



# El Salvador: Political, Economic, and Social Conditions and U.S. Relations

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## Summary

Throughout the last few decades, the United States has maintained a strong interest in El Salvador, a small Central American country with a population of 7.2 million. During the 1980s, El Salvador was the largest recipient of U.S. aid in Latin America as its government struggled against the Farabundo Marti National Liberation Front (FMLN) insurgency during a 12-year civil war. A peace accord negotiated in 1992 brought the war to an end and formally assimilated the FMLN into the political process as a political party. After the peace accords were signed, U.S. involvement shifted towards helping the government rebuild democracy and implement market-friendly economic reforms.

Mauricio Funes of the FMLN was inaugurated to a five-year presidential term in June 2009. Funes won a close election in March 2009, marking the first FMLN presidential victory and the first transfer in political power between parties since the end of El Salvador's civil war. Funes' victory followed strong showings by the FMLN in the January 2009 municipal and legislative elections, in which the party won a plurality of the seats in National Assembly and the largest share of the municipal vote.

Seven months into his term, President Funes has extremely high approval ratings, but faces a number of political, economic, and social challenges. The National Assembly is fragmented, which means that Funes has to form coalitions with other parties in order to advance his legislative agenda. The U.S. recession has negatively impacted El Salvador's economy, increasing the country's already widespread poverty. The country's economic situation worsened considerably after Tropical Storm Ida hit in early November 2009. The storm caused 190 deaths, left 14,000 people homeless, and wrought millions of dollars in agricultural and infrastructural damage. In addition to these political and economic challenges, El Salvador's violent crime rates remain among the highest in the world and will need to be addressed.

Maintaining close ties with the United States has been a primary foreign policy goal of successive National Republican Alliance (ARENA) governments, and will likely be a key focus for the Funes government as well. The Saca Administration (2004-2009) cooperated in U.S. and regional counter-narcotics operations, supported the U.S. coalition forces in Iraq, and implemented the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR). Although some Members of Congress expressed reservations about working with an FMLN administration, relations between El Salvador and the United States will likely remain friendly. President Funes has pledged to remain in CAFTA-DR and expressed his willingness to work with the United States on a variety of issues. Following his election, the Obama Administration congratulated President Funes for his victory and pledged to work with him to build on the already strong ties between the United States and El Salvador.

For more information, see CRS Report R40135, *Mérida Initiative for Mexico and Central America: Funding and Policy Issues*, by Clare Ribando Seelke and CRS Report RL34112, *Gangs in Central America*, by Clare Ribando Seelke.

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## Political, Economic and Social Conditions

### FMLN Victory

On June 1, 2009, Mauricio Funes of the leftist Farabundo Martí National Liberation Front (FMLN) was inaugurated to a five year presidential term. Funes defeated Rodrigo Ávila of the conservative Nationalist Republican Alliance (ARENA) 51%-49% in March 2009, ending 20 years of ARENA rule.<sup>1</sup> Despite some concerns about potential fraud and a few cases of inter-party violence in the weeks preceding the vote, the election was conducted relatively peacefully. Some 5,000 national and international electoral observers supervised the proceedings while 20,000 members of the Salvadoran military and police provided security.<sup>2</sup> The electoral campaign was extremely polarizing. ARENA sought to tie Funes to the more hard-line members of the FMLN and asserted that an FMLN victory would lead to a deterioration in relations with the United States and the installation of an authoritarian political system. Funes, a former television journalist and the first FMLN nominee without a guerilla past, attempted to project a moderate image, campaigning on the slogan, “Hope is born, change is coming.”<sup>3</sup>

Funes’ presidential victory is a first for the FMLN, which fought a 12-year civil war against the U.S.-backed Salvadoran government before officially transforming into a political party following the signing of a peace accord in 1992. Some 70,000 Salvadorans (1.4% of the population) were killed during the conflict.<sup>4</sup> The presidential victory followed a strong showing by the FMLN in the January 2009 municipal and legislative elections, in which it was the only party to increase its representation nationally, winning 49.5% of the municipal vote and a plurality in the National Assembly.<sup>5</sup>

Despite its strong showing, the FMLN failed to capture a legislative majority, and must form alliances with smaller parties in order to enact President Funes’ agenda. This task became easier when a dissident faction split away from the ARENA delegation in October 2009, increasing Funes’ chances of passing legislation that calls for an absolute majority.<sup>6</sup> The extra seat on the legislature’s governing committee proved fruitful when the country passed its 2010 budget earlier than expected.

