interdependence among nations minimizes conflict. The primary concern of this paper is to analyze the impact of trade on militarized territorial conflict.

Secondly, Central America is a Spanish speaking region, all the countries with the exception of Belize, has Spanish as a first language. This poses great limits to this research because most published journals on the relationship between trade and conflict within the Central American region are written in Spanish. In addition to this, the few English written academic works on Central America's territorial dispute covers issues that took place prior to 2001. However English written scholarly works of Latin American territorial conflict ,though limited , are more accessible, even though very little is covered on Central America; these articles have proven very useful in providing background information on current territorial dispute in Central

America providing grounds for further expansion of research in the field of trade and conflict in Central America.



Chapter 2

Literature Review

Trade Conflict Propositions

2.1 Trade Reduces Conflict

Economic interdependence reduces the incidence of interstate conflict (Oneal, Russett 1999; Hegre 2005; Simons 2006; Ruiz-Dana et al. 2007; Lee and Mitchell 2012). “The natural effect of commerce is to bring about peace. Two nations which trade together render themselves reciprocally dependent: if the one has interest in buying the other has interest in selling; all unions are based upon mutual needs” (Montesquieu *De L’esprit des Lois* Book XX 11 1748 quoted in Hegre 2005: pg 29). A lot can be derived from trade or exchange, it is observed that the key element of any exchange: “give me that which I want, and you shall have this which you want”; (Smith 1776/1904: II.2), is self-interest. Self-interest motivates exchange and in turn motivates the marketplace (Collins 2012). The reconciliation of exchange and self-interest highlights that which Kant refers to as mutual self interest; a component necessary for fostering corporation and thus minimizing the likelihood of conflict (Kant 1970).

Peace is the natural outcome of trade, trade allows states to interchange with each other and become reciprocally dependent. The reciprocal dependence generated through trade as a result of mutual self-interest or their mutual necessities leads to the formation of unions between states (Oneal and Russett 1999). Cooperative relationships, formed as a result of mutual exchange provide opportunities for conversation about issues that matter to the nations involved. It also provides a way of seeing into the domestic policies of the trading partner (Collins 2012). States make vital economic choices in carrying out their exchanges, and like domestic policies and actions, their foreign policies and actions are considerably shaped by domestic factors. States foreign policies are shaped by the political rudiments that determine: who rules, who makes decisions, whose perspectives and preferences are in charge. For instance, the domestic political struggles and competing bureaucratic interests, perspectives, the pressures from elites, interest groups, and others in the society, are important. The shifting results of the clashes between domestic actors eventually determine foreign policy (Collins 2012).

International trade policies displays and signals domestic preferences; these signals creates room for predictions and trust in pursuing mutual self-interest and thus peaceful relations between nations (Marrow 2009). Trade serves as a media through which a wide range of affairs beyond commercial matters are communicated. These communications forms important channels which can forestall interstate conflict (Oneal, Russett 1997).

The pursuit of mutual self-interest, through trade, can be seen as a mode of state interaction which encourages productivity by assuring each state either the fruits of their labor or something better for which it can be exchange. Trade allows states to cooperate for mutually advantageous goals. It enables opportunities for a mutually profitable interaction, providing the states involved with stakes in each other's economic welfare (Oneal, Russett 1997). Militarizing a conflict would jeopardize the importing state's supply of needed goods and services. This forces states to seek, alternative sources for the provision of resources with the risk that goods and services would be less satisfactory in price and quantity. Military conflict also damages exporter's interests. The need to transfer the reliance for market to substitute trading partners, may involve high costs which makes states susceptible to a disruption of trade (Oneal, Russett 1997). Conflicts inhibit trade, therefore conflict and trade cannot exist side by side (Hegre 2005). This makes trade a mechanism for avoiding international conflict enabling nations to live in peace (Kant 1970; Collins 2012).

Kant's *Treatises on Perpetual Peace* (1991[1795]) assumes that peace among nations comes as a result of, economic interdependence. States involved in extensive trade relations with each other will less likely wage war against each other. Economic interdependence creates transnational ties that aids in the reinforcement of constitutional constraints and liberal norms. In so doing transnational ties foster peace because they encourage accommodation and communication rather than conflict. Economic ties require credible commitments regarding the terms of trade and capital flows; hence, states should develop trust to secure profitable trade.

In addition to this, Hegre (2005) supports the notion that international trade leads to peace through changes within the states. The trade patterns affect rational leader's foreign policy behavior since it influences the country's ability to maximize social welfare. The cost of conflict signifies lost of welfare gains linked with possible trade losses. Even if conflict does not completely cease trade, it will lead to inferior terms of trade resulting in welfare losses.

Therefore leaders are dissuaded from initiating conflict with important trading partners (Polachek 1980). Trade generates wealth that reduces conflict and invites compromises.

Hegre also points out that trade leads to cooperation on mutual elimination of trade restrictions (Hegre 2005). This cooperation can be formalized into an international regime. The regimes can be used as a forum to facilitate dialogue among states, bringing to the forefront common interests. According to Hegre these regimes dampen conflicts (Hegre 2005). “They serve as forum for negotiations, highlight the states’ common interests, broaden the involved states’ repertoire of non-military means of force through issue-linking, and ease the inclusion of third-party mediators to conflicts. Thus, trade helps to put into practice Kant’s second and third definitive articles of a perpetual peace” (Hegre 2005: 31).

In keeping with the Kantian perspective, Russett and Oneal (1997) concludes that economic interdependence have strong and statistically significant effects on reducing the probability that states will be involved in militarized disputes. The relationship between interstate trade and conflict generally indicates a negative relationship between dyadic trade and the initiation of militarized dispute (Polachek 1980; Gasiorowski 1986; Oneal et al. 1996; Oneal and Russett 1997, 1999; Polachek, Robst, and Chang 1999; Russett and Oneal 2001; Hegre 2005; Lee and Mitchell 2012).

It is also commonly agreed that international trade prevents conflict because states fear the perceive cost of war, especially as it relates to the disruption of trade relations. Fearon in *Rationalist Explanation of War* critiqued rationalist arguments for not examining high cost as an explanation for the prevention of conflict. “War is costly and risky, so rational states should have incentives to locate negotiated settlements that all would prefer to the gamble of war” (Fearon 1995:380). Therefore the possible loss of trade reduces the willingness of both sides to fight. Countries bounded by economic ties, gains benefits and therefore have strong interest in maintaining peaceful relations (Polachek 1980; Simmons 2006). Hegre has argued that a greater fear of loss is a greater fear of conflict cost; therefore the incentive for conflict significantly decreases (Hegre 2005). Hence the reason, state’s expectation of future trade is a crucial determinant of the state’s decision to maintain peace or to wage war. It is more likely that business interest have influence over foreign policy decisions, this therefore implies that states are far more likely to choose trading strategies above war (Polachek 1980; Polachek and

McDonald 1992; Huth and Allee 2012). Business interest generally doesn't fear war since they fear a cut off of trade with the adversary (Morrow 1999; Hegre 2005)

It is less likely that states connected through trade militarize conflict because they risk losing access to markets forcing them to search for new markets (the alternative market mechanism). Militarizing conflict provokes and threatens the business insights of investors or domestic and international actors. When states threaten to use force, domestic and international economic actors are forced to seek alternative market suppliers out of fear of loss. Militarizing conflict generates an overall sense of distrust among major economic partners. The high dependence on international trade makes threats costly; therefore, it is less likely that states misrepresent their intentions through threats as this would reduce economic gains. This decreases the danger of wars due to the miscalculation of the opponent's intentions (Hegre 2005).

Therefore an economic tie between states makes it highly unlikely for leaders to utilize military force towards other states. Market reactions enable leaders to credibly signal their intention. Threatening to use force is likely to induce domestic and international economic actors to seek alternative markets or suppliers, or to prefer to invest in other countries. As long as high levels of interdependence can be maintained, liberals assert, we have reason for optimism (Polachek 1980; Gasiorowski 1986; Oneal et al. 1996; Copeland 1996; Oneal and Russett 1997, 1999a, 1999b; Polachek, Robst, and Chang 1999; Russett and O'Neal 2001; Hegre 2005; Lee and Mitchell 2012). All in all the Liberals maintain that economic interdependence decreases possibility of war by increasing the value of trading. Democratic nations are more inclined to trade in contrast to the alternative option of aggression (Polachek 1980; Gasiorowski 1986; Oneal et al. 1996; Copeland 1996; Oneal and Russett 1997, 1999a, 1999b; Polachek, Robst, and Chang 1999; Russett and O'Neal 2001; Hegre 2005; Lee and Mitchell 2012).

2.2 Trade Does not Deter Conflict

According to realist "the first duty of the state is to defend itself"²; therefore the very survival of the nation state, its national and international security concerns are of utmost

² Immanuel Kant, *The Philosophy of Law* Trans .W.Hestie (Edinburgh:T. and T Clark,1887) p.218

importance. The security concerns which poses immediate threat to the viability of the nation state is classified as high politics. Secondary or subordinate to high politics, by realist definition, are matters of economics, low politics. Realist scholars relegate matters of trade as minor factors of little to no relevance in comparison to other aspects in shaping the incidence of international conflict. Barbieri argues that economic considerations remains' subordinate to military assessment of leaders decision (Barbieri 1996). According to the realist logic, as import as trade ties might be, trade does not create significant deterrent to conflict. Trade is seen more like a tool of influence.

“Trading relationships with states that provides strategic commodity is valuable however leaders do not evaluate potential harm that might be caused to a trading partner” (Barbieri 1965 :37) trade is more representative of the means used by states secure power rather than a path to peace . “ when demands change , trade ties can easily be broken , in no way does trade preclude the use of alternative strategies including the use of force” (Barbieri 1996 :33).

In stark contrast to liberalist optimism, realists are rather pessimistic in their view of the relationship between trade and conflict. According to realist, high interdependence increases rather than decreases the probability of war (Mearsheimer 1992; Waltz 1979). Barbieri (1996) concludes that interdependence is positively related to the militarized interstate disputes from 1870 to 1985.

Given the anarchic nature of the international system, competition for resources makes cooperation difficult. Powerful states are inclined to seek out complete control of finite assets and marketplace (Barbieri 1996). Being that states are primarily concerned about their security, and achieving power to ensure security: interdependence; meaning mutual dependence and thus vulnerability, gives states an incentive to initiate war, to secure continued access to necessary materials and goods (Mearsheimer 1992; Waltz 1979; Barbieri 1996) .

Trade creates economic ills and challenges due to the unequal division of benefits. Asymmetrical economic relationships can lead to dependency, exploitation, and conflict (Mearsheimer 1992). Mearsheimer argues that interdependence increases the possibility of war. States are primarily concerned with their survival/security; consequently, their access to control of resources and markets are a top priority. Therefore, the more dependent a state becomes on the resources of others, the more vulnerable it will be to the decisions of other states. This makes

their survival less certain; it therefore, increases vulnerability because it increases the chances of a state being cut off from access to goods which it is dependent on (Mearsheimer, 1992).

Regardless of arguments of the irrelevance or risks of trade in international conflict, Trade does matter in some relationships, It can contribute to conflict and is capable of creating an atmosphere of peace hence the reason prior statistical studies have at times observed insignificant results. The instances under which trade contributed to conflict and where it contributed to peace, balanced against each other; generating results that indicates the irrelevance of trade as it pertains to conflict.

Complementing ideas from both the liberalist and realist thinkers Copland presents an alternative way of understanding the relationship between trade and conflict. In analyzing trade interdependence Copland considers trade expectation. Copland theory fuses the liberal insight that the benefits of trade which gives states an incentive to avoid war with the realist assumptions that the risk of being cut off pushes states to war to secure vital goods. Trade expectations theory introduces, the expectations of future trade as a causal variable, examining its impact on the overall expected value of the trading option if a state decides to forgo war (Copland 1996).

Copland agrees that interdependence can foster peace, however, peace is inevitable only when states expect that trade levels will be high into the foreseeable future. Under circumstances where interdependent nations foresees restricted trade (if their prospect for future trade are low) then the realist presumption that highly dependent states will instigate war, for fear of losing the economic wealth that supports their long term security is accurate. High interdependence can be either peace-inducing or war-inducing, depending on the expectations of future trade (Copland 1996).

Additionally scholars like Polachek and McDonald suggests that factors such as trade elasticity should be of great significance in identifying the relationship between trade and conflict. The nations import demand and export elasticity should be taken into consideration when determining the gains obtained from trade (Polachek and McDonald 1992). Trade is often seen as beneficial to more powerful nations. Trading process can exacerbate inequalities as dependent states may risk being manipulated or coerced by the powerful states. Even though negative consequences of trade are more prominent in asymmetrical trade, costly aspects to trade can be found in every economic relationship (Copland 1996).

2.3 Hypothesis

In *Perpetual Peace*, Kant strongly suggests that trade and war cannot coexist side by side. This he attributes to the idea of mutual self-interest, naturally fashioned through the initiation of trade relations. Mutual self-interest is hence detrimental to understanding the link between trade and peace or trade and the prevention of military conflict (Kant 1970). In analyzing how trade relates to interstate peace, this thesis branches from Kant's analysis of mutual benefit to explore how the perceived cost of war, alternative access mechanism, reciprocal dependence and the ways in which economic ties between states associated with trade affect state leaders decision of militarizing territorial conflicts.

Liberalists argue that the market economy is intrinsically peaceful; states that trade with each other have less war than pairs of states without such relationship (O'Neal, Russett 2001). Finding pacific effects for international trade opportunities in the midst of extremely controversial territorial matters can lead to positive outcomes for international actors. Consequently, this thesis proposes that **greater trade interdependence between two countries decrease the likelihood of militarized territorial dispute**. Therefore: **if trade interdependence between country A and country B increases, then country A and country B are less likely to engage in militarized territorial disputes**.

With the rapid advancement in research on Kant's proposal for perpetual peace, extensive social scientific evidence is now being used to attest initiatives that economic interdependence reduces interstate conflict (Jervis 2002). These encouraging results have been noted outside academe. The World Trade Organization (WTO) supports that trading system sustains peace through sales and highlights that disputes are handled constructively among trading partners. Fighting customers and service providers is not a healthy business strategy (World Trade Organization 2003).

Chapter 3

Trade and Territorial conflict in Central America: a Quantitative Analysis

3.1 Introduction

Does greater trade interdependence reduce the likelihood of militarized territorial conflict among neighboring Central American countries? Territorial claims are among the leading causes of militarized dispute onset and escalation of interstate war (Huth 1996; Hensel 2001; Huth and Allee 2002; Hensel and Mitchell 2005; Senese 2005). However, studies have proven that economically interdependent states, even those engaged in territorial disputes, are less likely to engage in militarized conflict despite competition over salient issues (Hegre 2005, Huth and Allee 2012). Countries connected through trade are less likely to use militarized strategies to resolve territorial disputes because governments who depend on reciprocal exchange for economic growth and development tend to be more restricted in the coercive foreign policy (Hegre 2005; Huth and Allee 2012).

This chapter analyzes the relationship between trade and conflict in the context of the Central American territorial conflict. It is predicted that higher trade interdependence between two countries decrease the likelihood of militarized territorial dispute. Therefore, in order to examine the impact of trade on the conflict propensity of all 21 Central American dyads with territorial conflict, a time-series cross-dyad GEE (Generalized Estimating Equations) model was applied to analyze the impact of trade on territorial conflict in Central America.

This chapter will proceed as follows: Section 3.2 of the chapter presents a general research context which discusses the major territorial claims, their significance, and the consequence endured by the dyads after militarizing or inciting further tension as it relates to the territorial dispute. Section 3.2 is intended to aid the reader in identifying the value of the territorial claim to the parties involved and their importance to the research. Section 3.3 of the chapter will explain the research design. In this section, the writer presents the research sample and units of analysis, operationalize both the dependent and independent variables, and introduce the control variable. Section 3.4 provides the results and analysis of the quantitative study. Lastly section 3.5, in brief, concludes the chapter by summarizing the findings.

3.2 Why Study Central American Territorial Conflict

The migration crisis that overwhelmed the southwestern U.S border in 2013 brought to the forefront the many challenges faced by the Central American population. According to the US Department of Homeland Security, 52,000 unaccompanied Central American children were apprehended between October 2013 and August 2014. The crisis highlighted issues of poverty, crime, violence and the large-scale drug trade flowing through the C.A region as causes for the migration. Nevertheless, mention is hardly ever made of the porous C.A borders. Poverty, crime, violence, and migration are all issues that can be linked back to the large scale drug trade facilitated by the regions porous borders as a result of the territorial conflicts. Yet issues of territorial conflict within Central America rarely receive public attention.

Efforts placed into the peaceful resolution of Central American territorial conflicts does not receive much public attention, however, they certainly constitute towards the struggle against drug trafficking and in extension poverty, crime, violence, and migration. It is therefore in that light that this chapter seeks to highlight the toll exacted by these disputes in order to create greater awareness of the need to resolve these territorial disputes peacefully and permanently. If territorial disputes continue to be examined without taking into consideration the broader context which includes the country's long term interests, goals and developmental plan; it should be expected that these conflicts continue to linger and occasionally deteriorate bilateral relations.

Trade is seen as a possible way of building communication and trust to resolve these disputes. Therefore this chapter examines the relationship between the increasing trade interdependence and the CA territorial conflicts. This chapter will analyze whether trade can be used as a tool to build these Central American economies and reduce conflict. Identifying possible solutions to the Central American territorial conflict are steps made closer to making the region more hospitable to its population.

3.3 Case of Territorial Disputes in Central America

El Salvador and Honduras

Conejo Island, in Spanish Isla Conejo, meaning “rabbit island”, is a disputed island between El Salvador and Honduras located in the Gulf of Fonseca (see figure 20). Isla Conejo is a small island measuring approximately 1,000 sq meters, located 600 meters off the Honduran coast. Despite the small size, the island is of strategic value to both El Salvador and Honduras. The island is a tactical naval and military point for both Honduras and El Salvador. It also provides Honduras with access to the Pacific and secures for El Salvador, the security of one of its main ports.

