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President Obama in El Salvador: Facing the Central American Challenge

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President Obama's visit to El Salvador on March 22 concludes his first presidential trip to South and Central America. In El Salvador, he will meet with leftist President Mauricio Funes, visit the tomb of Archbishop Romero, and tour a Mayan ruin. The visit to El Salvador is designed to shore up relations with a country highly representative of the challenges and dilemmas facing the U.S. in Central America. Like its neighbors, El Salvador is buffeted by serious economic, social, and security problems and persistent political polarization.

Thirty Years of Close U.S.–Salvadoran Relations. In 1980, when President Jimmy Carter was in the White House, El Salvador was a nation torn between rule by its military and conservative elite and an insurgency led by Marxist-Leninist guerrillas supported by Fidel Castro's Cuba. During the Reagan Administration, the U.S. conducted a two-pronged strategy aimed at preventing a Marxist-Leninist victory while seeking to curb the extra-judicial terror of the extreme right and an unprofessional military.

With the waning of the Cold War, the George H. W. Bush Administration worked diplomatically to help end the conflict with a sweeping accord that opened the door for political participation by former guerrillas of the Farabundo Marti National Liberation Front (FMLN). Between 1992 and 2009, the right-of-center, pro-business Nationalist Republican Alliance (ARENA) dominated the national executive and engaged in competitive multiparty elections. ARENA presidents aligned closely with the U.S., supporting U.S.-led coalition efforts and sending troops to Iraq.

El Salvador, with its dollarized economy, actively sought membership in the Central American–Dominican Republic Free Trade Agreement (CAFTA-DR). Today, the U.S. is the destination for more than 50 percent of El Salvador's exports. Continued economic reform efforts have, until recently, improved El Salvador's rating in The Heritage Foundation/Wall Street Journal's *Index of Economic Freedom*. In 2006, El Salvador and the Millennium Challenge Corporation (U.S.) signed a \$461 million compact aimed at education, infrastructure, and service development and poverty reduction—by far the largest undertaken in the Western Hemisphere.

Centrist or Leftist Democracy. In March 2009, ARENA dominance ended when former journalist Mauricio Funes of the FMLN won the presidency with 51.3 percent of the vote. As the nation's chief executive, Funes has steered a largely centrist, pragmatic course. His party, however, is still built around a core of disciplined, old guard guerrilla militants whose anti-American sentiment leans toward Castro-style communism and the populist authoritarianism of Venezuela's Hugo Chavez. While Funes has reportedly battled more radical elements of the FMLN on issues such as recognition of the Honduran government of President Porfirio Lobo, he also

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broke with ARENA policy by restoring diplomatic relations with Castro's Cuba. Funes inclines toward the left represented by Brazil's former President Lula da Silva and current President Dilma Rouseff. He professes a strong desire to maintain close ties with the U.S., international financial institutions, and the West.

The Economy and Immigration. El Salvador's economy suffered during the 2008 economic crisis. Its growth rate in 2009 recovered to 3.5 percent, remaining below the rate required to make further inroads against poverty. Increases in the cost of fuel and food imports have the potential to seriously erode El Salvador's balance of payments and prudent macroeconomic policy.

An estimated 2 million Salvadorans reside in the U.S., many of them illegally. Salvadorans send approximately \$3.5 billion in remittances back to their homes annually. An estimated 22.3 percent of families in El Salvador receive remittances.

A BRIDGE Too Far? The Obama and Funes Administrations are pursuing ways to leverage remittance flows away from private consumption to create a development tool. According to a new program, "Building Remittance Investment for Development Growth and Entrepreneurship," or BRIDGE for short, Salvadorans in the U.S. will have an alternative to standard wire transfers and will be able to deposit and transfer funds via a private bank network. Banks will then use deposited funds to make loans and raise longer-term capital for investment for Salvadoran development ventures, including the construction of new roads and bridges, clean water projects, and loans for small businesses.

The BRIDGE initiative was unveiled by Secretary of State Hillary Clinton in September 2010. A similar program has been outlined for Honduras. While BRIDGE may have initially inspired optimism, a considerable margin of ambiguity surrounds its potential operations. Primary issues at stake include: the extent of government intervention by the U.S. and El Salvador in the planning, funding, and financing of BRIDGE; the cost to taxpayers; the potential for sequestering private property; the ability to keep the BRIDGE program politically neutral, and the impact—perceived or real—on immigrant

status in the U.S., especially if many participants are illegal residents in the U.S. In short, the program as it stands presents more questions than answers and must be approached with extreme caution. The potential for bureaucratic and political abuse remains high.

Security and Transnational Crime. In the past two decades, El Salvador has suffered from high levels of criminal violence and persistent gang activity. El Salvador has one of the highest homicide rates in the Western Hemisphere, well above that of Mexico. The presence of transnational criminal gangs, or *maras*, is deeply rooted throughout the country. Government pressure on criminal organizations in Mexico is pushing criminality and drug trafficking into Central America, where the police and judiciary are poorly prepared to handle increased criminal activity.

The U.S. and Salvadoran governments cooperate closely to combat narcotics trafficking and organized crime. El Salvador is home to the International Law Enforcement Academy, which provides training to police, prosecutors, and other officials from across the Latin American region. El Salvador's Air Force installation near Comalapa Airport houses a monitoring facility that monitors narco-trafficking routes in the Eastern Pacific. The FBI partners with El Salvador's National Civilian Police to operate a Transnational Anti-Gang unit. The Obama Administration is also upgrading its Central American Regional Security Initiative (CARSI), which is designed to complement support for Mexico and in which El Salvador is a central player.

Spotlight on Central America. While in El Salvador, President Obama will direct attention to the close connectivity between Central America and the U.S. and the multi-dimensional challenge posed by political polarization, weak governing institutions, crime, and economic insecurity. The President needs to deliver several strong messages:

Democracy. The region must strengthen democratic institutions and civil society to resist creeping authoritarianism, corruption, and political instability.

Economic Freedom. Recognize that El Salvador's development depends on the continuation

of its market-friendly, export-led growth model rather than on any state-controlled scheme, such as BRIDGE.

Security. Make El Salvador a central participant in a comprehensive and sustained effort to combat transitional crime and drug trafficking in Central America.

Too often, U.S.–Central American relations are adjourned until a crisis such as the June 2009 political crisis in Honduras galvanizes U.S. action. The

challenge for the Obama Administration is to keep a focus on the troubled region that extends beyond a glitzy one-day stopover in San Salvador.

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