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<sup>1</sup> “FMLN Wins in El Salvador,” *Latin News Daily*, March 16, 2009.

<sup>2</sup> “El Salvador: 20,000 Policías y Soldados en Comicios,” *Associated Press*, March 4, 2009; “El Salvador prepares to vote,” *Latin News Daily*, March 13, 2009.

<sup>3</sup> Maureen Meyer, “Election Season in El Salvador,” *Washington Office on Latin America*, January 15, 2009.

<sup>4</sup> Priscilla B. Hayner, *Unspeakable Truths: Facing the Challenge of Truth Commissions*, (New York, NY: Routledge, 2002).

<sup>5</sup> “FMLN Claims Historic Victory,” *Latin American Caribbean & Central America Report*, March 2009.

<sup>6</sup> “El Salvador: ARENA Disarray May Favor Gradual Change,” *Oxford Analytica*, November 9, 2009.

## **President Funes and the Major Challenges Facing his Administration**

President Funes pledged to govern as a moderate throughout his campaign and has reiterated his intention to pursue moderate policies several times since the election, which has caused periodic friction between him and more radical members of his party, including Vice President Salvador Sánchez Cerén. President Funes has said that he seeks to emulate President Lula da Silva of Brazil, a leader who has instituted social welfare programs while advancing market-oriented economic policies. According to observers, Funes' cabinet includes competent leaders from a variety of ideological backgrounds. His desire to achieve broad-based consensus is exemplified by his creation of a permanent Economic and Social Council to advise his government, which is composed of leaders from business, academia, churches, unions, government, and popular organizations.<sup>7</sup> Some observers have credited Funes' pragmatic approach to governance with helping his administration reassure foreign investors and secure much-needed support from the International Monetary Fund (IMF) and the World Bank.

### **Rebuilding a Faltering Economy**

President Funes enjoys strong approval ratings (79% in December 2009<sup>8</sup>), but his government is struggling to boost El Salvador's economy, which contracted by 2.4% in 2009, largely as a result of the U.S. recession. Since the United States is El Salvador's most important trading and investment partner, the U.S. economic slowdown has caused a decline in remittances, investment, tourism revenues, and demand for Salvadoran exports. According to El Salvador's Central Bank, remittances, which contribute some 16% of the country's GDP, fell by 8.5% in 2009 as compared to the year before.<sup>9</sup>

Upon taking office, President Funes called for austerity, emphasizing the need to reduce excess spending, better target subsidies, and combat tax evasion and public corruption. He also announced an "Anti-Crisis" plan focused on boosting social spending, constructing new housing, and improving public utilities and road infrastructure. A challenge for his government will be how to boost the economy with targeted social spending and infrastructure projects that do not exceed the fiscal deficit targets recommended by the IMF. President Funes and the IMF have agreed to an \$800 million stand-by agreement. A \$600 million loan package recently approved by the World Bank should help fund Funes' anti-poverty efforts, as should a new tax revenue package approved in mid-December 2009 by the National Assembly. The Funes tax reform plan aims to raise tax revenue by \$220-\$250 million per year.<sup>10</sup>

With a per capita income of \$2,850, El Salvador is considered by the World Bank to be a lower-middle-income country.<sup>11</sup> It achieved notable stability and economic growth in the 1990s following the Salvadoran government's embrace of a "neo-liberal" economic model, cutting government spending, privatizing state-owned enterprises, and adopting the dollar as its national

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<sup>7</sup> "A New Chapter for El Salvador: The First Hundred Days of President Mauricio Funes," *Center for Democracy in the Americas*, October 20, 2009.

<sup>8</sup> "President Enjoys High Approval Ratings in El Salvador," *IHS Global Insight Daily Analysis*, December 2, 2009.

<sup>9</sup> "Salvador's Central Bank Says Migrants Sent 8.5 Percent Less Money Home in 2009," *AP*, January 12, 2010.

<sup>10</sup> "Country Report: El Salvador," *Economist Intelligence Unit (EIU)*, January 2010.

<sup>11</sup> World Bank, World Development Report, 2009.

currency. El Salvador is now one of the most open economies in the world. After posting strong growth rates in the 1990s, however, the country registered only 2% growth from 2000-2004 and 3.6% growth from 2005-2008.