With the sovereignty of both countries being threatened, the territorial issue further threatened other aspects of both countries bilateral relations. Negotiations were delayed for the construction of the El Tigre dam in 2006. The dam would have supplied energy to 70 percent of El Salvador’s population; however the 1.5-billion-dollar project lost key allies as a result of the conflict sparked by El Salvador’s claim of the Conejo islands. *“The Honduran Parliament voted to ask the Executive Branch to hold off the construction of El Tigre hydroelectric dam, on the Honduras-El Salvador border, until the conflicts between the two countries were resolved. El Salvador jeopardized the construction of a dam that was to benefit the country greatly, because its energy supply is dwindling. Now the government will have to renew its strategy,”*³ Adolfo Facussé, president of a Honduran Industrial Association, in an interview with Tierramérica.

Despite the tensions over sovereignty of the Conejo Island, the countries have insisted on peaceful resolution of their difference. Militarizing the conflict would have had negative effects on regional integration which provides trade benefits that are difficult to access by any single developing nation in the global market. The dispute over the Conejo Island also intensified at a time when Honduras and El Salvador were negotiating a free-trade agreement with Taiwan. The second round of negotiations started October, 16th, 2006, with completed agreement expected at the end of 2006 to facilitate Taiwan's entry into US markets through the Central America Free Trade Agreement (CAFTA). Allowing the conflict over the Conejo Island to spiral out of control

³ <http://www.ipsnews.net/2006/10/ecobreves-honduras-el-tigre-hydroelectric-dam-loses-support/>

would have been costly for the countries involved. Therefore it was in the interest of both countries to employ diplomatic strategies to resolve their differences.

According to data retrieved from the World Integrated Trade Solution (WITS) website El Salvador ranks as a part of Honduras's top 5 trading partner, with El Salvador holding a total of 4.45 percent shares in Honduras's exports and 4.47 percent in imports in the year 2012⁴. While Honduras, also a top 5 trading partner for El Salvador held 14.25 percent shares in El Salvador's exports, and 4.52 percent in imports. Both countries hold weight in each other's trade. Honduras and El Salvador enjoys a wide range of benefits from their trading relations. Both countries have gone to war over territory in the past (see table 1 pg 11) and understands the implications of heightened conflict on their social, political and economic welfare.

Nicaragua – El Salvador – Honduras

Gulf Fonseca

The Gulf of Fonseca is situated along the Pacific coast of Central American and borders the Republic of Honduras to the North, the Pacific Ocean to the South, the Republic of El Salvador to the west; and the Republics of Nicaragua and Honduras to the east (see figure 21) The Gulf of Fonseca has been the source of lengthy dispute for Nicaragua, El Salvador and Honduras. The 1992 decision of the International Court of Justice (ICJ) gave shared control of Gulf Fonseca to El Salvador, Honduras, and Nicaragua. However, the continuous conflicts in the shared zone triggers fear for potential escalation of clashes when resource development opportunities are implicated in the disputed area.

For example, it is in the interest of all three countries to develop the Gulf Fonseca. El Salvador and Honduras have been making plans to improve areas nearest to both countries. However, as recent as August 2013, in the final stages of planning, El Salvador expressed interest in backing out until Honduras returns Conejo Island, a small island in the middle of the gulf. The dispute over the Conejo Island has hindered the peaceful development of the Fonseca Gulf. El Salvador further confirmed in a press conference, its interest in taking whatever

⁴ 2012 is the last year data was recorded for Honduras on the World Integrated Trade Solution (WITS) website. In 2006 El Salvador held a total of 4.15 percent shares Honduras's exports and 4.18 percent in Imports.

measures necessary to reclaim the island before moving forward with any joint programs with Honduras.

The Gulf comprises of land and maritime area of great economic and naval importance to all countries involved. However, they are aware of the implications of militarizing their disputes and have therefore committed to communicating with each other in order to diplomatically resolve their disputes.

Nicaragua and Honduras

Cayo sur :

Cayo Sur is a small uninhabited Caribbean island that has been disputed by Honduras and Nicaragua since 2000. The island is less than two hectares (0.0200 km²) with a couple of palm trees as its main resource. Nicaragua accused Honduras of using the island as a military post creating tension between both countries. In 2001, the two countries initiated communication under the observation of the Organizations of American States. The case was taken to the International Court of Justice, which unanimously granted Honduras sovereignty over Cayo Sur and three other Cayes on 8 October 2007.

Costa Rica and Nicaragua

The San Juan River demarcates a border between Nicaragua and Costa Rica. The river is 192.06 km and flows east out of Lake Nicaragua into the Caribbean Sea. This border has given cause for conflict on many different occasions between the two states for years. Sovereignty of the San Juan River was granted to Nicaragua. However Costa Rica has the permanent rights to navigate with “purposes of commerce” but is not allowed navigate the river with “vessels of war,” except with the consent of Nicaragua.

In October 2010 conflict escalated between the two nations. Nicaragua was accused of entering Costa Rican territory when dredging 33 kilometers on the San Juan River. The claim was rejected by Nicaragua. As a result, Costa Rica sent 70 police reinforcements to the border area on October 22. Nicaragua stationed around 50 soldiers in Isla Calero.

An OAS proceeding called for the withdrawal of troops from the conflict zone on the 12th of November, however, the OAS resolutions were disregarded by Nicaragua on grounds that the OAS was not the proper authority to resolve the territorial dispute. The Dispute was taken to the ICJ by Costa Rica.

Guatemala – Belize

Of Belize's 22,966 square km area, Guatemala claims 12,272 square km. The claimed area initiates at the Sibun River and runs down Sarstoon River to the extreme south of Belize, and includes both land and maritime areas. This claim constitutes more than half of Belize's territory. The claimed area comprises of large percentages of Belize's indigenous population, protected forest reserves/national parks, archeological reserves, which has been significantly affected by the claim.

Harvesting of forest products, particularly of the multi-million dollar business of harvesting the precious palm *Chamaedorea*, locally known as Xate, is seen as a major threat on Belizean territory. With yields plummeting elsewhere, up to 1,000 xaté collectors (xatéros) are reported to have been illegally crossing into Belize to exploit such pristine resources since the 1970s. Risking their lives in the jungles of Belize, and ignoring the dangers of getting lost or being arrested and jailed, they have reportedly ventured up to 60 kilometers inside Belizean territory since 2006 (Perez 2009:17)

There are records of up to 50,000 illegal Guatemalans a year in Belizean territory. Their activities range from illegal logging for rosewood, mahogany, cedar and other hardwoods to illegal fishing. Illegal fishing is one of the main causes assigned to the explanations as to why fish stocks are declining in Belizean waters (Perez 2009). There have also been many recorded cases of illegal settlements inside the area claimed by Guatemala. The illegal activities along the poorly defined borders of Belize and Guatemala have resulted in numerous casualties that have lead to the loss of lives within the disputed region.

However, despite the numerous incidences along the border, data indicates significant decreases in the total number of militarized interstate disputes (MIDs) over the past thirteen years of this dyadic claim (2000 -2013). The ICOW, (Issues Correlates of War) project data files

covering territorial claims across the entire interstate system between 1816-2001, indicates that between the said period, the Guatemalan territorial dispute resulted in five militarize interstate disputes. The conflict settlement process have seen many difficulties, however opportunities for economic prosperity has always sparked the initiation of conflict and appeared among viable solutions proposed for the resolutions of the conflict.

The southern half of Belize claimed by Guatemala would give Guatemala access to the Caribbean ports. This has been the bone of contention in the Belize Guatemala dispute; Guatemala further request access to the Caribbean in order to enhance its economy.

Data indicated that up until the year 2000, bilateral trade between Belize and Guatemala remained trivial with more benefits for Guatemala (see table 3). Up until 2000 bilateral trade between Belize and Guatemala amounted to less than 1.8 percent of Belize's total trade and 2 percent of Guatemala's total trade. However bilateral trade between the two nations have since grown (Korres 2007). Both countries have experienced growth in Trade. The data collected by the Issue Correlates of War (ICOW) project dispute version 1.1 and narratives for years 2001-2010 Correlates of War Project MIDv4.0 shows no indications of militarized interstate conflict in regards to the territorial conflict between Belize and Guatemala. Guatemala's long standing claim to the British colony of British Honduras (Belize) to be Guatemalan territory had become less intense over the years. Both countries have committed to the peaceful resolution of their conflict.

3.3 Research Design

“Peace by no means requires a natural harmony of interest between states but at minimum a commitment to seeking non military ways of resolving conflict of interest that do arise” (Barbiery 196 : 30). It is by following in that line of thought, assuming that the lack of conflict rather than the presence of cooperation is more in line with peace: that the case of Central American territorial conflict was selected. Central America comprises of 7 countries complexly meshed into a web of historical and current territorial conflict, therefore it is the ideal context for this research. Evidence of cooperation in the Central American region, consumed by land and maritime conflict can illuminate the expectation that trade interdependence conditions

relationship in a manner that constrains the type of conflict behavior which is displayed in interstate relations. It is expected that trade interdependence creates circumstances under which the involved parties find it within their best interest to maintain peace. Therefore if the countries are mutually dependent on trade with each other, they are more inclined to avoid militarizing their territorial conflict as a means of resolving the issue.

Research Sample and Unit of Analysis

This quantitative study is limited to the states of the Central American Region and comprises of 5 dyads (see table 2 pg 11) the dyads were expanded from the original 5 to the current 21) making all possible CA dyads. The time period for this quantitative study extends from 1981-2006 in order to expand the validity of your results.

Operationalizing Variables:

1. Dependent Variables

It is expected that trade interdependence should have a positive correlation with militarized conflict, the dependent variable. The possibility of militarized conflict among Central American countries decreases with the increase in trade interdependence. Data to measure the Dependent variable was retrieved from militarized conflict onset. This data set clarifies the countries incentives for war, for example: aids users in understanding whether or not countries enter war due to intense economic exchange. Territorial disputes are covered in this data set.

2. Independent Variable and Control Variable

Literature review reveals varying ways of measuring trade interdependence. However this paper operationalizes its independent variable by dividing bilateral trade by the countries overall trade volume by year, and then taking the log (log is usually used in statistics in order to get data linear) (logged $\frac{\text{flow 1} + \text{flow 2}}{\text{trade 1} + \text{trade 2}}$). Trade data for this quantitative study was retrieved from the data set

hosted by Barbieri, Keshk, and Pollins . The data set presents the total national trade and bilateral trade flows between states from 1870 -2009.

The research further assesses whether the relationship between trade and territorial conflict is affected by democracy. Democracy was consistently identified in the literature review as a variable which alters the conflict propensity therefore it is included in the study as a control variable. Polity scores of both states in each dyad was retrieved from Polity IV project and the lower scores of the two was used as the baseline.

STATA will be the tool used to undergo the statistical analysis. STATA will be used to calculate the descriptive summary statistics. The descriptive summary statistics will summarize the data, and indicate the correlation between the independent and the dependent variables.

3.4 Results

Table 1: The effects of Trade Interdependence on Central American Territorial conflict 1981 -2006

| Onset | Coefficient. | Std. Err | Z –value | P> z Value | [95% Conf. Interval] | |
|---------|--------------|----------|----------|-------------|----------------------|-----------|
| Demo | -.0235113 | .0277482 | -0.85 | 0.397 | -.0778969 | .0308742 |
| lninter | -.4166008 | .2400496 | -1.74 | 0.083 | -.8870893 | .0538877 |
| _cons | -4.673903 | 1.409072 | -3.32 | 0.001 | -7.435634 | -1.912172 |

A total of 21 dyad observations were used to conduct this quantitative analysis. The study took into consideration trade interdependence, militarized conflict between each of the dyads and their democratic rating between the period 1981-2006 The GEE model illustrates the relationship between trade interdependence and militarized conflict with considerations of democracy as the control variable to analyze the extent to which the variable democracy diverts conflict.

The results indicate that (logged) trade interdependence can reduce the likelihood of militarized conflict onset among CA dyads. The p-value is 0.083, which is less than the significance level of 0.1 This demonstrates that the relationship between the independent

variable, Trade Interdependence and the dependent variable, Militarized Conflict, is statistically significant at the 90% confidence level. Therefore it is safe to reject that **Trade Interdependence has no effect on territorial conflict among neighboring Central American countries**. It is also safe to conclude that democracy in this particular case does not alter the conflict propensity of the dyads due to its p-value of (0.397). The study therefore fails to reject the relevance of control variable at the 90, 95 and 99 percent confidence level because its calculated p-value is larger than the 1, 5, 10 percent significance level.

3.5 Chapter Summary:

This chapter discussed the relationship between trade and territorial conflict among the neighboring Central American countries. It utilized a GEE model to conclude that trade has successfully minimized militarized territorial conflicts among the Central American countries in recent years (2001-2013). In responding to the question of this research, this chapter disqualified the null hypotheses: Trade Interdependence has no effect on territorial conflict among neighboring Central American countries, in order to have proven that trade interdependence has a positive impact on the Central American Territorial Dispute. This chapter demonstrated that: if trade interdependence between country A and country B increases, then country A and country B are less likely to engage in militarized territorial disputes.

The Central American territorial claims involve land and maritime areas of economic and strategic importance to the countries. These values of wealth and physical security are detrimental to the countries national identity. However, with all at stake, these countries, embroiled in years of territorial dispute, have in recent years managed to abstain from military actions in times of heightened tensions.

Vital to the question of this thesis was the growing economic interactions in the region. Central America's burgeoning period of peace has been accompanied by growing economic interactions between the periods 2000 and 2013 (see Figure 1-14). This trade interdependence has indeed promoted stronger collaborative ties among these countries decreasing the prospect of militarized conflict? Despite all the ongoing territorial conflicts and incidents, the Central American Nations have successfully refrained from militarizing their territorial conflicts. The succinct division between the historical and current period of territorial conflict can be linked to

the presence of a more interactive network of trade among these stronger countries. Base on this quantitative analysis, this thesis supports the argument that trade has contributed to the reduction of militarized territorial conflict in Central America.



Chapter 4

Trade and Territorial Conflict-A Case Study of Belize and Guatemala: Qualitative Study

4.1 Introduction

It is commonly argued that international trade averts conflict because the possible loss of trade reduces the willingness of benefiting countries to fight (Oneal, Russett 1999; Hegre 2005; Simons 2006; Ruiz-Dana et al. 2007; Lee and Mitchell 2012). Since 2001, Belize and Guatemala, neighboring countries embroiled in 190 years of territorial dispute, have managed to abstain from military actions in times of heightened tensions. **To what extent has trade promoted stronger collaborative ties among the neighboring countries thus decreasing the prospect of militarized clashes?**

As both countries now seek to finalize the settlement at the International Court of Justice, *“fear of lost territory has sparked great apprehension in citizens and has led to issues of: illegal settlements, illegal logging, illegal hunting, illegal fishing, illegal harvesting of forest products, illegal farming, illegal land subdivisions, loss of property, threat to human life”* and further escalation of tension between the two countries (Perez 2009:1). These incidents should have increased the stake for the occurrences of militarized dispute thus increasing the probability for the escalation of war; however, recent years have been characterized by lower levels of violence (Palmer *et.al* 2013). The governments of both countries have remained composed and continue to insist on strengthening confidence building measures to refrain from militarized conflict.

According to data by World Bank and the Issues Correlate of War, there has been an increase in bilateral trading and contrastingly, a decrease in militarized conflict between the neighboring countries during the period 2001 to 2013. Chapter three utilized statistical method to prove that trade interdependence have contributed to the decrease in militarize territorial conflict in the Central American region. However, this chapter conducts an illustrative case study to analyze the extent to which the argument that trade reduces the likelihood of militarize territorial conflict applies to the case of Belize and Guatemala.

Chapter three utilized statistical method to prove that trade interdependence have contributed to the decrease in militarize territorial conflict in the Central American region. However , this chapter conducts a case study to analyze the extent to which trade have promoted peace in the case of the Central American dyad with the most salient territorial conflict .

Chapter 4 proceeds as follows: section 4.2 presents a simplified historical background of the Belize - Guatemala territorial conflict, in order to bring the readers up to date with the complexities of the dispute. Section 4.3 introduces the research context; the historical, political and economic grounds under which the research question was formed and analyzed. Section 4.3 lays the foundation for the introduction of section 4.4, which is the case study of trade and territorial conflict in the case of Belize and Guatemala. Section 4.4 discusses trade as it relates to the Belize-Guatemalan territorial conflict in order to grasp the extent to which trade interdependence has influenced the reduction of militarized conflict for the dyad being studied. Lastly, section 4.5 summarizes the findings of the chapters and presents another variable which is believed to have also contributed to the decrease in militarized territorial conflict between Belize and Guatemala.

4.2 Historical Background

Belize stands out among the Central American countries as the only English speaking country in the region. This distinction is as a result of the geographical and historical dynamics which paved the way for the formation of the Central American nations directed by two different colonial powers; the British and the Spanish. Understanding the basis of the difference aids one in fully comprehending the source of the long standing Belize-Guatemala territorial dispute.

The unresolved Belize - Guatemala bi-national territorial dispute can be traced back to the Spanish colonialization of the new world (Shoman 2000, 2010). Spanish explorers landed in Central America, explored the region and claimed sovereignty for Spain as implied by “their right of divine conquest”. Belize at the time, being a land of swamp, mountains and jungles, with its eastern coast guarded by dangerous off shore shoals and reef, was of little interest to the Spanish who merely passed through on their way to Honduras (Shoman 2000, 2010).

On the contrary the British buccaneers and pirates saw timeless opportunities in the hazardous shoals and reef which laid offshore of Belize. From the shoals, they were able to

launch numerous unexpected attacks on Spanish galleons transporting highly valued resources from South America to Europe. The swampy treacherous shores which were of very little interest to the Spanish became a haven for British pirates and buccaneers. This was the beginning of the long standing territorial conflict inherited by Belize and Guatemala from their colonial powers.

