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El Salvador: Background and U.S. Relations

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Summary

Congress has maintained interest in El Salvador, a small Central American country that also has had a large percentage of its population living in the United States, since the country's civil conflict (1980-1992). In the 1980s, the U.S. government spent billions of dollars supporting the Salvadoran government's efforts against an insurgency led by the leftist Farabundo Martí National Liberation Front (FMLN). The United States is now working with the country's second democratically elected FMLN Administration.

Inaugurated on June 1, 2014, Salvador Sánchez Cerén, a former guerrilla commander of the FMLN, took office pledging to govern by the principles of austerity, efficiency, and transparency. Since his narrow runoff victory over a conservative Nationalist Republican Alliance (ARENA) candidate, Sánchez Cerén has adopted a more conciliatory attitude toward the opposition and the private sector than his predecessor, Mauricio Funes (2009-2014). His approval ratings have been lower than those of his predecessor, however, as security conditions have deteriorated and the National Assembly has backed few of his priorities.

El Salvador is facing significant security and economic challenges. A truce between the country's major gangs helped lower homicide rates in 2012 and early 2013, but had unraveled before Sánchez Cerén took office and arguably increased the gangs' power. Homicides increased by 57% in 2014 and 70% in 2015. El Salvador posted a homicide rate of 104 per 100,000 in 2015—the highest in the world. Security is a barrier to investment, which has inhibited economic growth. El Salvador's economy grew by roughly 2.4% in 2015, the lowest in Central America.

The Sánchez Cerén government has maintained security and economic cooperation with the United States under the Partnership for Growth (PFG) initiative. Launched in 2011, the PFG was a foreign aid approach involving close collaboration between the United States and select partner countries. Congress has provided bilateral assistance, which totaled an estimated \$46.6 million in FY2015, as well as regional security assistance provided through the Central American Regional Security Initiative (CARSI) to support PFG priorities, including justice sector reform and violence prevention. Cooperation in boosting El Salvador's competitiveness may be bolstered by a \$277-million Millennium Challenge Corporation (MCC) compact that began in 2014.

Migration issues, such as how to prevent emigration by unaccompanied alien children (UAC) from El Salvador and reintegrate deportees from the United States into Salvadoran society, figure prominently on the bilateral agenda. With support from the Inter-American Development Bank, the Salvadoran government has worked with its Guatemalan and Honduran counterparts to design an Alliance for Prosperity plan to address the root causes of emigration. It has also stepped up efforts against human trafficking and alien smuggling. At the same time, the Salvadoran government has expressed its opposition to U.S. immigration enforcement operations targeting its citizens eligible for deportation that began in late 2015.

The Obama Administration requested \$119 million in bilateral assistance for El Salvador for FY2016 as part of a \$1 billion request to support a new U.S. Strategy for Engagement in Central America. Congress provided "up to" \$750 million to implement the strategy in the FY2016 Consolidated Appropriations Act (P.L. 114-113). This includes up to \$68 million for El Salvador and \$349 million for CARSI. The act places a number of conditions on the assistance, however, that could be difficult for the Salvadoran government to meet. Those include: combating corruption, increasing government revenues, and reforming the police so that military forces can be removed from public security efforts. See: CRS Report R43702, *Unaccompanied Children from Central America: Foreign Policy Considerations*; CRS Report R41731, *Central America Regional Security Initiative: Background and Policy Issues for Congress*.

El Salvador: Background and U.S. Relations

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Introduction

A small, densely populated Central American country that has deep historical, familial, and economic ties to the United States, El Salvador has long been a focus of congressional interest (see **Figure 1** for a map and key data on the country).¹ After a troubled history of authoritarian rule and a brutal civil war (1980-1992), El Salvador has made strides over the past two decades in establishing a multiparty democracy. A peace accord negotiated in 1992 brought the war to an end and assimilated the leftist Farabundo Marti National Liberation Front (FMLN) guerrilla movement into the political process as a political party. In 2009, Mauricio Funes, a former journalist, took office as head of the country's first FMLN government. After a razor-thin election, Salvador Sánchez Cerén, a former FMLN high commander, took office on June 1, 2014, at the helm of a government composed mainly of former guerrillas.