While El Salvador's economy has fared better than some other nations in the hemisphere, the country's growth rates have not been high enough to produce dramatic improvements in the standard of living among the country's 7.1 million people. With 48% of the population living in poverty and more than 25% reportedly feeling they must migrate abroad in search of work, some critics have argued that the average Salvadoran household has not benefitted from neoliberalism. Dollarization has raised the cost of living while its primary benefits, lower interest rates and easier access to capital markets, have not resulted in an overall decline in poverty. Between 1989 and 2004, poverty levels rose from 47% to 51%. Additionally, the fruits of stable economic growth have not been equitably distributed as the income of the richest 10% of the population is 47 times higher than that of the poorest 10%. Although migration has reduced rural unemployment and infused some households with extra income in the form of remittances, it has caused significant social disruptions and resulted in a "passive and dangerous dependency" in some communities.<sup>12</sup>

### **Recovering From Tropical Storm Ida**

Funes' efforts to repair the Salvadoran economy and combat poverty were dealt a significant blow when Tropical Storm Ida hit the country on November 7-8, 2009. The storm and related flooding caused 190 deaths and wrought millions of dollars in agricultural and infrastructural damage. Damage to 1,800 homes and the destruction of another 200 left approximately 14,000 people homeless.<sup>13</sup> In the immediate aftermath of the storm, the U.S. government provided more than \$840,000 in emergency aid to the country.<sup>14</sup> A recent report by the U.N. Economic Commission for Latin America and the Caribbean asserts that the Salvadoran government needs to invest some \$343 million in order to repair damage caused by Ida. Currently, the Funes government has access to \$150 million in Inter-American Development Bank (IDB) funding to carry out reconstruction efforts.<sup>15</sup>

### **Gangs and Violence<sup>16</sup>**

The Funes Administration will also have to deal with the related problems of crime and violence that have plagued El Salvador since its civil war. Pervasive poverty and inequality, unemployment and underemployment, drug trafficking, corruption, and illicit firearms have all contributed to the current situation. In 2008, El Salvador had a murder rate of 53 per 100,000 inhabitants, one of the highest in the world.<sup>17</sup> As many as 30,000 Salvadoran youth belong to

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<sup>12</sup> Sarah Gammage, "Exporting People and Recruiting Remittances: A Development Strategy for El Salvador?," *Latin American Perspectives*, November 2006.

<sup>13</sup> United Nations Development Programme, "UN in Action in El Salvador: Recovering From Hurricane Ida," November 2009

<sup>14</sup> U.S. Department of State, Office of the Spokesman, "The United States Responds to Natural Disaster in El Salvador," November 17, 2009.

<sup>15</sup> "Reconstruction After Ida Requires \$343 Million Investment, Says ECLAC," *Business News Americas*, December 9, 2009.

<sup>16</sup> For more information, see CRS Report RL34112, *Gangs in Central America*, by Clare Ribando Seelke.

<sup>17</sup> "Country Report: El Salvador," *Economist Intelligence Unit*, May 2009.

*maras* (street gangs), which Salvadoran National Police (PNC) officials maintain are responsible for up to 60% of homicides. While evidence to support the National Police estimate is lacking, most observers agree that gangs are increasingly involved in human trafficking, drug trafficking, and kidnapping, and threaten the country's stability.<sup>18</sup>

In response to the gang problem, El Salvador's Congress passed strict *mano dura* ("firm hand") anti-gang reforms in 2003 and 2004 that outlawed gang membership, enhanced police power to search and arrest suspected gang members, and stiffened penalties for convicted gang members. Changes in legislation have been accompanied by the use of joint military and police patrols to round up gang suspects. The Salvadoran government reported that its tough anti-gang legislation initially led to a 14% drop in murders in 2004, but murder rates and gang-related crimes have remained at elevated levels since that time. Concerns about gang-related violence peaked again in early December 2009 when police arrested twenty-five "Mara-18" gang members believed to be responsible for the recent murder of Spanish filmmaker, Christian Poveda. The murder was thought to be an act of retaliation against Poveda for his negative portrayal of the gang in a film entitled "La Vida Loca."<sup>19</sup>