The official claim by Guatemala to Belizean territory was placed in the year 1839 after the breakup of the Central American federation⁵. Even though, the territory which was later identified as Belize, at the time was occupied by the British; it was still an “undifferentiated part of the coast of Central America that was considered subject to Spanish sovereignty by virtue of the papal bull of 1493”(Shoman 2010 23: 2). Guatemala therefore argues that it inherited imperial Spain’s territorial rights to Belize upon independence in 1821. As one of the countries west of the ‘Line of Demarcation’ established in the 1494 Treaty of Tordesillas (which apportioned all “New World” territories either to Spain or Portugal). Belize fell to Spain and was only later settled by British and Scottish Baymen in disregard of the treaty.

With the breakup of the Central American federation and in the process of dividing the different boundaries in Central America; Guatemala declared Belize a part of the Petén Verapaz region of Guatemala, which it asserted was inherited from Spain (see figure 22) .

The British rejected the Guatemalan claim on grounds that neither Spain nor any other Central American entity had ever occupied the said territory. British presence on Belize dates back to the early 17th century where they hid and rob Spanish ships coming out of South America. After the 1670 treaty of Madrid which ended piracy , the British buccaneers and pirates settled along the coast of the Belize River to cut log wood which was used to supply dye to the industry in Europe in the colonial days and later switched to mahogany which is a hard wood used to make furniture (Shoman 2000, 2010)

Spain made many efforts to dislodge the British from the territory, however in 1763, 1783, the Spanish granted rights to the British to log and export logwood from Rio Hondo River to Belize River through the treaty of Versailles and up to the Sibun river in 1786 (see figure 2).

⁵ The Central American Federation was formed in 1821 after the Central American countries declared independence from Spain. In the year 1823 an assembly in Guatemala city Proclaimed the United Province of Central America. Countries included Guatemala , El Salvador, Nicaragua and Costa Rica.(Shoman 23: 6-9)

While acknowledging Spain's claim of sovereignty of the Bay of Honduras⁶, The British settlers established *defacto* sovereignty at the beginning of the 19th century and extended the limits of Belize to the southern tip as far as the Sarstoon River (See figure 23). Spain's last attempt to dislodge the settlers who logged and occupied land which exceeded the limits of the treaty was made in 1798, after which their efforts to assert sovereignty faintly diminished. The British formally incorporated Belize as a crown colony, under the name "British Honduras" in 1862.

Apart from the doctrine of *uti possidetis*, the Anglo Guatemalan Treaty has been the main source of disagreement and the main cause of the prolonged territorial conflict. Guatemala's current claims to Belizean territory rest on Clause 7 of the Anglo -Guatemalan Treaty of 1859⁷. The first article ⁸ of the Treaty recognized the borders of Belize as is today.

However, problems arose from the seventh article of the treaty. In return for Guatemala's recognition of the present definitive boundaries of Belize, the British included the seventh clause. The seventh clause was intended to compensate Guatemala for recognizing British sovereignty over the land occupied through the 1783 and 1786 Anglo-Spanish treaties and of the territory which lay to the west of these treaty lines and to the south, between the Sibun and the Sarstoon. Therefore Clause seven⁹ was included in the Anglo-Guatemalan Treaty of 1859 to restore trade

⁶ British Honduras was the name of a territory (now Belize) on the east coast of Central America, south of Mexico, after it became a British crown colony in 1862. Prior to 1862, British Honduras (Belize) was commonly referred to as The Bay of Honduras.

⁷ The Anglo Guatemalan treaty of 1859 was an agreement signed by Guatemala and Great Britain (the colonial master of Belize at the time) which defines the limits of the Belizean Territory.

⁸ It is agreed..... that the boundary between the Republic and the British Settlement and Possessions in the Bay of Honduras, as they existed previous to and on the 1st day of January, 1850 and have continued to exist up to the present time, was, and is, as follows:

Beginning at the mouth of the River Sarstoon in the Bay of Honduras, and proceeding up the mid-channel thereof to Gracias a Dios Falls; then turning to the right and continuing by a line drawn direct from Gracias a Dios Falls to Garbutt's Falls on the River Belize, and from Garbutt's Falls due north until it strikes the Mexican frontier. The territory to the north and east of this line was declared to belong to Great Britain, that to the south and west to Guatemala. This Article clearly constituted an evident recognition of a pre-existing frontier and a pre-existing sovereignty. (Shoman 2010 :30 (retrieved from Owen Washington November 8 1978 DEFE 24 1650))

⁹ Article VII. With the object of practically carrying out the views set forth in the preamble of the present Convention, for improving and perpetuating the friendly relations which at present so happily exist between the two High Contracting Parties, they mutually agree conjointly to use their best efforts, by taking adequate means for establishing the easiest communication (either by cart-road, or employing the rivers, or both united, according to the opinion of the surveying engineers), between the fittest place on the Atlantic Coast, near the Settlement of Belize, and the capital of Guatemala; whereby the commerce of England on the one hand and the material prosperity of the Republic on the other, cannot fail to be sensibly increased, at the same time that the limits of the two countries being now clearly defined, all further encroachments by either party on the territory of the other will be effectually checked and prevented for the future. (Shoman 2010 :30 (retrieved from Record of meeting of CMCB on September 28 1978, October 1978 CMBC(78) 3,p.4,CLC))

between Great Britain and Guatemala. However, there were no specifications of the possible cost or the time for the road's construction by either party.

The road was never built. Therefore in 1940, Guatemala claimed that the 1859 treaty was void because the British failed to comply with economic assistance provisions found in Clause VII of the Treaty. So Guatemala proceeded to argue that 1859 treaty was a cession treaty and since article seven of the treaty was not fulfilled, the ceded territory was to revert back to Guatemala. Although Guatemala did not question the validity of the 1859 Treaty, it was implied that as long as article 7 remained unfulfilled, they were not bound by Article one, which recognized the boundary between Guatemala and British occupation of what was claimed as Guatemalan territory. From the Guatemalan point of view, which was developed after the agreement was signed, Guatemala gave up right to the land. For the treaty to take effect, Britain had to help build a road to improve communications between Guatemala and the Atlantic coast. Because this road was never built, Guatemala insisted that the treaty was broken. The British however, argued that the agreement merely declared the boundaries of an area Britain already ruled. Those boundaries still exist today.

Britain continued to insist that the Anglo- Guatemalan treaty of 1859 was not a treaty of cession but simply the surrender of claim to territory on the part of Guatemala which had never been, recognized by Spain (Shoman 2000). Guatemala believes that with the termination of the treaty, the territory reverted to Guatemala. However, the legal opinion for Belize argues that the boundary status is independent of the treaty in question. Based on Legal opinion Elihu Lauterpacht ,Judge Stephen Schwebel, Professor Shabtai Rosenne and Professor Francisco Orrego Vicuña; there is authority for the position that a boundary when established, is not dependent for its continuing force on the maintenance of the treaty from which it is obtained . It points to an ICJ case between Libya versus Chad, which states that a boundary once established by a treaty holds a permanence which the treaty itself does not necessarily enjoy. The treaty can cease to be in force without in any way affecting the continuance of the boundary. The boundary remains whether or not the treaty is terminated (Lauterpacht 2001 et.al).

Belize caught between Guatemala and Britain, its colonial master, had no say. In November of 1980, UN resolution called for independence for Belize with all its territory intact. Once independent, Belize claimed this was not a treaty they were bound by since they did not

sign it. Negotiations proceeded for many years; in 1981 the Heads of Agreement¹⁰ was encouraged by the United Nations, which had already recognized Belize's independence with sovereignty over all its territory. Despite the fact that the Heads of Agreement was design to allow partial control and access to assets in both Belize and Guatemala, it was unsuccessful. Belizeans rioted against the British and their own government. Belizean saw the agreement as too many concessions to Guatemala. The agreement was not successfully carried out hence Guatemala renewed its claims to Belize's soil. Therefore Belize gained independence on September 21, 1981, with its territorial dispute unresolved.

Negotiations between Belize and Guatemala resumed in 1988. Guatemala recognized Belize's independence in 1991 and both countries established diplomatic relations. However the claim was once again resumed in 1999, the claim was resumed on the basis that Belize was inherited from Spain and Guatemala is therefore owed more than half of Belize's land mass, from the Sibun river to the extreme south (see figure 23). This claim amounts to 12,272 km² of Belize's territory, territory not included in the 1763, 1783 and 1786 treaty in which the Spanish granted rights to the British to log and export logwood up to the Sibun river in 1786.

4.3 Historical Research Context

Belize and Guatemala are two countries that have been entangled in territorial dispute over land and maritime boundaries since the 19th century. Guatemala once claimed all of what is today considered as modern day Belize but has restricted its claim to the southern half of the country (see figure 22). Britain (the former colonial power of Belize) and Guatemala established a border between the two nations in the year 1859. However, the specific border location is still disputed. The 45 km border between the two nations is not well defined and has therefore been a

¹⁰ This document stated that there was no final agreement nor even specific proposals, but rather areas for discussion that would form the basis for a final agreement after negotiations. Guatemala agreed to recognize an independent Belize within its existing borders, but only if agreement could be reached on other points in the document. These other points included the "use and enjoyment" of certain Cayes, free port facilities, freedom of transit on two roads, facilitation of oil pipelines, co-operation in security, and a non-aggression pact. These were not spelled out specifically. It was left for future negotiators of the three countries to hammer out the details and reach a final agreement acceptable to all sides. The Heads of Agreement was interpreted by some sections of the Belizean population as unacceptable concessions given to Guatemala. The result was wide-spread disquiet, uncertainty and civil action including rioting in Belize City and setting fire to a government office. This agreement lapsed before independence (Leslie 1997:110).

source of tension between the two nations. The lack of clarity in regards to the border sparks continuous increase in border incidences and tension. Due to the incidences at the Belize-Guatemala border, it is considered the most violent of border disputes in Central America since the beginning of the 21st century.

However data indicates significant decreases in the total number of militarized interstate disputes (MIDs) over the past thirteen years of this dyadic claim. The ICOW, (Issues Correlates of War) project data files covering territorial claims across the entire interstate system between 1816-2001, indicates that between the said period, the Guatemalan territorial dispute resulted in five militarize interstate disputes. The negation and communication process witnessed numerous ups and downs, however it is essential to note that opportunities for economic prosperity has always sparked the initiation of conflict and appeared among the most viable solutions proposed for the resolutions of the conflict.

Guatemala has continued to claim Belize's territory even after she recognized Belize's independence in 1991 (10 years after the fact). Since 1991, Guatemala has been calling for a negotiated settlement for the access they want to the Caribbean.¹¹

Data indicates that before the year 2000, bilateral trade between Belize and Guatemala remained trivial with more benefits for Guatemala (see table 3). Up until 2000 bilateral trade between Belize and Guatemala amounted to less than 1.8 percent of Belize's total trade and 2 percent of Guatemala's total trade. However bilateral trade between the two nations have since blossomed (Korres 2007). Belize's exports to Guatemala drastically increased between 2001-2013 and its imports from Guatemala more than tripled from 2001 to 2013 (see figure 18).

The data collected by the Issue Correlates of War (ICOW) project dispute version 1.1 and narratives for years 2002-2010 Correlates of War Project MIDv4.0 shows no indications of militarized interstate conflict in regards to the territorial conflict between Belize and Guatemala. Guatemala's long standing claim to the British colony of British Honduras (Belize) to be Guatemalan territory had become less intense over the years.

"Peace by no means requires a natural harmony of interest between states but at minimum seek a commitment to employ non military means of resolving conflict of interest that arises" (Barbiery 1996:30). In order to analyze the extent to which the liberal argument that trade promotes peace is applicable for the case of Belize and Guatemala, this chapter further

¹¹ The Dispute Narratives, Correlates of War Project MIDv3.10 Project p23

advances with the aim of analyzing how the decrease in military interstate dispute is connected to the increased in trade interdependence that may have facilitated the presence of peace and the absence on militarized conflict.

4.4 Trade and Conflict: Case study of Belize and Guatemala

It is expected that mutually beneficial trade relations decreases the possibility of militarizing strategies to resolve conflict because the presence of interdependence should make military actions non options when states choose strategies for conflict resolution. However, literature also supports that trade is irrelevant to conflict or can result in conflict or heighten tensions when not mutually beneficial. This research follows Barbieri methods of investigation by exclusively focusing on conflictual relationships assuming that “the absence of intense conflict rather than the presence of cooperation is more consistent with the notion of peace” (Barbieri 1996: 35). Hence the reason Belize - Guatemala territorial conflict plays a major role in this research. Evidence of cooperation in a region like Central American , which is consumed by land and maritime conflict, should display evidence of whether the expectation that interdependence is either irrelevant to conflict (in the case of Belize and Guatemala) or conditions relationships in a manner that constrains the type of conflict behavior exhibited in interstate relations (Barbieri 1996).

A recent study (Hensel et al. 2008) indicated that the level of salience or value given to an issue has similar effects on issues of territorial, maritime, and river disputes, with issues of each type being more prone to armed conflict when overall salience levels are higher. Based on the ICOW(Issues Correlates of War) index of the salience or importance of the claimed territory to the claimants; the issue of Belize’s territorial and maritime conflict with Guatemala ranks highest in terms of salience in Central America (see Table 4 and figure 24 and 25) (Hensel, 2013). Its territory, economic resources, strategic location, and permanent population in the claimed territory make the disputed area of great value to the nations involved. Hence the reason, the case study of Belize and Guatemala was chosen for this particular paper.

Data retrieved from the Correlates of War Project (Militarize Interstate Dispute) indicates that Belize and Guatemala’s last instance of conflict relating to militarized interstate dispute was recorded in the year 2001 (Ghosn et.al 2004). Moreover, trade statistics retrieved

from Trade Map¹² and analyzed, indicates increase in total trade volume between the years 2001 and 2013 (see figure 18). Belize and Guatemala has grown to become jointly sustained by products such as sugar, textiles and clothing, furniture, chemicals, petroleum, metals, rubber, and tourism due to cooperation that has been manifested from the benefits of trade (Korres 2007). Guatemalan export basket to Belize is very diverse and Belize's dependence on Guatemalan products is indicted in the import trade value which increased from 12108.63 in 2000 to 62753.11 in 2013(see Table 3).

The commercial transactions between the neighboring countries are noticeable at Belize's western border crossing area where "Cross-border shopping, tourism and money exchange are visible manifestations of commercial relations between the uneasy neighbors" (Korres 2007:274). In November of the year 2000, Guatemala and Belize signed an agreement with the intention of stabilizing diplomatic and trade relations in order to promote increasing communication between Belizean and Guatemalan Armed Force (Caribbean Community Secretariat). Here it was established that the territorial conflict has and continues to cripple economic growth (Caribbean Community Secretariat).

"Guatemala's point of contention relates inter alia to territories allegedly usurped by Britain from the Sibun to the Sarstoon Rivers. This alleged 'usurpation' has pre-empted Guatemala from gaining access to the Atlantic coast, thus hampering its future economic development and its access to the high seas through the territorial sea of Belize and the use of Belize's port facilities. However, Belize's Prime Minister, H.E. Said Musa, has publicly indicated the willingness of his country to assist Guatemala in gaining access to the Atlantic in exchange for access to the Pacific by Belize"¹³

Spanning from the 1859 Anglo Guatemalan treaty, majority of the agreements made in regards to the peaceful settlement of the Belize Guatemala territorial dispute, involved clauses with aims of enhancing economic cooperation. On August 17 of 2001, officials of Belize and Guatemala met in search of practical ways in which the two neighbors could have helped each

¹² Trade statistics for international business development monthly, quarterly and yearly trade data. Import & export values, volumes, growth rates, market shares

¹³ (Montserrat2000: <http://asil.org/insights/volume/5/issue/20/oas-mediates-belize-guatemala-border-dispute>).

other prosper. Agricultural officers from both governments met with the intention of coordinating and standardizing the regulations for the import and export of plants and animals in order to facilitate business on both sides of the border. In addition to public sector representatives, business people from both countries also met, and according to a press office release, they also explored ways to jointly access CARICOM and Central American markets. For Belize, the best prospects for exporting to Guatemala lies in corn, animal feed and red kidney beans for which Central America provides market.

Both countries economic interests have further pressed for more dense bilateral trade relation between each other in order to facilitate greater stability. This interest has been expressed on several occasions, one of the recent instances being the 2014 agreement on constructing the road map¹⁴ between Belize and Guatemala. *“The plans reflected in the roadmap have an important political content in themselves, in that they contribute to a much more stable bilateral relationship”* (Secretary General Insulza 2014). Subsequent to the agreement Guatemala Foreign Minister Fernando Carrera expressed that the agreement *“will contribute to ensure that for next year this relationship will not only remain as peaceful as it has been for many years, but also that this positive relationship will be strengthened.”* He further called attention to the need to ensure that: the political, economic, cultural, educational and religious leaders of both countries maintain fluid and permanent communications, *“Because dialogue creates the possibility for peace anywhere.”* Foreign Minister Fernando Carrera statement indicates the ways in which cooperative relationships can be formed as a result of mutual exchange which provides opportunities for conversation about issues that matters to the nations involved.¹⁵ (Organization of American State)

Belize’s trade with Guatemala has experienced increases in growth of 1014% in exports and 280% in imports between 2001 and 2013. Could this growth in economic interactions have encouraged governments of both countries to remain composed and to continue to insist/work towards furthering its mission of seeking closer economic, trade, security, social and cultural

¹⁴ Road Map and Plan of Action outline the activities, programs and projects to be implemented to promote the Confidence Building Measures between the two countries

¹⁵ (Organization of American State <http://asil.org/insights/volume/5/issue/20/oas-mediates-belize-guatemala-border-dispute>)

integration by strengthening confidence building measures to refrain from militarized conflict? To what extent can we attribute the period of peace to increasing economic relations?

