



# 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 toward 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 the National Assembly and the largest share of the municipal vote.

Nine months into his term, President Funes has 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 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. Although some Members of Congress expressed reservations about working with an FMLN administration, relations between El Salvador and the United States have remained friendly. After a March 8, 2010, meeting with President Funes at the White House, President Obama said that he was "very favorably impressed by the steps that [Funes is taking] to try to break down political divisions within the country ... focusing on prosperity at every level of Salvadorian society." Both leaders pledged to work together to expand trade, foster development, and combat organized crime.

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), a party that was formerly an anti-government revolutionary movement, was inaugurated to a five-year term as President of El Salvador. Funes, a former television journalist and the first FMLN presidential candidate without a guerilla past, defeated Rodrigo Ávila of the conservative Nationalist Republican Alliance (ARENA) 51%-49% in a March 2009 election. Born in San Salvador in 1959, Funes earned a liberal arts degree from the Central American University (UCA) José Simeón Cañas. He then spent more than 20 years working as a print, radio, and television journalist, becoming one of the most popular and well-respected figures in his field. In 2007, he was chosen to serve as the FMLN's 2009 presidential candidate, reportedly because party leaders thought that he would bring a modern face to the party. Throughout his campaign, Funes pledged to govern as a moderate.

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>1</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 attempted to project a moderate image, campaigning on the slogan, "Hope is born, change is coming."<sup>2</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>3</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>4</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. 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> "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>2</sup> Maureen Meyer, "Election Season in El Salvador," *Washington Office on Latin America*, January 15, 2009.

<sup>3</sup> Priscilla B. Hayner, *Unspeakable Truths: Facing the Challenge of Truth Commissions*, (New York, NY: Routledge, 2002).

<sup>4</sup> "FMLN Claims Historic Victory," *Latin American Caribbean & Central America Report*, March 2009.

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

Since the election, President Funes has pursued moderate policies, which has caused periodic friction between him and more radical members of his party, including Vice President Salvador Sánchez Cerén. President Funes has stated 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. President Funes has also created a permanent Economic and Social Council, composed of leaders from business, academia, churches, unions, government, and popular organizations, to advise his government.<sup>5</sup> In February 2010, President Funes conducted a broad-based national consultative process in order to help him develop a new public security strategy. Some observers have credited Funes' pragmatic approach to governance with helping his administration secure much-needed support from the International Monetary Fund (IMF). Others have expressed concerns, however, that he may be straying too far away from his FMLN base, particularly now that he has formed a legislative alliance that includes dissident members of ARENA.<sup>6</sup>

### **Rebuilding a Faltering Economy**

President Funes enjoys strong approval ratings (79% in December 2009<sup>7</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>8</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 determining how to boost the economy with targeted social spending and infrastructure projects without exceeding the fiscal deficit targets recommended by the IMF. President Funes and the IMF have agreed to a \$790 million stand-by agreement, which was recently approved by the Fund's Executive Board.<sup>9</sup> The Funes government secured legislative approval of a \$600 million loan package from the World Bank and a \$175 million tax revenue package to help fund its anti-poverty efforts.

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<sup>5</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>6</sup> "Is El Salvador's First Left-Leaning President Changing the Country's Internal Political Realities for the Better? Are U.S. Policy Makers About to Make a Major Mistake?" *Council on Hemispheric Affairs*, February 17, 2010.

<sup>7</sup> "President Enjoys High Approval Ratings in El Salvador," *IHS Global Insight Daily Analysis*, December 2, 2009.

<sup>8</sup> "Salvador's Central Bank Says Migrants Sent 8.5 Percent Less Money Home in 2009," *AP*, January 12, 2010.

<sup>9</sup> International Monetary Fund, "Press Release 10/95: IMF Executive Board Approves US\$790 Million Stand-by Arrangement for El Salvador," March 17, 2010.

With a per capita income of \$2,850, El Salvador is considered by the World Bank to be a lower-middle-income country.<sup>10</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 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>11</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 damages to agriculture and infrastructure in the country. Damage to 1,800 homes and the destruction of another 200 left approximately 14,000 people homeless.<sup>12</sup> In the immediate aftermath of the storm, the U.S. government provided more than \$840,000 in emergency aid to the country.<sup>13</sup> The U.N. Economic Commission for Latin America and the Caribbean has estimated 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>14</sup>

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<sup>10</sup> World Bank, World Development Report, 2009.