Though the outcome of these particular arrests is still unknown, many youth arrested under *mano dura* provisions have been subsequently released for lack of evidence that they committed any crime. Gang roundups have also exacerbated prison overcrowding, and inter-gang violence within the prisons has resulted in several inmate deaths. Moreover, there have been credible reports that extrajudicial youth killings by vigilante groups have occurred since *mano dura* took effect.<sup>20</sup> Following the inauguration of President Funes, two of El Salvador's largest gangs—Mara Salvatrucha and M-18—expressed a desire to hold talks with the new government and called on the Funes Administration to end the *mano dura* policies of his predecessor.<sup>21</sup>

In November 2009, in an attempt to counteract the rising violence, President Funes announced that he would deploy more military troops to assist police forces in fighting crime on the streets.<sup>22</sup> The Funes government has also taken steps to root out police corruption. Roughly 1,000 officers in the National Police are currently under investigation as part of that effort.<sup>23</sup> Although details of the plan have yet to be made public, the director of the national police, Carlos Ascencio, announced a new anti-crime plan on January 6, 2010, which calls for increased police patrols and intelligence operations to counteract the violence. The plan will reportedly be supported by a \$30 million budget increase for the National Police.<sup>24</sup>

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<sup>18</sup> United Nations Office on Drugs and Crime (UNODC), *Crime and Development in Central America: Caught in the Crossfire*, May 2007.

<sup>19</sup> Reporteros sin Fronteras, "Asesinato de Christian Poveda: detenidos otros diez miembros de la 'Mara 18,'" December 18, 2009.

<sup>20</sup> "Central America: Maras Pose Greater Threat Than Ever," *Latin American Weekly Report*, February 7, 2008; United Nations Development Program (UNDP), "Maras y Pandillas: Comunidad y Policia en Centroamérica," October 2007; "Youth Gangs in Central America," *Washington Office on Latin America*, November 2006.

<sup>21</sup> "Balance Provides Key to Success for El Salvador's New President," *Latin American Weekly Report*, June 4, 2009.

<sup>22</sup> "Military to Aid Police in El Salvador," *Latin News Daily*, November 2009.

<sup>23</sup> "Country Report: El Salvador," *Economist Intelligence Unit*, January 2010.

<sup>24</sup> "Policia Lanza Nuevo Plan sin Prometer Baja en Homicidios," *La Prensa Gráfica*, January 6, 2010.



## Relations with the United States

Throughout the last two decades, the United States has maintained a strong interest in the political and economic situation in El Salvador. During the 1980s, El Salvador was the largest recipient of U.S. aid in Latin America as its government struggled against the armed FMLN insurgency. Military aid to El Salvador reached a peak of \$196.6 million in 1984 and total aid peaked at \$574.4 million in 1987.<sup>25</sup> After the 1992 peace accords were signed, U.S. involvement in El Salvador shifted towards helping the government transform the country's economy into a model of free-market economic development. Total U.S. foreign assistance to El Salvador declined from wartime levels and shifted from military aid towards development assistance. Successive ARENA governments maintained close ties with the United States, cooperating in counter-narcotics operations, signing and implementing the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), and supporting the U.S. coalition forces in Iraq. El Salvador sent 360 soldiers to Iraq to support the U.S.-led coalition in August 2003 and maintained a constant troop presence there until December 2008, by far the longest contribution of any Latin American nation.<sup>26</sup>

Some analysts predicted that a Funes victory would complicate U.S.-Salvadoran relations. Indeed, a number of Members of Congress expressed dismay over alleged links between the FMLN and countries such as Venezuela, Russia, and Iran and suggested that a Funes victory may necessitate strict control over remittances to El Salvador and the termination of Temporary Protected Status for Salvadorans living in the United States.<sup>27</sup> However, other Members of Congress expressed their hopes that the Obama Administration would respect the will of the Salvadoran people by working constructively with whoever was democratically elected.<sup>28</sup> The Obama Administration reaffirmed its neutrality in the days before the election and announced it would respect the result.<sup>29</sup>

At his inauguration, which U.S. Secretary of State Hillary Clinton attended, Funes declared his intention to expand, strengthen, and renew El Salvador's relations with the United States, and cited President Obama as the type of progressive leader he hopes to emulate during his administration.<sup>30</sup> President Obama has spoken with President Funes several times since his election, congratulating Funes on his victory and meeting him in person at the Fifth Summit of the Americas. Although President Funes has already reestablished diplomatic relations with Cuba and may strengthen economic ties with Venezuela, he is not expected to follow the foreign

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<sup>25</sup> U.S. Agency for International Development, "U.S. Overseas Loans and Grants [Greenbook]," 2009.