El Salvador is currently facing serious political, security, and economic challenges that are interrelated. Tension between the Sánchez Cerén government and a legislature dominated by the rightist Nationalist Republican Alliance (ARENA) has hindered the country's ability to address deteriorating security conditions and a struggling economy. Insecurity and economic conditions are fueling illegal emigration—a key concern for U.S. policymakers. This report examines El Salvador's recent history, as well as its current political, economic, and security/human rights challenges. It then analyzes key issues in U.S.-Salvadoran relations.

Post-Conflict Period

After peace accords were signed in 1992, successive ARENA governments in the 1990s-2000s sought to rebuild democracy and implement market-friendly reforms. ARENA proved to be a reliable U.S. ally and presided over a period of economic growth, but did not effectively address inequality, violence, and corruption. Former ARENA President Francisco Flores (1999-2004) was under house arrest awaiting trial for allegedly embezzling some \$10 million in donations from Taiwan that were meant for earthquake relief, although he was just hospitalized for a brain hemorrhage. Observers are hoping that the Flores trial will advance now that El Salvador has a new attorney general.² Allegations of corruption also dogged former President Anthony (“Tony”) Saca (2004-2009).³ Under ARENA, development indicators improved, but were hurt by natural disasters, including earthquakes in 2001 and hurricanes.

Deep scars and political polarization remain evident in El Salvador today from a war that resulted in significant human rights violations, more than 70,000 deaths, and massive emigration to the United States.⁴ Old wounds could be reopened should the Salvadoran Supreme Court overturn the 1993 amnesty law that has shielded those who committed human rights abuses during the civil conflict from prosecution. Still, many argue that such a decision could provide justice for victims and advance human rights in the country. Although analysts initially predicted that the history of

¹ For historical background on El Salvador, see Federal Research Division, Library of Congress, *El Salvador: A Country Study*, ed. Richard Haggerty (Washington, DC: Library of Congress, 1990).

² “El Salvador: Bulging In-Tray for New Attorney General,” *Latin News Central America & Caribbean Report*, January 2016.

³ After Saca's term ended, ARENA dismissed him from the party for allegedly misappropriating party funds. Saca's personal wealth increased dramatically while he was in office, but has never been investigated for corruption.

⁴ Priscilla B. Hayner, *Unspeakable Truths: Facing the Challenge of Truth Commissions* (New York, NY: Routledge, 2002); Diana Villiers Negroponete, *Seeking Peace in El Salvador: The Struggle to Reconstruct a Nation at the End of the Cold War* (New York, NY: Palgrave Macmillan, 2012).

U.S. involvement in countering the insurgency in El Salvador could make relations with the Sánchez Cerén government difficult, bilateral relations have remained friendly. On January 8, 2016, the U.S. government deported El Salvador's former minister of defense, General José Guillermo García, after immigration courts found him guilty of grave human rights violations.

Figure 1. Map of El Salvador and Key Data on the Country



Funes Administration (2009-2014)

Mauricio Funes, a former journalist who led the country's first FMLN government, remained popular throughout his term, but his government struggled to address the country's deeply entrenched economic and security problems. Funes was an independent who had periodic conflicts with members of the FMLN, including his vice president, Salvador Sánchez Cerén.

President Funes often formed coalitions with other parties, namely the populist Grand Alliance for National Unity (GANU) party formed by former President Tony Saca, to pass legislation.

Funes has been credited with developing innovative social programs, including multifaceted women's health centers developed and administered by his wife, Vanda Pignato. Funes also issued a historic apology to victims of the 1981 El Mozote massacre on the 20th anniversary of the signing of the Peace Accords. He "recognized" the Inter American Court of Human Rights ruling that El Salvador needs to reinvestigate the massacre and guarantee the rights of victims to seek reparations.⁵ Some 65.9% of Salvadorans polled in May 2014 rated Funes' presidency positively even while acknowledging that security and the economy worsened during his term.⁶

While the Salvadoran public may evaluate the Funes government favorably, it has been criticized by analysts from both the right and the left. The Funes government expanded crime prevention programs and community policing, but also tacitly supported and then later disavowed a failed truce between the country's largest gangs. Observers have criticized Funes's inability to improve transparency, lavish travel, and unfair practices in awarding government contracts. Critics have also maintained that Funes often provoked unnecessary conflicts with the private sector.⁷

Sánchez Cerén Administration

On March 9, 2014, Salvador Sánchez Cerén defeated ARENA's candidate, Norman Quijano, in a runoff election that proved to be much closer than expected. El Salvador's Electoral Tribunal did not certify the final results until it and the Supreme Court had dismissed all but one of ARENA's challenges to the validity of the results on March 25, 2014. Sánchez Cerén captured 50.1% of the vote, while Quijano received 49.9%.