Guatemala , in the year 2013 was ranked as Belize's 6th largest import partner and 10th largest export partner (see table 5) holding a total of 6.7% share of Belize's imports but 1.3% share in its exports with an annual average growth rate of 11.7% in imports and 22.2% in exports over the period 2001-2013 (See table 6)

Despite continuous increase in trade volume or the recent annual average growth rate (see table 6) witnessed by Belize and Guatemala over the years; the question remains whether the long period without militarized interstate dispute as indicated by the Correlates of War MID 3.10., illuminates these neighboring countries preference for participation rather than conflict. If the annual average growth in trade volume has provided mutual benefits for both countries, then it will be safe to conclude that these countries connected through trade are less likely to use militarized strategies to resolve territorial disputes. This is because governments depend on reciprocal exchange for economic growth and development, which therefore causes them to pursue more restricted approaches in their coercive foreign policy (Hegre 2005 31; Huth and Allee 2012).

However further observation of the trade relations between the two countries continues to highlight that trade between Belize and Guatemala has structurally been weighted to benefit Guatemala (see figure 25, table 7). In 2013 trade with Guatemala reflected imports to Belize, 62753 (in thousands US Dollars) while exports to Guatemala adds up to 5225 (in thousands US Dollars) (table 7) this is a gross deficit for Belize (see figure 26). As figure 26 and table 7 indicates, the import from Guatemala consistently outweighed Belize's exports to Guatemala. Scholars of dependency theory commonly warn that apart from mutual gains, economic ties can also create economic ills and challenges due to the unequal division of benefits. Asymmetrical economic relationships can lead to dependency, exploitation, and conflict (Mearsheimer 1992).

Therefore it is important to highlight the extent to which the need for economic cooperation can hold as a source of peaceful relations for the nations between the periods of 2001-2013. Trade when weighted to Belize's GDP; imports to Belize from Guatemala in the year 2013 were 0.0038 percent an increase from 0.001 percent in 2001. On the other hand exports from Belize to Guatemala weighted to Belize's GDP, totaled to 0.00032 percent, again this indicates the increase from 2001 which totaled to 0.000054 percent(see Figure 27) .

In 2013 Guatemala only accounted for 6.7 percent of Belize's total imports 1.3 percent of total exports. Belize on the contrary accounts for 0.03 percent of Guatemalans imports and 0.65 percent of the total exports with its annual import export growth rate at -3 percent and 22 percent respectively (see table 8). Despite the increase in trade volume, trade between the countries have continuously shown great trade deficit on the part of Belize, with stronger benefits of trade weighted on the part of the larger country, Guatemala (see figure 27 and table 9).

On the other hand, the Dispute Narratives, Correlates of War Project MIDv3.10 Project identifies several instances under which border incidence between Belize and Guatemala could have escalated to critical conflict. Issue heated up in 1993 when Guatemala renewed its claim over pristine jungle where Guatemalan peasants creep to farm and fish. With the renewal of this claim, Belizean soldiers patrolling the borders were accused of crossing into Guatemala and were arrested and charged with exporting arms. This created an uproar among the Belizean public who referred to this as kidnapping.

Subsequent to this incident, Belize tightened border patrols. This has led to numerous border incidents. Belizean military personnel under the mindset that Guatemala has nothing to lose, "Worst-case scenario": Belize get certainty to where their land ends: became rigid border protectors. This has thus cost numerous Guatemalan lives. In the year 2001, a peasant running from a Belizean soldier died when chased into a river. He could not swim. In that same year, Belize's military personnel's discovered a Guatemalan family living inside the limits of the Belizean border. This led to an armed altercation and the lives of two Guatemalan men were lost.

On another incident, three communities of Guatemalans living well inside the boundaries of Belize were identified. After protracted negotiations and land surveys, the families were relocated. Subsequent to these incidents, numerous Guatemalan farmers and Belizean law enforcers have lost their lives within the border limits of Belize. These incidents on a number of occasions escalated tensions between the two nations. In the year 2013 the Guatemalan government threatened to relieve the Belizean ambassador to Guatemala of his mission in Guatemala subsequent to the two separate incidents that year, where armed illegal Guatemalan loggers were shot and killed by the Belizean soldiers. In September of that same year the Belizean Minister of foreign affairs Honorable Wilfred Elrington was chastised by the

Guatemalan foreign minister for comments regarding the dispute that was made at the 68th Annual General Assembly of the United Nations held in New York City:

“The Guatemalan claim is a constant source of anxiety to our citizens as well as investors in our country. Furthermore, both our territorial and our maritime border regions have been suffering from depredation and environmental degradation in consequences of the wanton and sustained illegal activities of Guatemalan campesinos, fishermen and other criminal elements engaged in narco-trafficking, human-trafficking, smuggling, illegal panning for gold, the extraction of xate and other exotic plants and animals, the illegal felling of timber and the pillaging of our ancient Mayan ruins. The felling of timber in our rain forests are contributing to the denuding of our mountains, which results in violent flooding in the rainy season and the transmission of topsoil, sand and silt into the sea. These soils are then ultimately deposited into our pristine barrier reef; choking and destroying the fragile ecosystems therein and compromising the health of the entire reef and the marine ecological system thriving therein. Additionally, the increasing trespassing by the Guatemalans into our country has given rise to more frequent violent encounters between Guatemalans and members of our Belize Defense Force resulting in fatalities in some instances. These incidents put a heavy strain on the relations between our country and Guatemala and the peace of our region as a whole.”¹⁶

However, with the fear of greater lost governments of both countries continues to insist on strengthening confidence building measures to refrain from militarized conflict. Throughout the duration of the conflict, the countries have continued to communicate on strategies for improving and maintaining trade relations. The Belize-Guatemala Partial Scope Agreement (PSA)¹⁷ is the

¹⁶ CTV3 Publisher <http://www.ctv3belizenews.com/index.>)

¹⁷ The Partial Scope Agreement, allows for reciprocal (two-way) trade between Belize and Guatemala on a small number of goods. The Agreement covers 150 specified tradable products. The PSA specifies for the immediate elimination of tariffs by 50 percent and 100 percent; these goods are grouped in Category A. Under Category A products, Belize will be able to sell at preferential tariff margins to Guatemala products such as: tilapia, yellow maize (up to 20,000 MT at 0 percent duty), black beans (up to 875MT at 0 percent duty), rice, toilet paper, doors, windows, wooden and wicker furniture, matches, most citrus fruits and concentrate, mangos, guavas, watermelons, pineapples, plantains, among others. The goods marked with Category ‘A’ on Guatemala’s list are those products in which Guatemala has granted Belize preferential (duty free in many instances) access to their market.

The agreement also provides for Belize to gradually eliminate its tariffs it charges on Guatemalan imports by 50 and 100 percent over three years for those products categorized as ‘B’. Likewise, a gradual elimination of Belize’s tariffs on Guatemalan imports by 50 percent and then 100 percent over a five year period is contained in category (Belize Trade and Invest Zone)

first trade agreement that Belize has signed with another country bi-laterally. Negotiations were launched on the 22nd of November 2004 and signed on 26 June 2006. The nations have jointly cooperated on strengthening trade agreement in spite of all the border incidences. According Eamon Courtenay, Belize's Minister of Foreign Affairs & Trade *"The agreement is historic, it is important and it underscores for our side, our commitment to continued good relations with the government and people of the Republic of Guatemala"* (Courtenay)¹⁸. The H.E. Mario Ronaldo Cuevas Quezada, Minister of Economy, Guatemala **also** commented *"Sin embargo, estoy seguro que este es el inicio de una nueva etapa de nuestra relacion comercial que sera positiva y fructifera para nuestros sectores productivos. (Translation: None the less, I am positive that this is the beginning of a new era of a positive trade relationship that will strengthen our productive sectors (Quezada)*¹⁹. According to Emile Mena, President of the Belize Chamber of Commerce and Industry, signing the PSA represented a major opportunity *"this partial scope agreement that is being signed is a huge, huge move between Belize and Guatemala to increase trade not only between both countries, but also between Central America and the Caribbean. Guatemala is a country that has grown a lot. I think we need to look at the bigger picture Central America and Guatemala (Mena)."* Notwithstanding the unresolved territorial dispute, Belize and Guatemala continued to negotiate the implementation of an agreement to partially liberalize trade between the two countries. The agreement was sold as a mechanism for boosting the economies of both countries, by expanding access to regional markets in Central America for Belize and the Caribbean for Guatemala.

However, there is clearly the need to even the scales of trade particularly as it concerns Belize. Belize is more dependent upon Guatemala's imports than Guatemala is dependent on either Belize's Import or Exports (Figure 28). Belize Rank as Guatemala's trading partner fall far beyond the top ten list at 69 as Guatemala's import partner and 25 as its export partner (see table 8). Closer look at the trade data indicates that despite the slight growth in trade volume, trade between the nations has not provided mutual benefits and has therefore not been significant enough to be the sole cause of the decrease in the use of violence as a means of conflict resolution. Economic interdependence should create opportunity costs for expansionist states and governments with intentions of seizing contested territory through violent means (Hegre 2005).

¹⁸ <http://edition.channel5belize.com/archives/9078>

¹⁹ <http://edition.channel5belize.com/archives/9078>

Higher levels of mutually beneficial bilateral trade flows reduce the chances for severe militarized disputes over border issues for countries that are jointly sustained by the resources in each other's territories. However, this is not fully the case with Belize and Guatemala.

In the case of Belize and Guatemala, peace talks highlight the significance of the role of multilateralism. Both Guatemala and Belize are participating in confidence-building measures approved by the OAS. Initial conversations about trade as a means of minimizing conflict and building communication were facilitated by international organizations. Therefore one can conclude that both Belize and Guatemala find it in their interest to solve the controversy through diplomacy because of the pressures from the international community. War is not supported by the international community therefore negotiating peace comes as a safer bet for support than initiating conflict. Trade is therefore introduced as a strategy to secure peaceful resolution of conflict for the sake of both countries. Hence the reason, both countries continues to move forward in hopes of further improving their trading relations.

4.5 Chapter Summary

Belize has displayed extreme caution when addressing its territorial issue. The issue of sovereignty makes territorial conflict notoriously difficult to resolve. Territorial dispute has placed into questions Belize's complete and exclusive control of half the land and maritime area within its claimed territory. Guatemala contest Belize's right to exercise sovereignty over the southern half of its homeland which is claimed to have been colonial territory inherited by Guatemala from Spain (Shoman 2001; Perez 2009; Shoman 2010).

The outcomes of settlements on border issues are unpredictable, and political leaders are often unwilling to accept the risks of losing territory. Hence the reason scholars of international relations identify conflict over territory as one of the leading source of state war. *Sovereignty* is the central organizing *principle* of the system of states therefore fear of losing territory generates feelings of great apprehension. This makes it difficult to resolve territorial conflicts peacefully and enduringly (Huth 1996:19)

However trade has been identified as a potential path to peace for countries embroiled in long-standing border disputes. Through mutual dependence, an equilibrium is produced and

peace remains definite and secure; therefore, neither party is provoked to change the status quo. Trade Interdependence makes conflict more costly because it increases incentives for cooperation. Increasing trade between countries with territorial issues reduces the likelihood of militarized conflict (Hegre 2005; Marrow 2009). Hence the reason, third parties and International Organization continues to recommend improved trade relationship for countries such as Belize and Guatemala with enduring territorial dispute.

However, in spite of the pacifying effects of trade, it is commonly argued that territorial disputes between governments create some form of insecurity for economic actors (Huth 1996; Hensel 2001; Huth and Allee 2002). Border agreement that has been settled is normally beneficial for neighboring countries. Settled borders can signal much greater jurisdictional and policy certainty, which reduces the transactions costs associated with international economic transactions. Disputing a border has a significant negative impact on the bilateral trade between bordering nations.

Despite the little progress achieved by both Belize and Guatemala in strengthening communications; it is important to note that countries in dispute over borders or territory can cause disputing governments to occasionally obstruct trade at the border (customs hassles) or create policies that reduces their dependence on the adversary out of mistrust of motives due to the territorial dispute (Hegre 2005; Simmons 2005). Therefore the legitimization of jurisdictional boundaries, reduces economic actors' uncertainty, reduces transactions costs, and decreases the negative effects of sensitive territorial claims (Hegre 2005; Simmons 2005). The possible benefits of trade can make legitimization of jurisdictional boundaries or the decrease in border tension worthwhile. Therefore it is recommended that Belize and Guatemala expedite the process to settling their territorial conflict in order to gain even greater benefits from bilateral trade

Chapter 5 Conclusion

5.1 Overview

Economic interdependence creates opportunity costs for expansionist states and governments with intentions of seizing contested territory through violent means (Hegre 2005). Higher levels of bilateral trade flows reduce the chances for severe militarized disputes over border issues because the countries are jointly sustained by the resources in each other's territories. Therefore, mutual benefit from trade makes it less rational for nations competing for territory to use military means for the resolution of their conflict (Polachek 1980; Polachek and McDonald 1992; Huth and Alee 2012). As seen in the case of the dispute between El Salvador and Honduras over the Conejos Islands, initiating the claim in 2006 came at great losses for the Salvadoranians. The initiation of the claim hindered progress of bilateral relation. Both countries started pulling out of preplanned development goals in order to create incentives for the other country to give in. However, when the conflict begun posing actual threat to their income generated through bilateral trading and the signing of trade agreements with Taiwan; both countries suddenly found it in their best interest to resolve the dispute through continuous communication, and diplomatic means.

This is primarily because conflict over a territory has negative impact on neighboring countries' bilateral trade. Governments who depend on trade for economic growth and development are more restricted in the strategies that they can employ because of the high opportunity cost to clashes concerning international boundary (Huth and Alee 2012; Simmons 2006).

As chapter 3 indicated, economic interdependence influences the onset and escalation of crises in the Central American Region. Trade interdependence reduces a state's tenacity to fight due to the fear of losing the trade in the case that war breaks out (Marrow 2009). Therefore, it is expected that a state's persistence to pursue war for territorial gains declines as trade increases. Trade makes war less attractive, with the understanding that the value of trade should be assessed by a measure of dependence. When crisis are in progress, states that are more invested in their opponent's economy will impose higher costs on themselves. International trade prevents conflict because militarizing conflict requires a consideration effect on both sides' actions before beginning a dispute (Hegre 2005; Marrow 2009).

Trade also provides an eye of access into the policies of trading partner; it signals intentions, enabling nations to craft some form of trust. This minimizes uncertainty, which plays a key role in the escalation of militarized territorial conflict. Territorial conflicts present competitive situations where the outcome of a state's choice of action depends critically on the actions of the other state (Marrow 2009). Therefore, strategies to address salient territorial issues must be carefully formulated. The analysis of strategies to be used when dealing with the resolution of territorial conflict requires an understanding of the adversaries' intent. A nation's intent or "resolve" as Marrow puts it is not always made clear. Countries are uncertain of their adversary's intention. Uncertainty about states' future motives and intentions makes states uneasy, and insecure (Marrow 2009).

To ensure territorial integrity and safety, states feel propelled to increase their security through defensive or offensive military power build up (Collins 2012). International territorial conflict escalates because of uncertainty; states cannot fully observe one another's resolve. This makes it more likely for states to participate in preemptive wars/conflict to secure their strong hold under uncertain circumstances. Costly signals therefore plays critical role in the prevention of conflict through the communication of unobservable resolve (Marrow 2009). Trade flows lends an eye into the policies of trading partners. Trade provides a way for states to signal their unobservable resolve more accurately and thus assist in the peaceful resolution of disputes that occur (Marrow 2009).

The signaling of resolve would be more efficient for inter-dependent states in preventing the escalation of their disputes. With higher levels of trade, nations competing for territorial resources could reduce the chance of escalation by providing a richer menu of costly signals for states to use during a crisis (Marrow 1999).

After considering the cost of war and the loss of valuable markets through the escalation of conflict, governments are pressed to seek peaceful means of resolving conflicts. Trade reduces the chances for militarized territorial conflict since it promotes peaceful negotiations by increasing opportunity costs and by improved information and signaling; hence, improving the chances for peaceful settlement of territorial conflict to be struck. Trade through various means minimizes the likelihood of militarizing territorial conflicts (Hegre 2005, Marrow 2009).

Thus, there are mostly declining benefits of territorial conquest in this economically globalized world. Human capital in contrast to territory is now of hire value to national power

due increasing global trade (Simmons 2006). Countries that trade or invest in each other will less likely utilize militarized strategies even in the cases where stakes are high because their strategies for coercive foreign policy are constrained. In majority of the cases, it is seen that in times of heightened tensions, the countries involved considered the impact of their disputes on their economy. Central America comprises of a group of developing economies united through different integration schemes in order to participate in economic, social and political exchanges in the international environment. Without the CARIFTA, DRCAFTA²⁰, SICA²¹, CARICOM²², Belize and the other Central American nations would find great difficulty in being included as a small individual economy in economic exchanges on the global scale. In order for these integration schemes to be successful, it requires the commitment of all nations involved to peacefully resolving their conflicts with each other, being aware that Central America's transformation into a modern and open sub-region depends on how these 7 countries prevent conflict and promote security in order to collectively implement policies to face globalization.