<sup>26</sup> In December 2008, the Salvadoran government announced that the last contingent of Salvadoran soldiers would leave Iraq following the expiration of the U.N. Security Council mandate on December 31, 2008. The final Salvadoran soldiers to serve in Iraq—the 200 members of the 11<sup>th</sup> Contingent of the Cuscatlan Battalion—returned to El Salvador in February 2009. During their time in Iraq, the 11 Salvadoran contingents carried out 30 reconstruction projects worth \$1.2 million in the cities of Al Hillah and Al Kut. Five Salvadoran soldiers were killed and 20 were wounded. The FMLN continually opposed sending Salvadoran soldiers to support the U.S.-led coalition, and most polls indicate that a majority of Salvadorans were against sending troops to Iraq.

<sup>27</sup> "Funes Critica Amenaza de Quitar TPS a salvadoreños," *Associated Press*, March 12, 2009. For more information on Temporary Protected Status, see "Migration Issues".

<sup>28</sup> "Piden Legisladores de EU a Obama Respeto Electoral en El Salvador," *Agencia Mexicana de Noticias*, March 5, 2009.

<sup>29</sup> EEUU dice que Respetará Resultado de Elección en El Salvador," *Associated Press*, March 12, 2009.

<sup>30</sup> Mauricio Funes, "Discurso Toma de Posesión," June 1, 2009.



policies of those countries. Funes has pledged to maintain the dollarization of El Salvador's economy, continue to recognize the country's sovereign debt obligations, and remain in all trade agreements, including CAFTA-DR.<sup>31</sup> He has also declined an invitation to join the Bolivarian Alternative for the Americas (ALBA), a socially oriented trade block formed by President Chávez in 2004 as an alternative to the Free Trade Area of the Americas.<sup>32</sup>

Evidence of the strong ties between El Salvador and the United States also emerged in the aftermath of Hurricane Ida, when the Obama Administration gave \$840,000 in emergency aid and the House passed H.Res. 213 (Mack), expressing solidarity with the people of El Salvador who were victimized by the storm.

El Salvador's Foreign Minister Hugo Martinez met with Secretary of State Hillary Clinton and Assistant Secretary Arturo Valenzuela in December 2009 to discuss U.S. relations with El Salvador, particularly those concerning migration. In a brief speech alongside Secretary Clinton, Martinez affirmed his desire for both presidents to meet for further bilateral discussions.<sup>33</sup>

## **U.S. Foreign Aid**

El Salvador received approximately \$32 million in bilateral assistance in FY2009. The Obama Administration requested nearly \$40.5 million in bilateral assistance for El Salvador for FY2010. U.S. assistance to El Salvador provides support for improvements in the health and education systems, rule of law and good governance reforms, and counternarcotics programs.<sup>34</sup> The country also benefits from regional trade-capacity building assistance.

El Salvador is receiving part of the \$165 million that were appropriated by Congress for Central America in FY2008 and FY2009 as part of the Mérida Initiative, an anti-crime and counterdrug assistance package for Mexico and Central America.<sup>35</sup> Mérida-funded programs in El Salvador and the rest of Central America focus largely on bolstering government capacity to inspect and interdict unauthorized drugs, goods, arms, and people; implement anti-gang programs; and carry out police and judicial reform. On December 3, 2009, the Government Accountability Office (GAO) issued a preliminary report for Congress on the status of funding for the Mérida Initiative. By the end of September 2009, GAO found that \$830 million of the \$1.3 billion in Mérida funds appropriated for Mexico and Central America had been obligated by the State Department, but only \$26 million of the funds had actually been spent.<sup>36</sup> The pace of implementation has accelerated since that time, particularly in Mexico, but significant implementation challenges remain for many of the projects in Central America.

On December 13, 2009, Congress passed the FY2010 Consolidated Appropriations Act (H.R. 3288/P.L. 111-117), which included up to \$83 million for Central America to combat drug

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<sup>31</sup> Maureen Meyer, "Election Season in El Salvador," *Washington Office on Latin America*, January 15, 2009.

<sup>32</sup> "Funes Dice Que El Salvador no Integrará el Alba," *AP*, December 9, 2009.