<sup>11</sup> Sarah Gammage, "Exporting People and Recruiting Remittances: A Development Strategy for El Salvador?," *Latin American Perspectives*, November 2006.

<sup>12</sup> United Nations Development Programme, "UN in Action in El Salvador: Recovering From Hurricane Ida," November 2009

<sup>13</sup> U.S. Department of State, Office of the Spokesman, "The United States Responds to Natural Disaster in El Salvador," November 17, 2009.

<sup>14</sup> "Reconstruction After Ida Requires \$343 Million Investment, Says ECLAC," *Business News Americas*, December 9, 2009.

## Gangs and Violence<sup>15</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 2009, El Salvador recorded approximately 4,365 murders, which is 34% higher than in 2008, a year in which the country had a murder rate of 52 per 100,000 inhabitants, one of the highest in the world.<sup>16</sup> As many as 30,000 Salvadoran youth belong to *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>17</sup>

President Funes had hoped to move away from the *mano dura* ("firm hand") gang policies enacted by previous ARENA administrations and instead move toward more preventive policies, but the escalating violence has forced him to adopt a number of tough measures. 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 were accompanied by the use of joint military and police patrols to round up gang suspects. While these reforms initially provided a way for Salvadoran leaders to show that they were cracking down on gangs, recent studies have cast serious doubts on their effectiveness. Gang roundups have exacerbated prison overcrowding. Some youth who were wrongly arrested for gang involvement have been recruited into the gang life while in prison. Most youth arrested under *mano dura* provisions have been subsequently released for lack of evidence. In addition, many gang members are now hiding or removing their tattoos, changing their dress, and avoiding the use of hand signals, making them harder to identify and arrest.<sup>18</sup>

In November 2009, President Funes announced that he, like his predecessors, would deploy more military troops to assist police forces in fighting crime on the streets. Although President Funes has yet to announce a comprehensive anti-crime strategy, he has made \$30 million available to purchase more training and equipment for the police, shepherded a new wiretapping law through the National Assembly, and pledged to enact prison reform. Resisting pressure to enact even tougher measures, President Funes recently decided to veto a bill that would have increased the maximum prison sentences for 16- to 18-year-olds from seven to 15 years.<sup>19</sup>

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<sup>15</sup> For more information, see CRS Report RL34112, *Gangs in Central America*, by Clare Ribando Seelke.

<sup>16</sup> "El Salvador: President Mauricio Funes to Fight Crime with Guns, Phone Taps, and More Police," *Noticen: Central American & Caribbean Affairs*, March 11, 2010. U.N. Development Program (UNDP), "Informe Sobre Desarrollo Humano Para América Central 2009-2010: Abrir Espacios a la Seguridad Ciudadana y el Desarrollo Humano," October 2009.

<sup>17</sup> United Nations Office on Drugs and Crime (UNODC), *Crime and Development in Central America: Caught in the Crossfire*, May 2007.

<sup>18</sup> Demoscopia S.A., "Maras y Pandillas: Comunidad y Policía en Centroamérica," October 2007.

<sup>19</sup> "Country Report: El Salvador," *Economist Intelligence Unit*, March 2010; "Presidente Salvadoreño Veta Decreto que Incrementaba Crímenes para Jóvenes," *Agence France Presse*, February 25, 2010.

## Relations with the United States

Throughout the last few 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. military aid in Latin America as its government struggled against the FMLN insurgency. After the 1992 peace accords were signed, U.S. involvement and assistance shifted toward helping successive ARENA governments rebuild democracy and implement market-friendly economic reforms. The Administration of Tony Saca (2004-2009) cooperated in counternarcotics 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 analysts predicted that a Funes victory could complicate U.S.-Salvadoran relations, most others predicted that bilateral relations would remain friendly regardless of who won the March 2009 elections. During his inauguration, which was attended by Secretary of State Hillary Clinton, Funes asserted his desire to “broaden, strengthen, and renew” El Salvador’s relations with the United States.<sup>20</sup> While some FMLN officials have made anti-American remarks, Funes has repeatedly referred to the United States as a “strategic partner.” Funes has also pledged to maintain El Salvador’s dollarized economy, to continue the implementation of CAFTA-DR, and to allow the continued use of Comalapa International Airport as a Forward Operating Location (FOL) for U.S. anti-drug forces in the hemisphere.