²⁰ “CAFTA-DR (Dominican Republic-Central America FTA) The Dominican Republic-Central America FTA (CAFTA-DR) is the first free trade agreement between the United States and a group of smaller developing economies: our Central American neighbors Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, as well as the Dominican Republic. The CAFTA-DR promotes stronger trade and investment ties, prosperity, and stability throughout the region and along our Southern border. Central America and the Dominican Republic represent the third largest U.S. export market in Latin America, behind Mexico and Brazil. Total two-way goods trade between the U.S. and our six CAFTA-DR partners has increased over 71 percent since entry into force, from \$35 billion in 2005 to \$60 billion in 2013. In 2013, U.S. exports to the CAFTA-DR countries totaled \$30 billion; imports totaled \$30 billion.” <https://ustr.gov/trade-agreements/free-trade-agreements/cafta-dr-dominican-republic-central-america-fta>

²¹ “The Central American Integration System (SICA) is the institutional framework of Regional Integration in Central America, created by the States of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. Subsequently, Belize joined afterwards as a full member; in 2013, The Dominican Republic did likewise. SICA's General Secretariat headquarters are located in the Republic of El Salvador”. http://www.sica.int/sica/sica_breve_en.aspx

²² “The Caribbean Community (CARICOM) brings together 15 states in the Caribbean, including Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Haiti, Jamaica, Grenada, Guyana, Montserrat, St. Lucia, Suriname, St. Kitts and Nevis, St. Vincent and the Grenadines, and Trinidad and Tobago. The objectives of the Caribbean Community are to improve standards of living and work; the full employment of labor and other factors of production; accelerated, coordinated and sustained economic development and convergence; expansion of trade and economic relations with third States; enhanced levels of international competitiveness; organization for increased production and productivity; achievement of a greater measure of economic leverage; effectiveness of Member States in dealing with third States, groups of States and entities of any description; and the enhanced coordination of Member States' foreign and foreign economic policies and enhanced functional cooperation”. <http://www.iccnw.org/?mod=caricom>

Economic exchange decreases the possibilities of war; therefore it can be seen as a potential course to peace for countries embroiled in long-standing border disputes (Hegre 2005). It is commonly argued that territorial disputes between governments create some form of insecurity for economic actors (Huth 1996; Hensel 2001; Huth and Allee 2002). On the contrary, a border agreement that has been settled is normally beneficial for neighboring countries. Settled borders are hence detrimental, signaling much greater jurisdictional and policy certainty, which reduces the transactions costs associated with international economic transactions. Disputing a border has a significant negative impact on the bilateral trade between bordering nations.

When countries are in dispute over borders or territory it allows or can cause disputing governments to occasionally obstruct trade at the border (customs hassles) or create policies that reduces their dependence on the adversary out of mistrust of motives due to the territorial dispute (Hegre 2005, Simmons 2005). Therefore the legitimization of jurisdictional boundaries, reduces economic actors' uncertainty, reduces transactions costs, and decreases the negative effects of sensitive territorial claims (Hegre 2005, Simmons 2005). The possible benefits of trade can make legitimization of jurisdictional boundaries or the decrease in border tension worthwhile. The benefits of territorial conquest are declining with states increasing engagement in economic exchange, trade, and investment.

Trade is identified as a potential path to peace for countries embroiled in long-standing border disputes. Through mutual dependence, equilibrium is produced and peace remains definite and secure; therefore, neither party is provoked to change the status quo. Mutual dependence makes conflict more costly because it increases incentives for cooperation. Increasing trade between countries with territorial issues reduces the likelihood of militarized conflict (Hegre 2005; Marrow 2009).

5.2 Policy Implications/Recommendations

There are hidden opportunity costs to enduring territorial disputes between the Central American dyads. This research mostly highlighted the pacifying effects of trade on conflict, however the research at various points in time, also highlighted areas where the conflict placed great toll on the different countries development strategies. Belizeans and the Belizean Government continue to grow frustrated with the illegal activities taking place within its border

limits by the Guatemalan's. The continuous illegal abuse of Belizean resources and the regular border incidence between the Belizean military personnel's and Guatemalan citizens has placed great strain on the relationship between both governments. El Salvador, Nicaragua and Honduras continues to make attempts to hold back development projects to their own individual convenience out of fear of lost territory.

Data and studies indicates continuous communication between these Central American dyads advocating for peaceful settlement of disputes; but there have been cases where these countries suffered great losses due to the squabble over territory (for example, Honduras delaying negotiations on El Salvador's dam and El Salvador's most recent (2013) calls for a delay in developmental plans for Gulf Fonseca until the territorial issue is resolved).

Territorial conflicts within the Central American region also poses great treat to resolving issues that are directly linked to wide spread poverty within the region. Regardless of all the resources poured into the resolution of territorial conflicts, it comes as no surprise that issues of territorial conflict hardly ever receives much public attention. A lot of focus is placed on the large scale poverty, high crime rate, increasing violence, large scale migrations and the increasing illicit drug trade which passes through Central America. However, focus is placed on these issues relegating issues regarding squabble over territory to side lines. With that said, it is important to note that regardless of the little attention assigned to issues of territorial conflict by the public; issues of territorial conflict surely does constitute to the struggle against poverty, which has led to the increase in crime and violence and hence the large scale migration of affected families out Central American region. All these issues are directly linked to the large scale drug trade within the region which is facilitated by porous borders due to the territorial conflicts.

It is therefore in that light that this paper seeks to highlight the toll exacted by these disputes in order to create greater awareness of the need to resolve these territorial disputes peacefully and permanently. If territorial disputes continue to be examined without taking into consideration the broader context which includes the country's long term interests, goals and developmental plan; it should be expected that these conflicts continues to linger and occasionally deteriorate bilateral relations.

Trade is seen as a possible way of building communication and trust to resolve these disputes. It therefore recommended that further research be done to examine the ways in which

trade can be used as a stronger tool to build these Central American economies and reduce conflict. In addition, a grand strategy that is, a foreign policy designed to identify how specific policies can enhance a countries ability to mobilize internal, external resources to promote its security and prosperity should be examined or included in future research.



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Appendix

Tables

Table 3

| Belize Trade with Guatemala 1994 – 2000 (In \$US Thousands) | | | | |
|--|-------------------------|------------------------------|-----------|-------------|
| <i>Year</i> | Exports to Guatemala | Imports from Guatemala | Balance | Total Trade |
| 1994 | 143.6 | 5,140.9 | -4,997.3 | 5,284.5 |
| 1995 | 1,013.9 | 3,926.2 | -2,912.3 | 4,940.1 |
| 1996 | 471.8 | 6,307.9 | -5836.1 | 6779.7 |
| 1997 | 1,989.3 | 6934.4 | -4,945.1 | 8923.7 |
| 1998 | 976 | 7,206.9 | -6,239.9 | 8,173.9 |
| 1999 | 604.5 | 10890 | -10,285.5 | 11,494.5 |
| 2000 | 1,227.6 | 12,977.3 | -11,749.7 | 14,204.9 |

Retrieved from Pisani 2004 pg 274

Table 4:

| Disputed areas in Central America After 2001 | | |
|---|-------------------|---------------|
| Name | challenger | Target |
| Belize | Guatemala | Belize |
| Ranguana & Sapodilla (Zapotillo) | Guatemala | Belize |
| Ranguana & Sapodilla (Zapotillo) | Honduras | Belize |
| Ranguana & Sapodilla (Zapotillo) | Honduras | Guatemala |
| Conejo Island | El Salvador | Honduras |
| Cayo Sur - Media Luna | Nicaragua | Honduras |
| San Juan Navigation San Juan River | Costa Rica | Nicaragua |
| Gulf of Fonseca | Honduras | Nicaragua |
| Gulf of Fonseca | El Salvador | Nicaragua |
| Honduras-Nicaragua Caribbean Sea | Nicaragua | Honduras |
| Sapodilla (Zapatillo) Cays | Guatemala | Belize |

Information retrieved from Issues of Correlates of War (ICOW) 1.01 Territorial Claim Data –Paul R Hensel updated April 15 2014

Table 5

| PRODUCT GROUPBELIZE'S IMPORTS FROM GUATEMALA | | | | |
|--|-------------------------------------|--------------------------|-------------------------------------|--------------------------|
| In thousand US dollars | | | | |
| | 2013 | | 2000 | |
| Product Group | Import Trade Value (US\$ Thousands) | Import Product Share (%) | Import Trade Value (US\$ Thousands) | Import Product Share (%) |
| All Products | 62753.11 | 100 | 12108.63 | 100 |
| Capital goods | 2097.47 | 3.34 | 814.59 | 6.73 |
| Consumer goods | 28830.78 | 45.94 | 5638.63 | 46.57 |
| Intermediate goods | 17959.9 | 28.62 | 3396.6 | 28.05 |
| Raw materials | 2338.39 | 3.73 | 2232.83 | 18.44 |
| Animal | 84.91 | 0.14 | 7.59 | 0.06 |
| Chemicals | 15101.46 | 24.06 | 3505.98 | 28.95 |
| Food Products | 3482.34 | 5.55 | 470.37 | 3.88 |
| Footwear | 166.15 | 0.26 | 27.15 | 0.22 |
| Fuels | 4929.48 | 7.86 | 1905.53 | 15.74 |
| Hides and Skins | 24.4 | 0.04 | 3.19 | 0.03 |
| Mach and Elec | 1252.2 | 2 | 443.29 | 3.66 |
| Metals | 4005.03 | 6.38 | 510.6 | 4.22 |
| Minerals | 179.95 | 0.29 | 370.31 | 3.06 |
| Miscellaneous | 12285.5 | 19.58 | 257.55 | 2.13 |
| Plastic or Rubber | 7621.48 | 12.15 | 1255.38 | 10.37 |
| Stone and Glass | 1329.89 | 2.12 | 1478.46 | 12.21 |
| Textiles and Clothing | 1413.24 | 2.25 | 551.08 | 4.55 |
| Transportation | 1441.04 | 2.3 | 445.58 | 3.68 |
| Vegetable | 3516.87 | 5.6 | 434.95 | 3.59 |
| Wood | 5919.21 | 9.43 | 417.71 | 3.45 |

Data retrieved from <http://wits.worldbank.org/>

Table 6

| Belize Trade with Guatemala Key Figures | | | | | | |
|---|---------------------|-----------|---------|---------|-------------|---------|
| Indicator | Unit | Period | Imports | Exports | Total Trade | Balance |
| Last Year of Study | US Thousands Dollar | 2013 | 62753 | 5225 | 67978 | -57528 |
| Rank as trade partners | | 2013 | 6 | 10 | 6 | |
| Share In Belize's trade | % | 2013 | 6.7% | 1.3% | | |
| Annual Growth rate | % | 2012-2013 | 7.4% | 104.6% | | |
| Annual Average Growth | % | 2009-2013 | 4.1% | -10% | | |
| Annual Average Growth rate | % | 2001-2013 | 11.7 | 22.2% | | |

Sources: ITC calculations based on Statistical Institute of Belize statistics since January, 2013.
ITC calculations based on UN COMTRADE statistics until January, 2013.

Table 7

| Belize Trade with Guatemala 2001-2013 | | | | | | | | |
|---------------------------------------|---------------|--------|-------------------------|---------|--------|-------------------------|---------|-------------|
| Period | Imports | | | Exports | | | Balance | Total trade |
| | Value | Growth | Share in Belize's trade | Value | Growth | Share in Belize's Trade | Value | Value |
| | (US\$) (%) | (%) | | (US\$) | (%) | (%) | (US\$) | (US\$) |
| 2001 | 16512 | | 3.2 | 469 | | 0.3 | -16043 | 16981 |
| 2002 | 17971 | 8.8 | 3.4 | 245 | -47.8 | 0.1 | -17726 | 18216 |
| 2003 | 16007 | -10.9 | 2.9 | 1091 | 345.3 | 0.5 | -14916 | 17098 |
| 2004 | 21178 | 32.3 | 4.1 | 899 | -17.6 | 0.4 | -20279 | 22077 |
| 2005 | 28789 | 35.9 | 6.6 | 1375 | 53.0 | 0.7 | -27414 | 30164 |
| 2006 | 42790 | 48.6 | 6.5 | 2114 | 53.0 | 0.8 | -40676 | 44904 |
| 2007 | 47086 | 10.0 | 6.9 | 1080 | -48.9 | 0.4 | -46006 | 48166 |
| 2008 | 57343 | 21.8 | 6.9 | 2284 | 111.5 | 0.8 | -55059 | 59627 |
| 2009 | 53405 | -6.9 | 8.0 | 6902 | 202.2 | 2.8 | -46503 | 60307 |
| 2010 | 55982 | 4.8 | 7.9 | 4404 | -36.2 | 1.6 | -51578 | 60386 |
| 2011 | 55957 | -0.0 | 6.7 | 27418 | 522.6 | 7.0 | -28539 | 83375 |
| 2012 | 58422 | 4.4 | 6.6 | 2553 | -90.7 | 0.7 | -55869 | 60975 |
| 2013 | 62753 | 7.4 | 6.7 | 5225 | 104.7 | 1.3 | -57528 | 67978 |

Source: ITC calculations based on Statistical Institute of Belize statistics since January, 2013. Sources: ITC calculations based on Statistical Institute of Belize statistics since January, 2013

Table 8

| Guatemala Trade with Belize Key Figures | | | | | | |
|---|-----------|-----------|---------|---------|-------------|---------|
| Indicator | Unit | Period | Imports | Exports | Total Trade | Balance |
| Last Year of Study | US Dollar | 2013 | 5077 | 65676 | 70753 | 60599 |
| Rank as trade partners | | 2013 | 69 | 25 | | |
| Share In Belize's trade | % | 2013 | 0.03% | 0.65% | | |
| Annual Growth rate | % | 2012-2013 | - 3% | 22% | | |
| Annual Average Growth | % | 2009-2013 | -6.6% | 8.1% | | |
| Annual Average Growth rate | % | 2001-2013 | 10 % | 14% | | |

Source: ITC calculations based on Statistical Institute of Guatemala's statistics since January, 2013. Sources: ITC calculations based on Statistical Institute of Belize statistics since January, 2013

Table 9

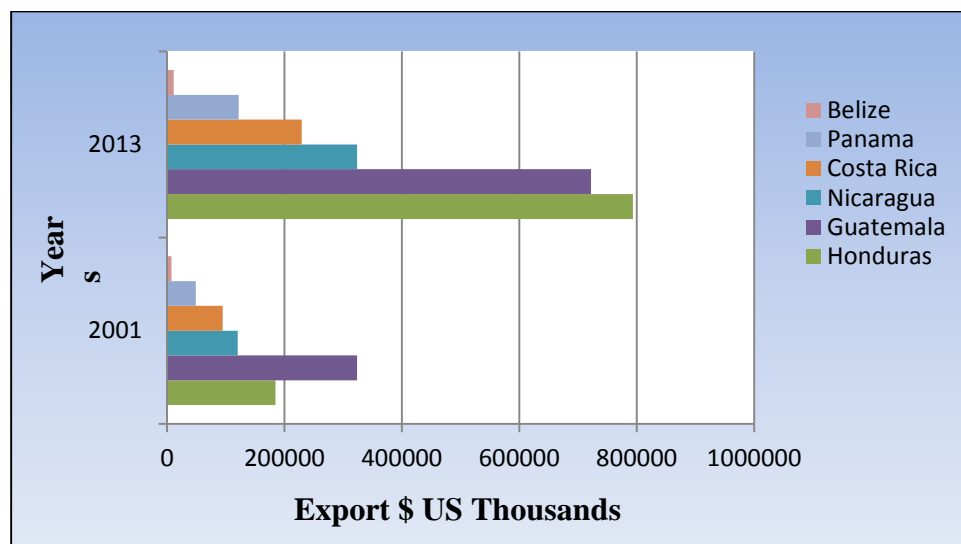
| Guatemala's Trade with Belize 2001-2013 | | | | | | | | |
|---|---------------|--------|------------------------------|---------|--------|----------------------------|---------|-------------|
| Period | Imports | | | Exports | | | Balance | Total trade |
| | Value | Growth | Share in - Guatemala's trade | Value | Growth | Share in Guatemala's Trade | Value | Value |
| | (US\$) (%) | (%) | | (US\$) | (%) | (%) | (US\$) | (US\$) |
| 2001 | 1630 | | 0.0 | 13725 | | 0.6 | 12095 | 15355 |
| 2002 | 670 | -58.8 | 0.0 | 14943 | 8.8 | 0.7 | 14273 | 15613 |
| 2003 | 29733 | 4337.7 | 0.4 | 29457 | 97.1 | 1.1 | -276 | 59190 |
| 2004 | 6627 | -77.7 | 0.1 | 35062 | 19.0 | 1.2 | 28435 | 41689 |
| 2005 | 1722 | -74.0 | 0.0 | 39046 | 11.4 | 0.7 | 37324 | 40768 |
| 2006 | 2824 | 63.9 | 0.0 | 37815 | -3.2 | 1.2 | 34991 | 40639 |
| 2007 | 2151 | -23.8 | 0.0 | 50900 | 34.6 | 0.7 | 48749 | 53051 |
| 2008 | 2723 | 26.5 | 0.0 | 57921 | 13.8 | 0.7 | 55198 | 60644 |
| 2009 | 6678 | 145.2 | 0.1 | 48130 | -16.9 | 0.7 | 41452 | 54808 |
| 2010 | 7110 | 6.4 | 0.1 | 48080 | -0.1 | 0.6 | 40970 | 55190 |
| 2011 | 6208 | -12.6 | 0.0 | 50337 | 4.7 | 0.5 | 44129 | 56545 |
| 2012 | 5226 | -15.8 | 0.0 | 53857 | 6.9 | 0.5 | 48631 | 59083 |
| 2013 | 5077 | -2.8 | 0.0 | 65676 | 21.9 | 0.7 | 60599 | 70753 |

Source: ITC calculations based on Statistical Institute of Guatemala's statistics since January, 2013. Sources: ITC calculations based on Statistical Institute of Belize statistics since January, 2013

Figures

Figure 1

El Salvador's Export growth from the other Central American Countries

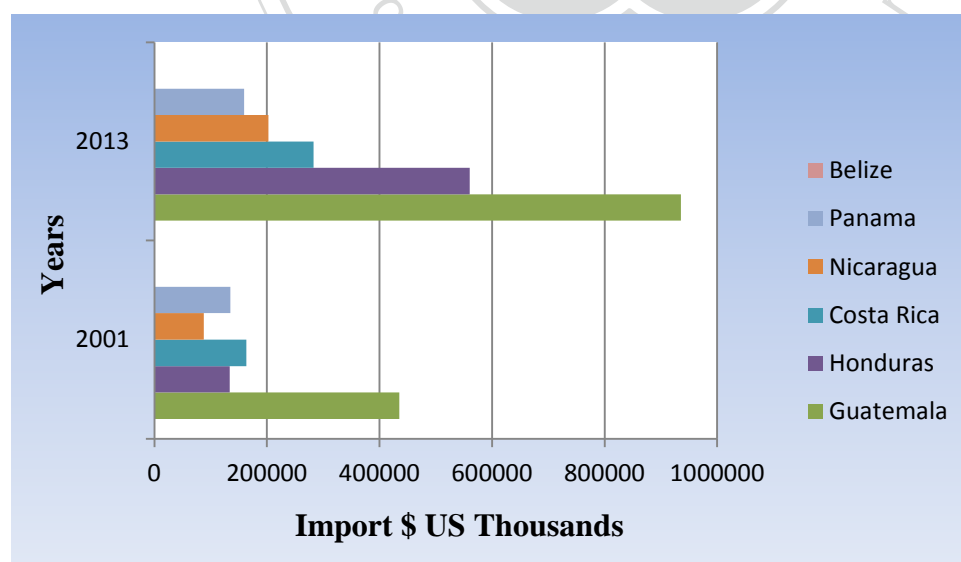


Sources: ITC calculations

based on UN COMTRADE statistics.