<sup>33</sup> U.S. Department of State Press Release, "Remarks with El Salvadoran Foreign Minister Hugo Martinez Before Their Meeting," December 9, 2009.

<sup>34</sup> U.S. Department of State, "FY2010 Congressional Budget Justification for Foreign Operations," May 29, 2009.

<sup>35</sup> For more information, see CRS Report RS22837, *Mérida Initiative: U.S. Anticrime and Counterdrug Assistance for Mexico and Central America*, by Clare Ribando Seelke.

<sup>36</sup> U.S. Government Accountability Office (GAO), "Status of Funds for the Mérida Initiative," December 3, 2009, GAO 10-253R, available at: <http://www.gao.gov/products/GAO-10-253R>.

trafficking and organized crime, and for judicial reform, institution building, anti-corruption, rule of law, and maritime security. The Act places Central America funding into a new Central America Regional Security Initiative (CARSI), which splits Central America from the Merida Initiative. These Mexico (Merida) and Central America (CARSI) funds are subject to the same human rights conditions as those provided in P.L. 111-8.

## **Millennium Challenge Corporation (MCC) Compact**

In late November 2006, El Salvador signed a five-year, \$461 million compact with the Millennium Challenge Corporation (MCC) to develop its northern border region, where more than 53% of the population lives in poverty. The compact includes (1) \$88 million for technical assistance and financial services to farmers and rural businesses; (2) \$100 million to strengthen education and training and improve public services in poor communities; and (3) \$233 million to rehabilitate the Northern Transnational Highway and some secondary roads. The MCC compact has been designed to complement the CAFTA-DR and regional integration efforts. Although many have praised its potential, some have questioned why the compact was not designed to encourage communities to channel remittance flows into collective projects that could generate employment and improve local infrastructure.<sup>37</sup> As of the end of October 2009, some \$49.3 million in MCC assistance had been disbursed for programs in El Salvador.<sup>38</sup>

## **Counter-Narcotics Issues**

Although El Salvador is not a major producer of illicit drugs, it does serve as a transit country for narcotics, mainly cocaine and heroin, cultivated in the Andes and destined for the United States via land and sea. In 2008, El Salvador's National Civilian Police seized 1.35 metric tons of cocaine, 430 kilograms of marijuana, and 8.4 kilograms of heroin.<sup>39</sup> U.S. counternarcotics assistance focuses on improving the interdiction capabilities of Salvadoran law enforcement agencies; increasing transparency, efficiency, and respect for human rights within the criminal justice system; and aiding Salvadoran efforts to fight transnational gangs.

Comalapa International Airport in El Salvador serves as one of three Forward Operating Locations (FOLs) for U.S. anti-drug forces in the hemisphere. The FOL extends the reach of detection and monitoring aircraft into the Eastern Pacific drug smuggling corridors, through which more than half of the narcotics destined for the United States transit.<sup>40</sup> Although the U.S. lease on the airport was set to expire in 2010, El Salvador signed an agreement in April 2009 that will allow the United States to continue using Comalapa as an FOL for an additional five years.<sup>41</sup> El Salvador is also the home of the U.S.-backed International Law Enforcement Academy (ILEA), which provides police management and specialized training to the countries of the region.

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<sup>37</sup> The MCC compact also includes \$45 million to cover program administration and evaluation. See <http://www.mcc.gov/documents/factsheet-112906-elsalvador.pdf>; Marcela Sánchez, "Putting Remittances to Work," *Washington Post*, December 9, 2006.

<sup>38</sup> Millennium Challenge Corporation, "Compact Implementation Status Report: El Salvador Compact Progress," October–December 2009.

<sup>39</sup> U.S. Department of State, *International Narcotics Control Strategy Report*, February 27, 2009.

<sup>40</sup> U.S. Southern Command, "Fact Sheet: Forward Operating Locations," February 5, 2009.

<sup>41</sup> "Aplian permanencia de centro antidrogas de EU en El Salvador," *Agencia Mexicana de Noticias*, April 2, 2009.

In May 2009, the Foreign Relations Authorization and Reform Act for Fiscal Years 2010-2011 (H.R. 2475, Ros-Lehtinen) was introduced in the House. Among other provisions, the bill expresses the sense of the Congress that ILEA should continue to serve as a critical component of regional counterterrorism efforts, calls on the Secretary of State to ensure that counterterrorism is part of ILEA's core curriculum, and authorizes such funds as are necessary to complete construction of the ILEA facility and implement the ILEA Global Network. The Western Hemisphere Counterterrorism and Nonproliferation Act of 2009 (H.R. 375, Ros-Lehtinen), which was introduced in the House in January 2009, contains a similar provision.