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. 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. These high-level contacts culminated in President Funes’ first visit to the White House, which took place on March 8, 2010. After that meeting, President Obama thanked President Funes for his help in resolving the situation in Honduras and expressed “how interested the United States is in continuing to be an equal partner with El Salvador and other countries in the region.”<sup>21</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.Con.Res. 213 (Mack), expressing solidarity with the people of El Salvador who were victimized by the storm.

## U.S. Foreign Aid

El Salvador received approximately \$32 million in bilateral assistance in FY2010. The Obama Administration requested \$36.2 million in bilateral assistance for El Salvador for FY2011. 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. El Salvador also benefits from regional trade capacity building assistance and regional anti-gang assistance funded

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<sup>20</sup> Mauricio Funes, “Discurso Toma de Posesión,” *Gobierno de la Republica de El Salvador*, June 1, 2009.

<sup>21</sup> The White House, Office of the Press Secretary, “Remarks by President Obama and President Funes of El Salvador after Meeting,” March 8, 2010.



through global funds appropriated to the State Department's Bureau of International Narcotics and Law Enforcement.

El Salvador is receiving part of the \$165 million that was 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>22</sup> Mérida-funded programs in El Salvador focus 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>23</sup> The pace of implementation has accelerated since that time, particularly in Mexico, but significant implementation challenges remain for many of the projects in El Salvador and the rest of 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 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. The Obama Administration requested \$100 million for CARSI in its FY2011 budget request.

Some analysts specializing in Central American security issues hope that by splitting Central America away from U.S.-Mexican security cooperation programs, the sub-region will receive more funding and attention from Congress and the Administration. Others disagree, asserting that it is important to have an integrated approach to counterdrug and anti-crime programs in Mexico and Central America, as the Mérida Initiative was initially designed to do. They maintain that if antidrug efforts in the region are uneven or not well-coordinated, the so-called "balloon effect" may continue to occur, in which drug traffickers and other criminal groups will simply shift their illicit activities to countries or areas that are under less scrutiny.

## **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

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<sup>22</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>23</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>.

encourage communities to channel remittance flows into collective projects that could generate employment and improve local infrastructure.<sup>24</sup> By the end of December 2009, some \$49.3 million in MCC assistance had been disbursed for programs in El Salvador.<sup>25</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 2000, El Salvador's National Civilian Police seized 3.8 metric tons of cocaine, 323 kilograms of marijuana, and 5 kilograms of heroin.<sup>26</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>27</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>28</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.

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

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<sup>24</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>25</sup> Millennium Challenge Corporation, "Compact Implementation Status Report: El Salvador Compact Progress," October–December 2009.

<sup>26</sup> U.S. Department of State, *International Narcotics Control Strategy Report*, March 1, 2010.

<sup>27</sup> U.S. Southern Command, "Fact Sheet: Forward Operating Locations," February 5, 2009.

<sup>28</sup> "Aplian permanencia de centro antidrogas de EU en El Salvador," *Agencia Mexicana de Noticias*, April 2, 2009.

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>29</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 which were deported on criminal grounds.<sup>30</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, DC. 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>31</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.

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 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. These

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<sup>29</sup> "Salvador's Central Bank Says Migrants Sent 8.5 Percent Less Money Home in 2009," *AP*, January 12, 2010.

<sup>30</sup> Information provided to CRS by the Department of Homeland Security, Immigration and Customs Enforcement, Office of Detention and Removal.

<sup>31</sup> Grupo de Trabajo Binacional El Salvador - Estados Unidos Verifica Proceso de Deportacion," Ministerio de Relaciones Exteriores de El Salvador, January 12, 2010.

positive trends were reversed in 2009, however, as a result of the U.S. recession. Salvadoran exports to the United States fell by 3.9% and U.S. exports to El Salvador fell close to 18%.<sup>32</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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<sup>32</sup> U.S. Department of Commerce statistics, as presented by *World Trade Atlas*, 2010.