Figure 2

El Salvador's Imports growth from the other Central American Countries

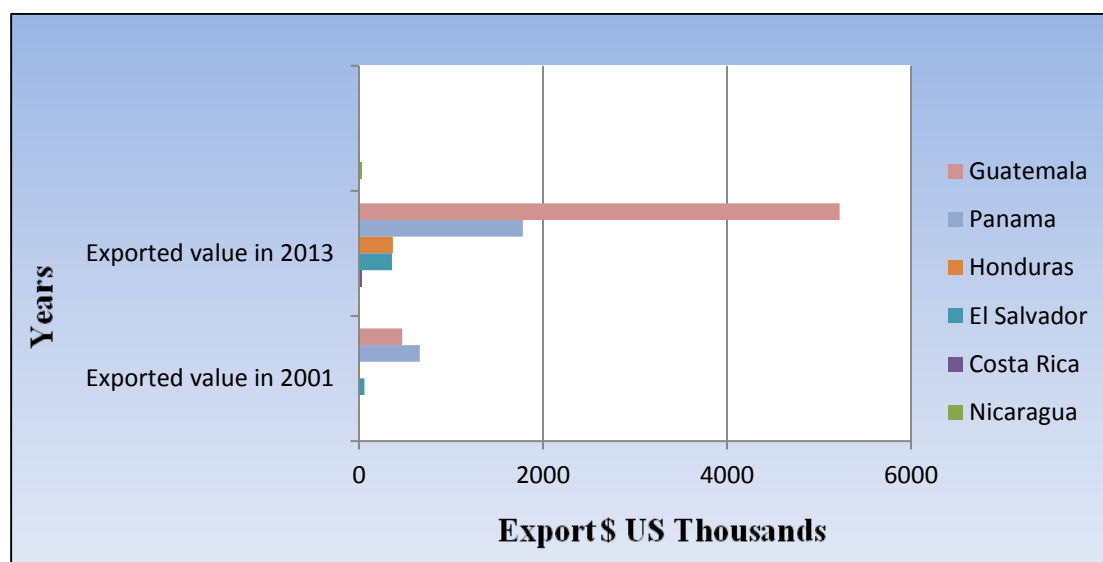


Sources: ITC calculations

based on UN COMTRADE statistics.

Figure 3

Belize's export growth to the other Central American Countries

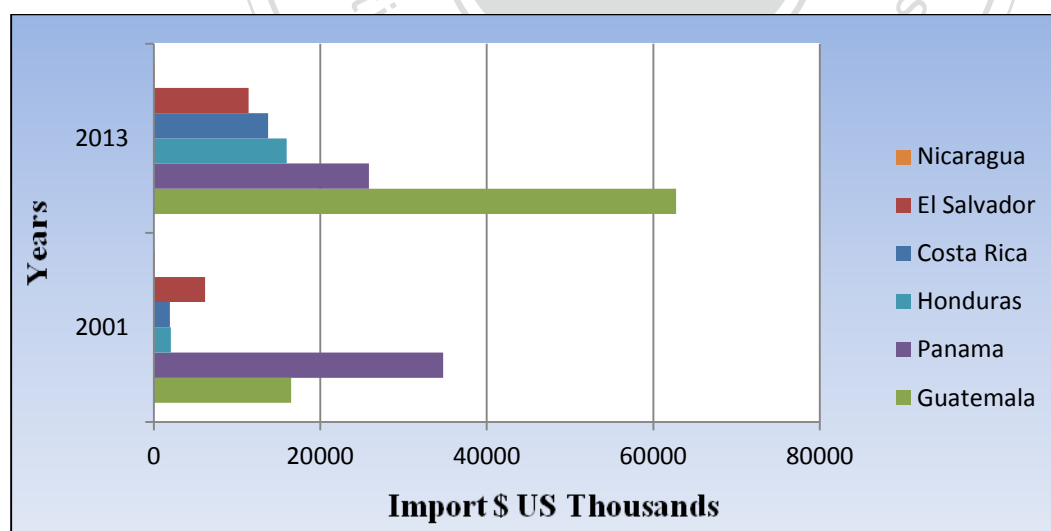


Sources:

ITC calculations based on UN COMTRADE statistics.

Figure 4

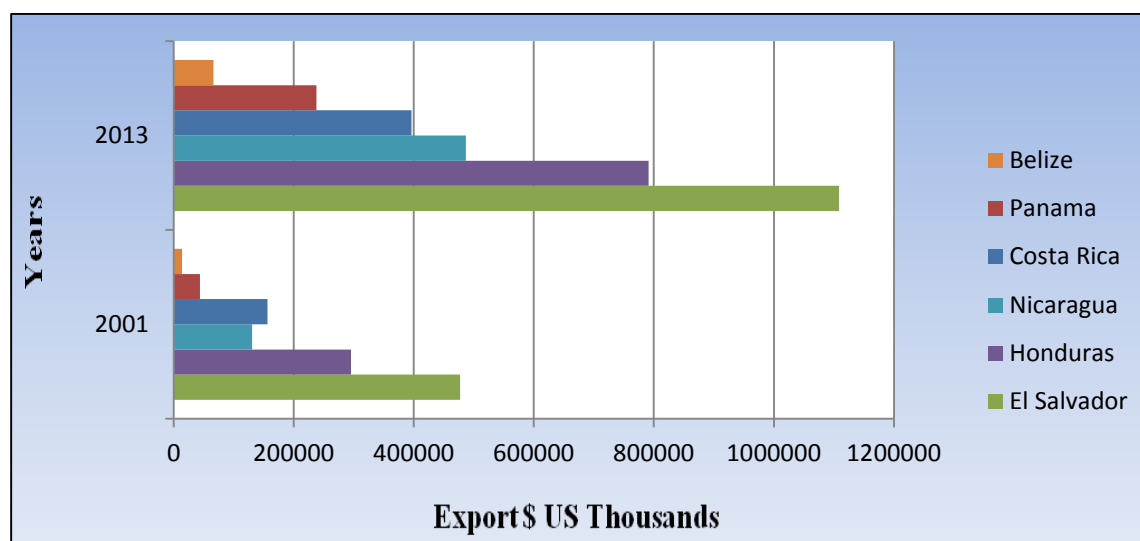
Belize's Import growth from the other Central American Countries



Sources: ITC calculations based on UN COMTRADE statistics.

Figure 5

Guatemala export growth to the other Central American Countries

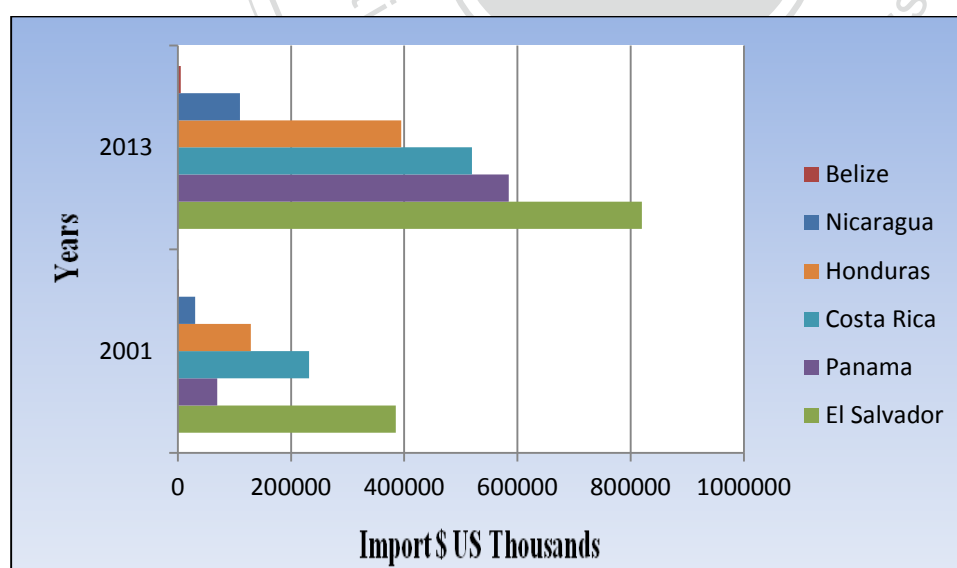


Sources:

ITC calculations based on UN COMTRADE statistics.

Figure 6

Guatemala's Import growth from the other Central American Countries

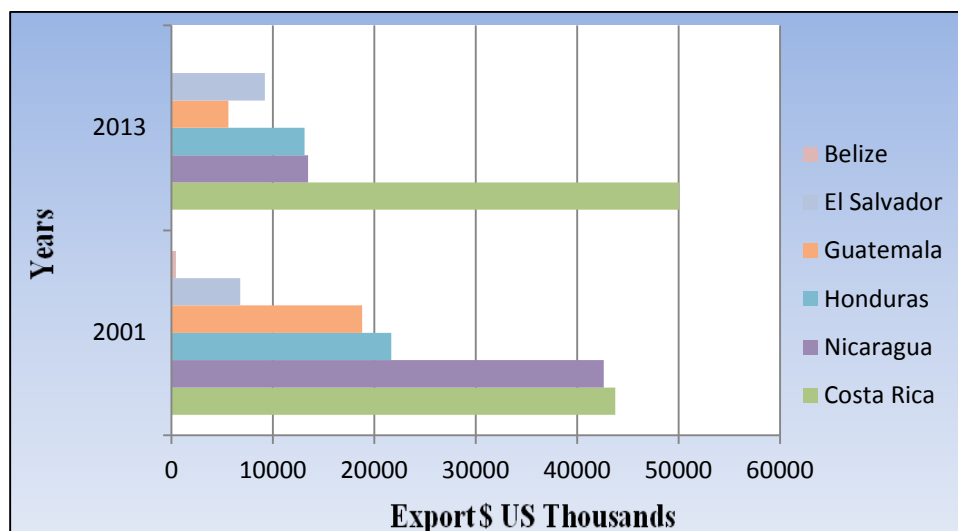


Sources: ITC calculations

based on UN COMTRADE statistics.

Figure 7

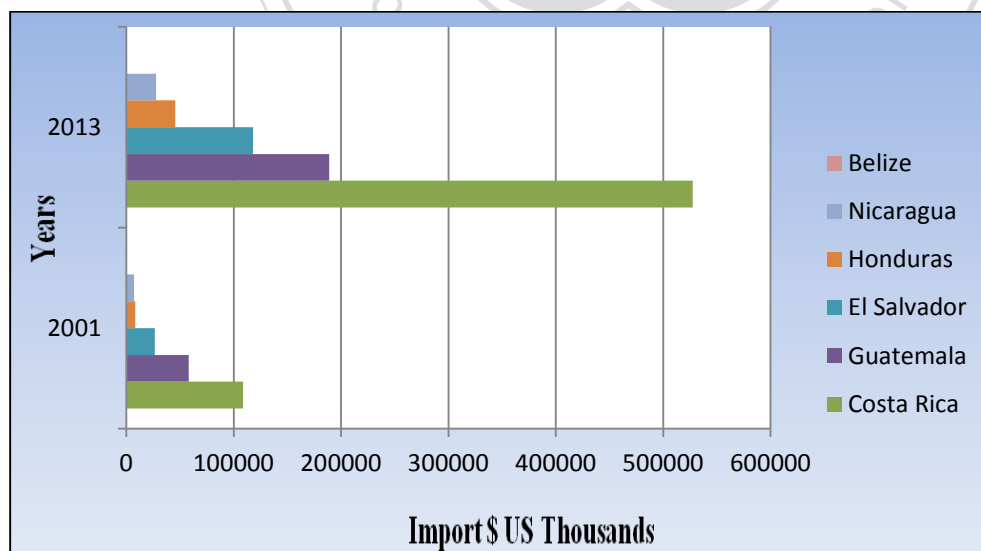
Panama's export growth to the other Central American Countries



Sources: ITC calculations based on UN COMTRADE statistics.

Figure 8

Panama's Import growth from the other Central American Countries

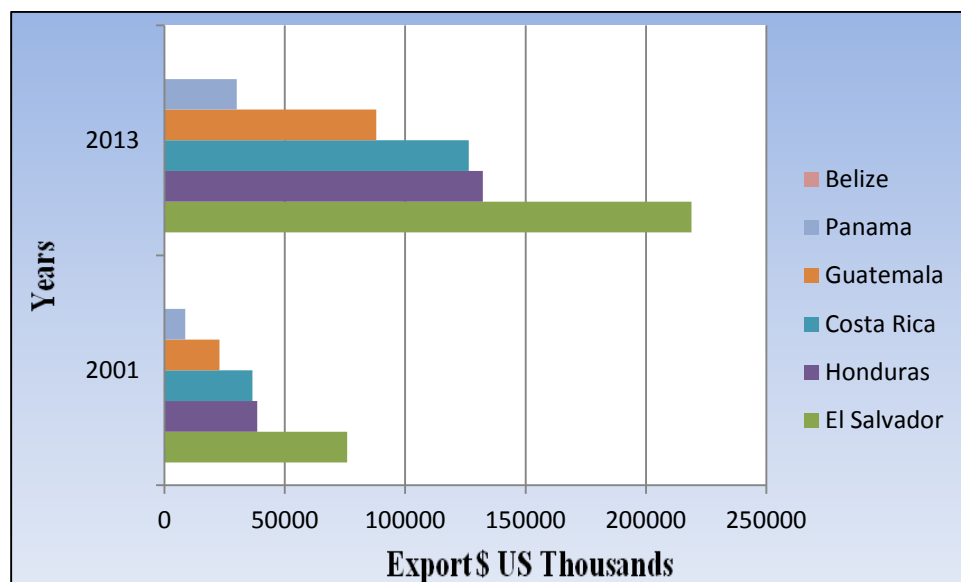


calculations based on UN COMTRADE statistics.

Sources: ITC

Figure 9

Nicaragua's export growth to the other Central American Countries

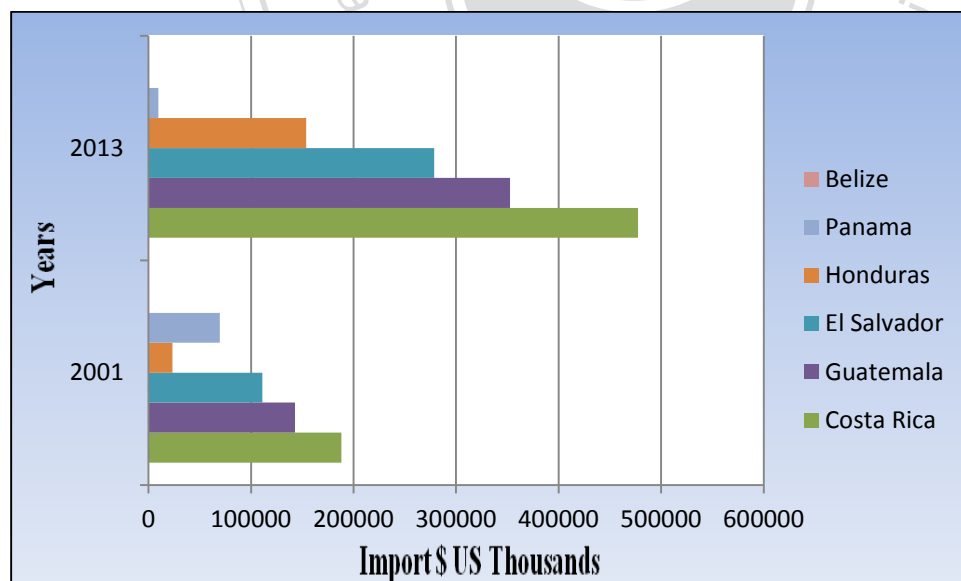


Sources: ITC calculations

based on UN COMTRADE statistics.

Figure 10

Nicaragua's Import growth from the other Central American Countries

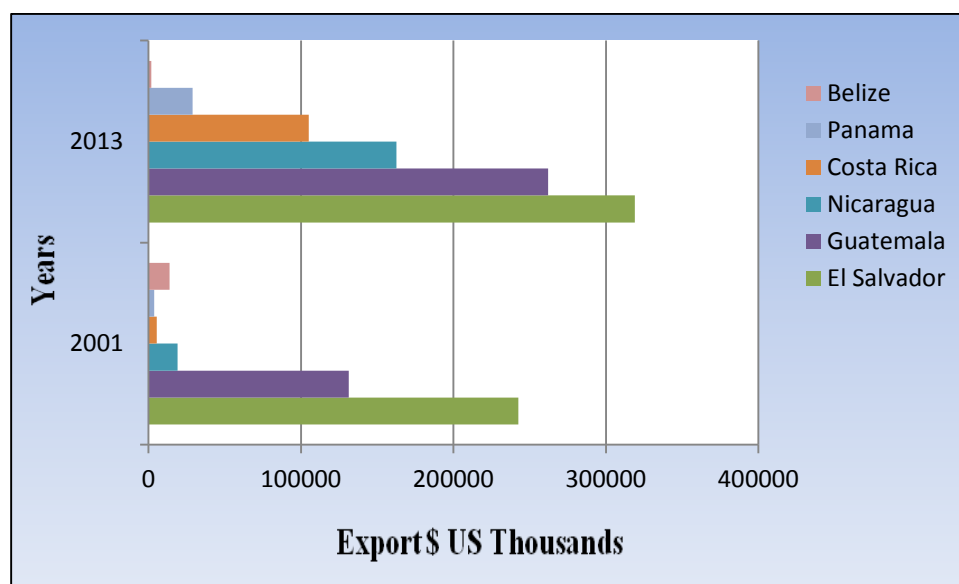


Sources: ITC calculations

based on UN COMTRADE statistics.