## **Migration Issues**

Beyond financial linkages, the United States is home to some 2.5 million Salvadoran migrants, approximately one-third of El Salvador's population. The movement of large numbers of poor Salvadorans to the United States has eased pressure on El Salvador's social service system and labor market while providing the country with substantial remittances. Remittances sent from Salvadoran workers totaled some \$3.5 billion in 2009, some \$8.5% lower than in 2008.<sup>42</sup>

Following a series of earthquakes in El Salvador in 2001 and a determination that the country was temporarily incapable of handling the return of its nationals, the U.S. government granted Temporary Protected Status (TPS) to an estimated 220,000 eligible Salvadoran migrants. TPS has been extended several times, and is currently scheduled to expire in September 2010.

Nonetheless, many Salvadoran migrants continue to be deported from the United States, including 21,049 in FY2009, 30% of whom were deported on criminal grounds.<sup>43</sup> The United States is working with the Salvadoran government in a joint effort to improve the deportation process. In December 2009, a bi-national working group consisting of migration authorities from both countries was formed in Washington, D.C. Two of the group's goals are to expedite the deportation process in order to avoid immigrants spending unnecessary time in U.S. detention centers and to address more general concerns about the current deportation process.<sup>44</sup>

## **U.S. Trade and CAFTA-DR**

The United States is El Salvador's main trading partner, purchasing 48% of its exports and supplying close to 34% of its imports. More than 300 U.S. companies currently operate in El Salvador, many of which are based in the country's 13 free trade zones. Since the 1980s, El Salvador has benefitted from preferential trade agreements, such as the Caribbean Basin Initiative and later the Caribbean Basin Trade Partnership Act (CBTPA) of 2000, which have provided some of its exports, especially apparel and related items, duty-free entry into the U.S. market. As a result, the composition of Salvadoran exports to the United States has shifted from agricultural products, such as coffee and spices, to apparel and textiles. Since the expiration of global textile quotas on December 31, 2004, Salvadoran apparel producers have had trouble competing with goods from cheaper Asian producers.

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<sup>42</sup> "Salvador's Central Bank Says Migrants Sent 8.5 Percent Less Money Home in 2009," *AP*, January 12, 2010.

<sup>43</sup> Information provided to CRS by the Department of Homeland Security, Immigration and Customs Enforcement, Office of Detention and Removal.

<sup>44</sup> Grupo de Trabajo Binacional El Salvador - Estados Unidos Verifica Proceso de Deportacion," Ministerio de Relaciones Exteriores de El Salvador, January 12, 2010.

On December 17, 2004, despite strong opposition from the FMLN, El Salvador became the first country in Central America to ratify the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR). El Salvador was also the first country to pass the agreement's required legislative reforms, implementing CAFTA-DR on March 1, 2006. Some Salvadoran officials have attributed increases in employment, exports, and investment to the agreement's implementation. Although the country's apparel exports to the United States declined during the first year CAFTA-DR was in effect, El Salvador saw a 21% rise in non-apparel exports to the United States, with significant increases in ethanol, food stuffs, and metal products. Salvadoran exports to the United States then increased by 10% in 2007 and 9% in 2008 as a result of a slight recovery in textile and apparel exports and an increase in non-traditional exports. U.S. exports to El Salvador have also increased, rising by 16% in 2006, 7.5% in 2007, and 6.5% in 2008.<sup>45</sup>

Critics are concerned, however, about the inability of some Salvadoran farmers to compete with U.S. agricultural producers. They also argue that although CAFTA-DR has provisions providing for the enforcement of domestic labor and environmental laws and creating cooperative ways to bring those laws up to international standards, the penalties for countries not enforcing their laws are relatively weak. Proponents maintain that the MCC compact, as well as existing trade capacity building programs funded by the United States and other donors, are helping to ensure that vulnerable sectors benefit from the agreement.

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## **Acknowledgments**

Peter J. Meyer, Analyst in Latin American Affairs, contributed to this report.

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<sup>45</sup> U.S. Department of Commerce statistics, as presented by *World Trade Atlas*, 2009. Figures for 2009 are not yet available.