Figure 11

Honduras's export growth to the other Central American Countries

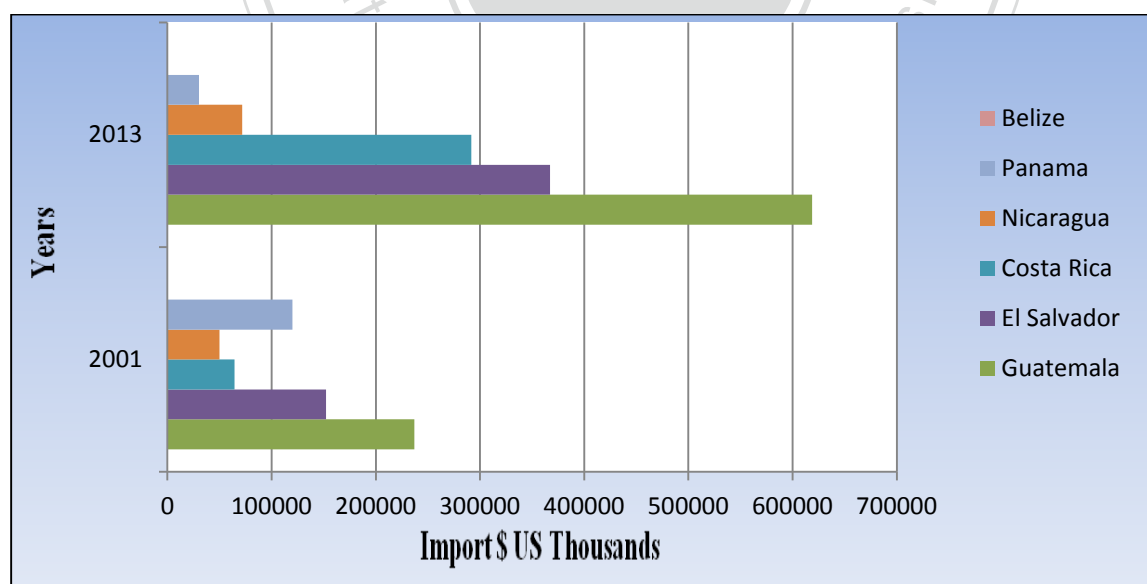


Sources: ITC calculations

based on UN COMTRADE statistics.

Figure 12

Honduras's Import growth from the other Central American Countries

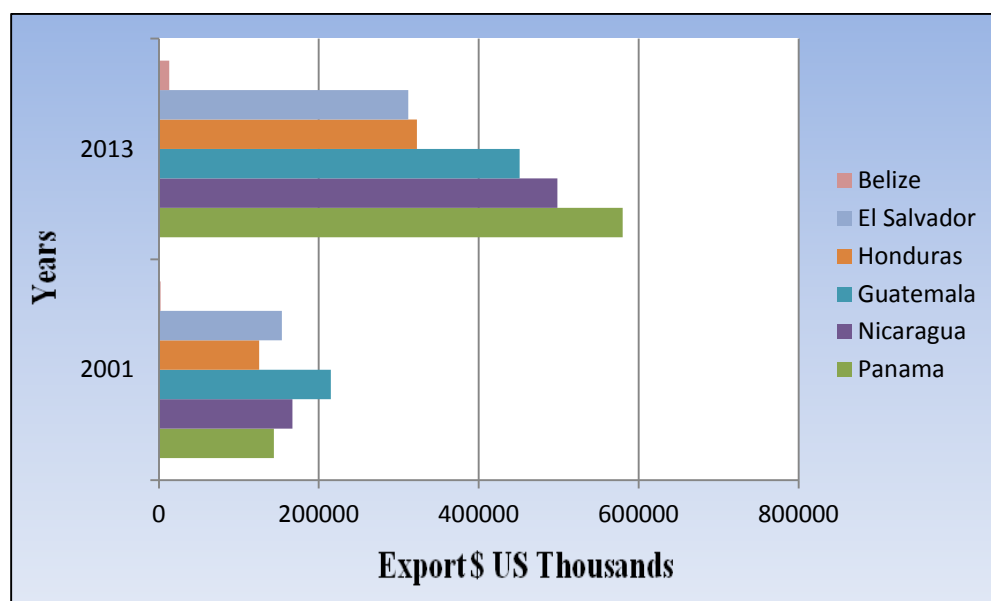


Sources:

ITC calculations based on UN COMTRADE statistics.

Figure 13

Costa Rica's export growth to the other Central American Countries

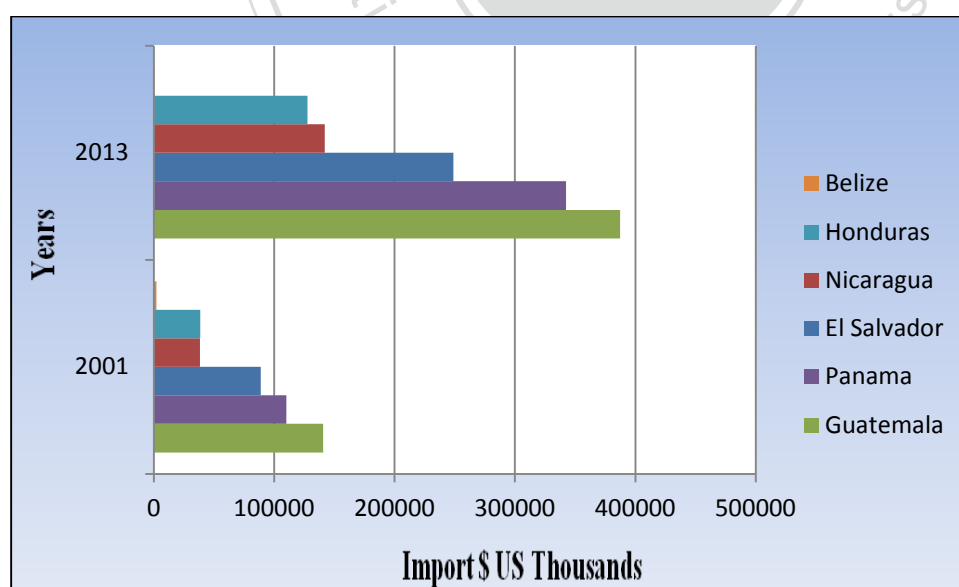


Sources: ITC

calculations based on UN COMTRADE statistics.

Figure 14

Costa Rica's Import growth from the other Central American Countries

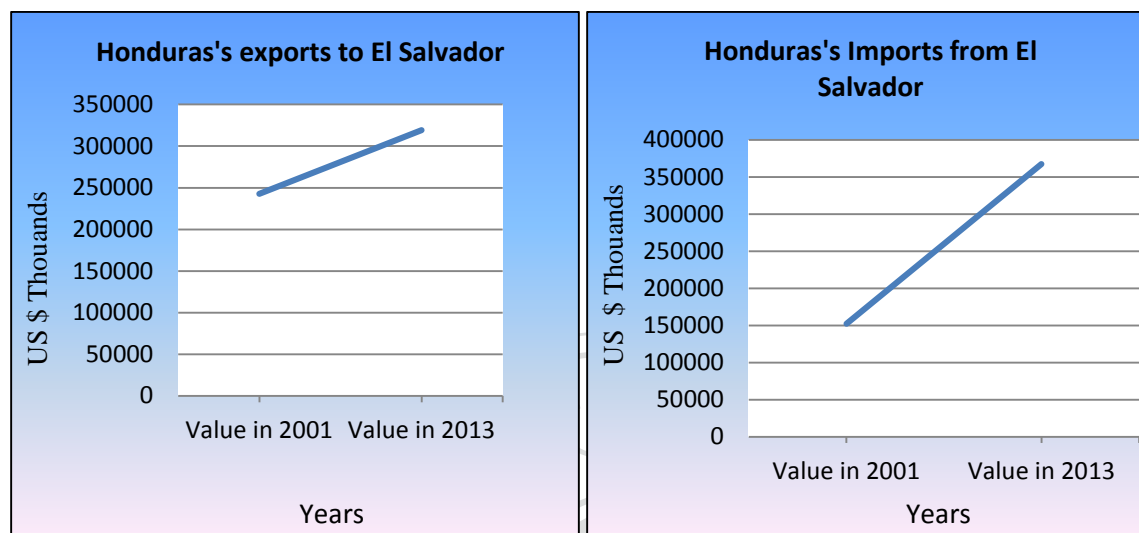


Sources: ITC calculations

based on UN COMTRADE statistics.

Figure 15

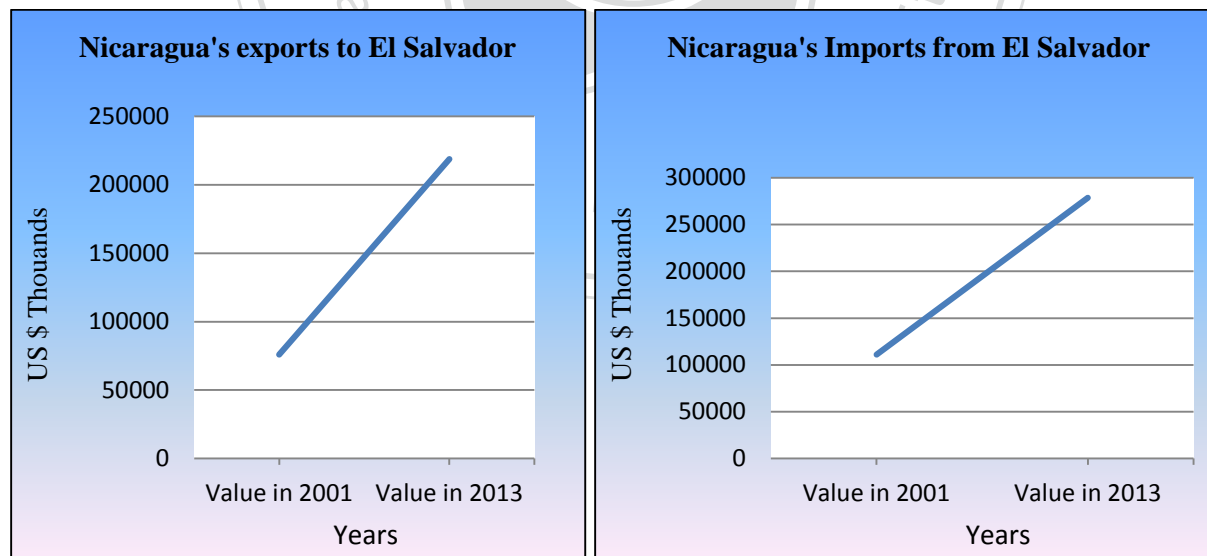
Trade Relations between Honduras and El Salvador



Sources: ITC calculations based on UN COMTRADE statistics.

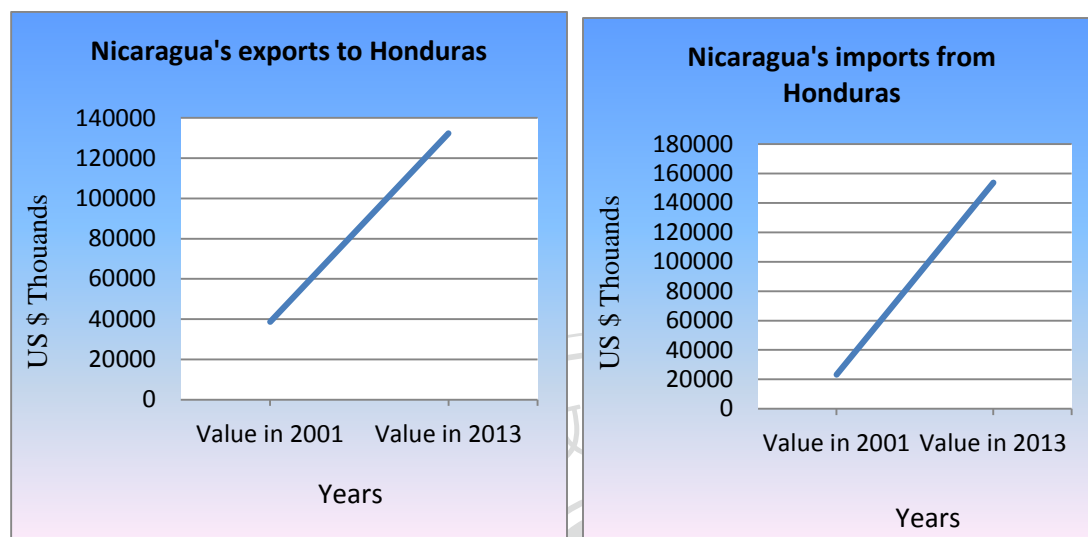
Figure 16

Trade Relations between Nicaragua and El Salvador



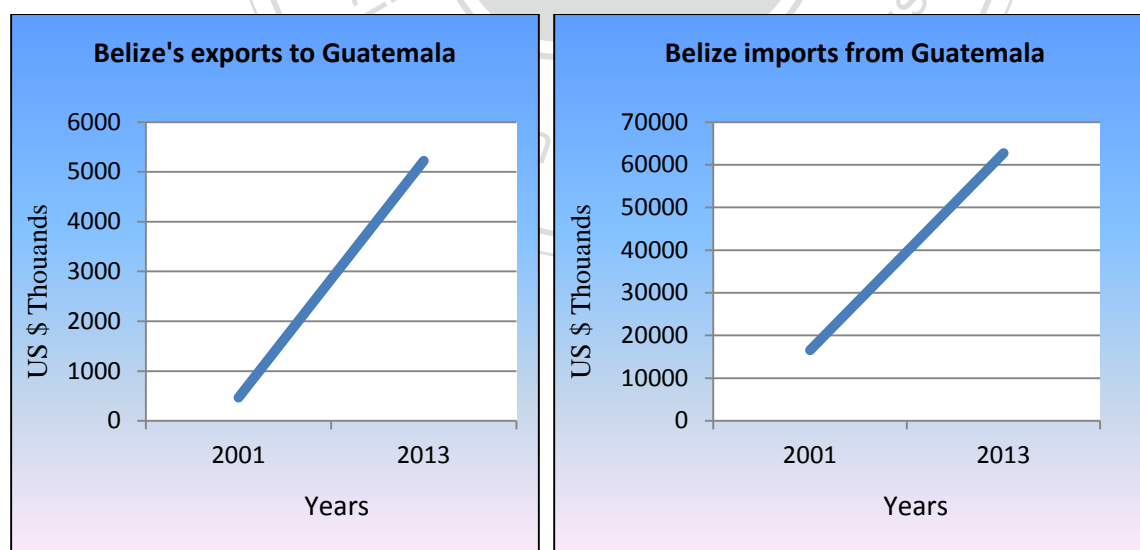
Sources: ITC calculations based on UN COMTRADE statistics.

Figure 17

Trade Relations between Honduras and Nicaragua

Sources: ITC calculations based on [Instituto Nacional de Estadísticas \(INE\) de Honduras](#) statistics since January, 2013.

Figure 18

Trade Relations between Belize and Guatemala

Sources: ITC calculations based on Statistical Institute of Belize statistics since January, 2013. ITC calculations based on UN COMTRADE statistics until January, 2013.

Belize's imports from Guatemala had an increase of 280% and 1014% increased in exports from 2001 to 2013

Figure 19

Trade Relations between Nicaragua and Costa Rica

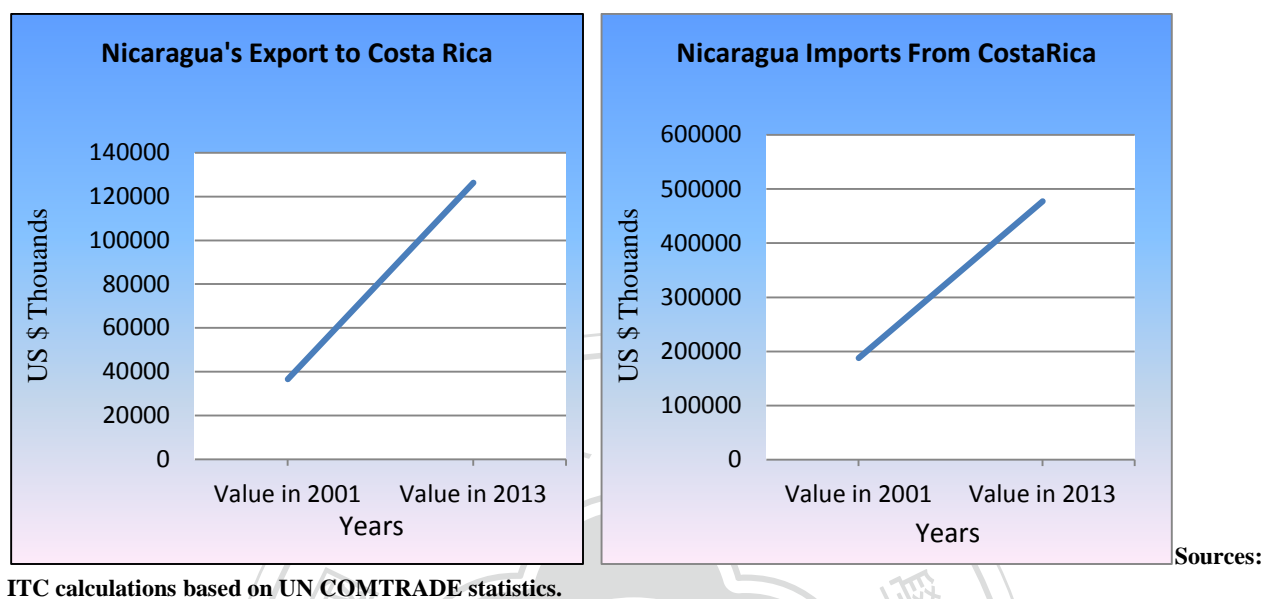


Figure 20:

The location of Conejo Island , the English translation for Isla Conejo


http://www.nacion.com/mundo/centroamerica/Pugna-Salvador-Honduras-isla_

Figure 21



<http://www.worldatlas.com/aatlas/infopage/fonseca.htm>

Figure 22

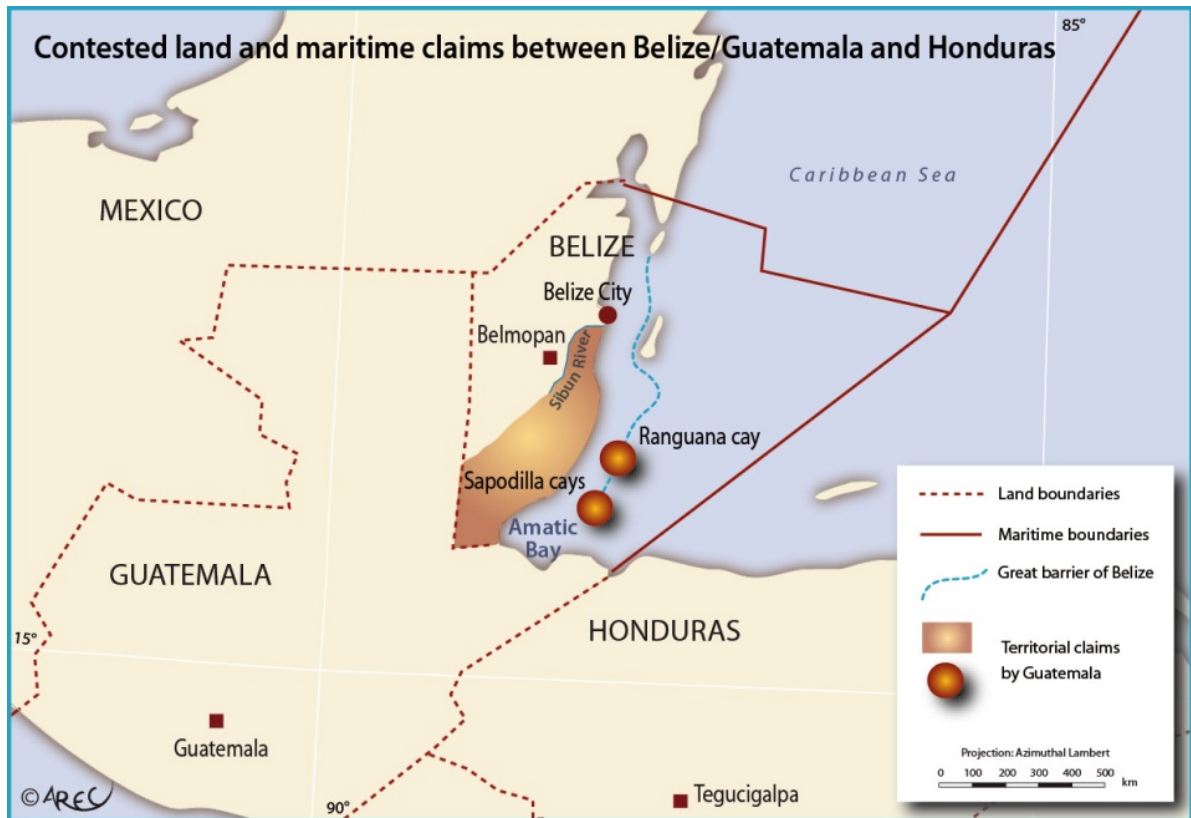
Map highlighting Petén Verapaz alongside the claimed territory of Belize



Map taken from http://www.larutamayaonline.com/guatemala/maps/maps/maps/Guatemala_map.gif

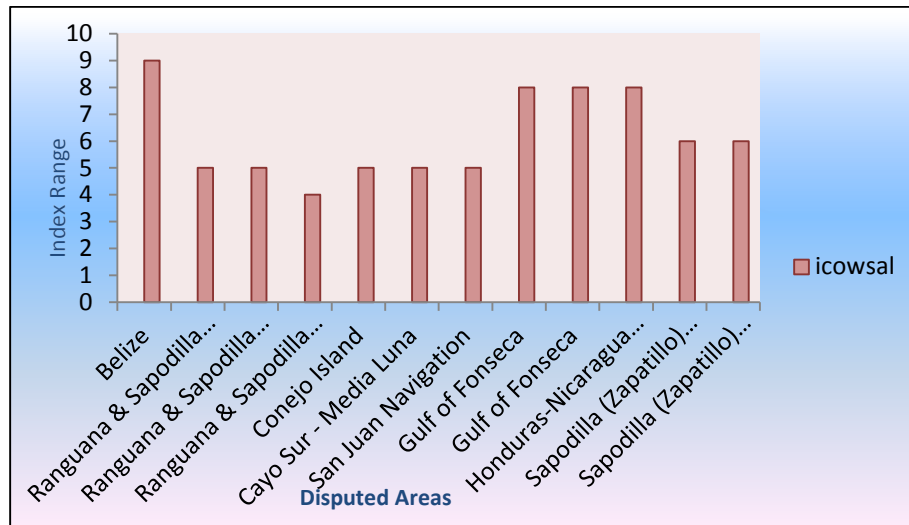
Figure 23

Guatemala's claims to half of the territory of Belize as far as the River Sibun, as well as to the reef areas ("cayes") of Ranguana and Sapodilla (sandy islands on a Corallian sub-foundation, situated in the southern part of the Great Barrier of Belize).



Retrieved from Atlas of the Caribbean: <http://atlas-caraibe.certic.unicaen.fr/en/page-122.html>

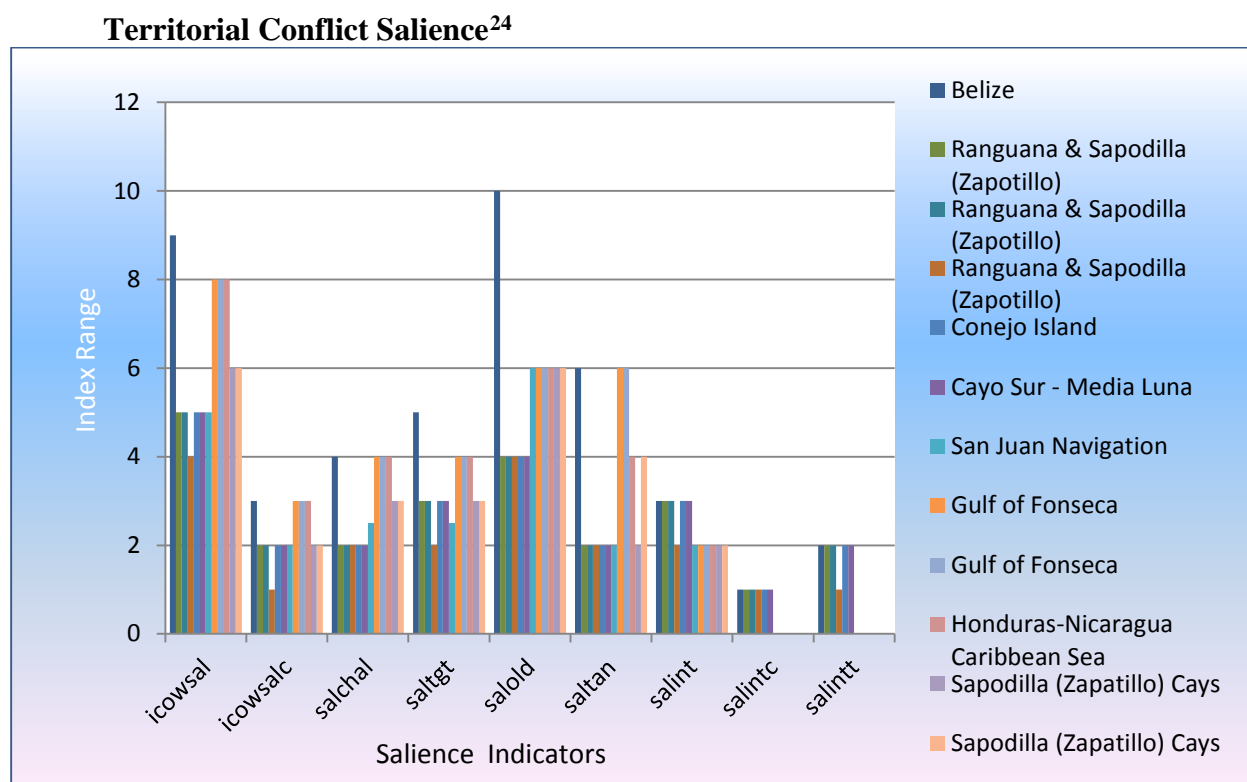
Figure 24:

Salience of disputed Areas ²³

Data Obtained from ICOW 1.1 for Central America <http://www.paulhensel.org/icowterr.html>

²³ ICOW (Issues Correlates of War) index of the salience or importance of the claimed territory, river, or maritime zone to the two participants. For this dyadic claim-level data set, this is measured as the highest salience value at any time while the dyadic claim was ongoing. The index ranges from 0-12, with higher values indicating greater salience; see the description of this variable under ICOWclaimag, above, for a list of the specific indicators used for each issue type.

Figure 25



Data Obtained from ICOW 1.1 for Central America <http://www.paulhensel.org/icowterr.htm>

²⁴ “**ICOWsal**: ICOW index of the salience or importance of the claimed territory, river, or maritime zone to the two participants. For this dyadic claim-level data set, this is measured as the highest salience value at any time while the dyadic claim was ongoing. The index ranges from 0-12, with higher values indicating greater salience; see the description of this variable under ICOWclaimag, above, for a list of the specific indicators used for each issue type.

ICOWsalc: A categorical version of the ICOW salience index described above: 1: Low salience (ICOWsal values from 0-4) 2: Moderate salience (ICOWsal values from 4.5-7.5) 3: High salience (ICOWsal values from 8-12)

Salchal: Claim salience for the challenger state in this claim - measured as the highest value at any time while the dyadic claim was ongoing. This value ranges from 0-6.

Saltgt: Claim salience for the target state in this claim. This value ranges from 0-6.

Salold: Previous versions of the salience index. For this dyadic claim-level data set, this is measured as the highest salience value at any time while the dyadic claim was ongoing.

Saltan: ICOW index of tangible salience - measured as the highest value at any time while the dyadic claim was ongoing. It ranges from 0-6 and is based on three of the six overall territorial salience indicators: economic resources, strategic location, and permanent population in the claimed territory

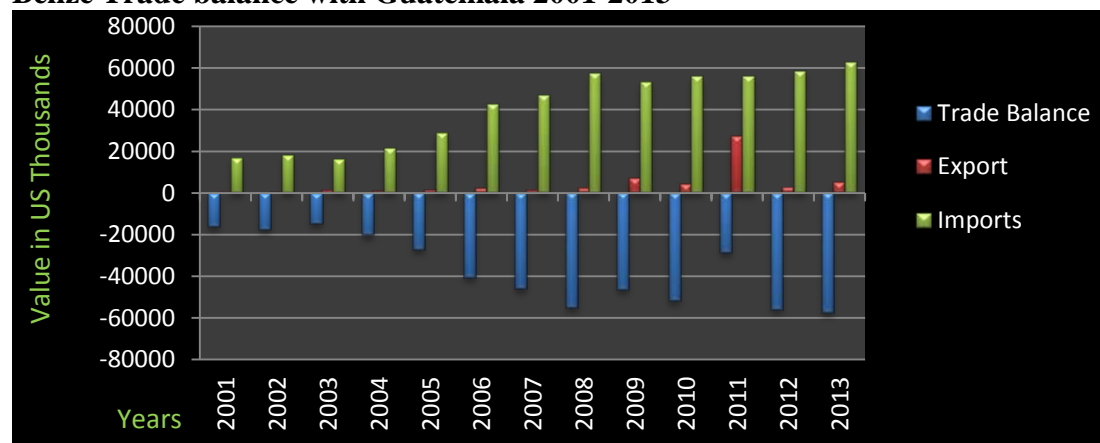
Salint: ICOW index of intangible salience - measured as the highest value at any time while the dyadic claim was ongoing. It ranges from 0-6 and is based on three of the six overall territorial salience indicators: homeland rather than dependent territory, an identity basis for the claim, and historical sovereignty over the claimed territory (each of which contributes one point per each claimant for which it is relevant). For river and maritime claims, this is only based on the homeland/dependent territory distinction

Salintc: ICOW index of intangible salience for the challenger state in the claim, as described above - measured as the highest value at any time while the dyadic claim was ongoing. This is only calculated for territorial claims.

Missing values: River or maritime claim (this is only calculated for territorial claims)

Salinttt: ICOW index of intangible salience for the target state in the claim, as described above - measured as the highest value at any time while the dyadic claim was ongoing. This is only calculated for territorial claims” (Hensel 2007:pg 10 -11)

Figure 26

Belize Trade balance with Guatemala 2001-2013

Source: ITC calculations based on Statistical Institute of Belize statistics since January, 2013. Sources: ITC calculations based on Statistical Institute of Belize statistics since January, 2013

Figure 27

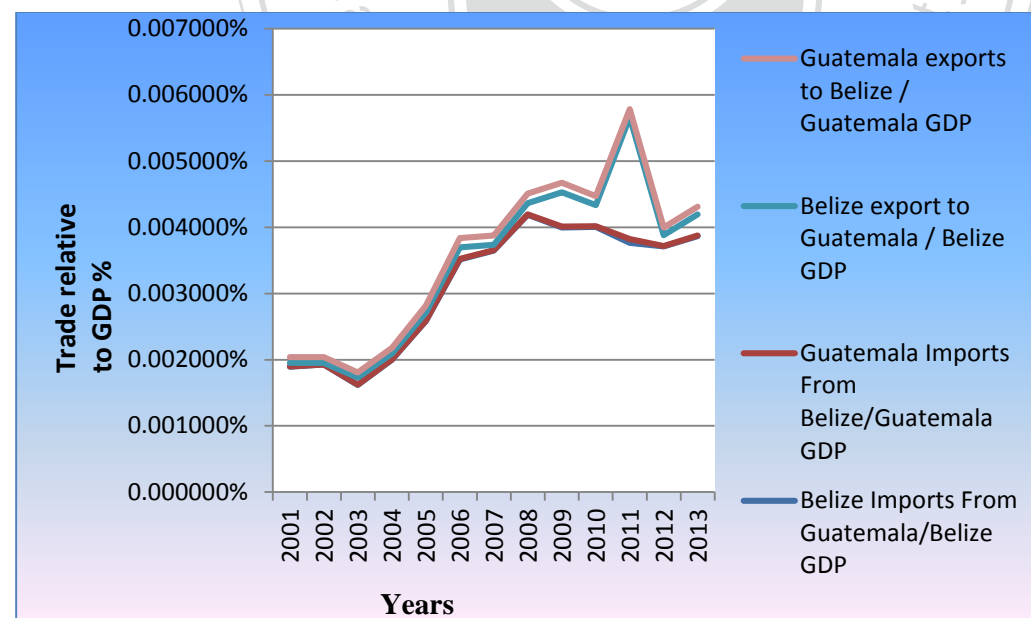
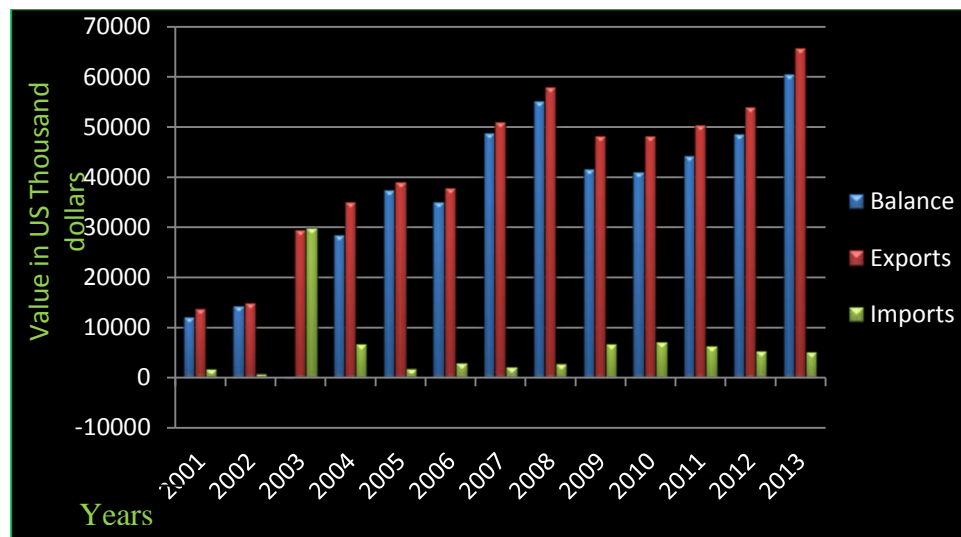
Belize and Guatemala Imports and exports relative to GDP

Figure 28

Guatemala Trade balance with Guatemala 2001-2013

Source: ITC calculations based on Statistical Institute of Guatemala's statistics since January, 2013. Sources: ITC calculations based on Statistical Institute of Belize statistics since January, 2013