During the presidential campaign and transition period before his June 2014 inauguration, Sánchez Cerén sought to broaden his appeal beyond FMLN militants by marketing himself as a "progressive" rather than as a hardliner. He selected Oscar Ortiz, the popular mayor of Santa Tecla, as his vice

Sánchez Cerén Biography

Born in 1944 in rural Quezaltepeque, El Salvador, to a family of humble origin, Salvador Sánchez Cerén began his career as a teacher. He later transitioned from being a teacher's union leader to serving as a guerrilla commander for the Fuerzas Populares de Liberación, or FPL, during the war years. He was one of several FMLN leaders to sign the Peace Accords in 1992. Sánchez Cerén later served as a legislator from 2000 to 2008 before becoming Mauricio Funes's vice president and minister of education. Sánchez Cerén is generally regarded as more of a leftist than former President Funes and maintains close ties with Venezuela and Cuba. He also has a reputation for honesty.

⁵ In addition to the El Mozote massacre, the 1989 killing of six Jesuit priests (five Spanish citizens), their housekeeper, and her daughter at the Universidad Centroamericana (UCA) marked another of the worst instances of human rights abuses carried out by military forces during the Salvadoran civil war. In 1991, under international pressure, a colonel, two lieutenants, a sub-lieutenant, and five soldiers were tried for the Jesuit murders. Only the colonel and one of the lieutenants were convicted; a 1993 amnesty law spared them significant prison time. It has prevented other high-level former military officials from being investigated or indicted in El Salvador for their alleged roles in the massacre. A Spanish judge began investigating the massacre in 2009, however, based on the principle of universal jurisdiction for human rights abuses and the Spanish origin of five of the priests. On May 8, 2012, El Salvador's Supreme Court rejected Spain's request to have 13 former military officers allegedly involved in the murders extradited to stand trial. Spain has recently reissued an arrest warrant for 17 former military officials allegedly involved in the killings.

⁶ UCA, Instituto Universitario de Opinión Pública, *Los Salvadoreños y Salvadoreñas Evalúan al Gobierno de Mauricio Funes y el Pasado Proceso Electoral*, press bulletin year 28, no. 3, May 2014.

⁷ Daniel Valencia Caravantes and Efrén Lemus, "La Idea de Crear una CICIG para El Salvador la Mató el Silencio del Presidente" *El Faro Sala Negra*, May 12, 2014; Fundación Salvadoreña para el Desarrollo Económico y Social (FUSADES), *Quinto Año de Gobierno del Presidente Funes. Apreciación General*, May 2014.

president and promised to keep the social programs that had been popular during the Funes government. Prior to taking office, President-Elect Sánchez Cerén and Ortiz convened public and private dialogues with different sectors of Salvadoran society, including ARENA, academics, and the private sector.

President Sánchez Cerén's cabinet includes several holdovers from the Funes government, including the ministers of the economy, foreign affairs, public works, and social inclusion. Several of those ministers have formed good working relationships with U.S. officials and have participated in the Partnership for Growth (PFG) process. The cabinet also includes historic Fuerzas Populares de Liberación (FPL) leaders, Communist party officials, and allies of Tony Saca, some of whom have had tense relationships with the United States.⁸ Some U.S. officials may also have concerns about the decision to maintain David Múnguía Payés, the architect of the ill-fated 2012 gang truce who is under investigation for allowing arms trafficking by the military, as minister of defense.⁹ The rest of the security cabinet, which was restructured in January 2016, is composed of police from the FMLN ranks that have worked well with their U.S. counterparts.

During his inaugural address, President Sánchez Cerén outlined the goals of his government: (1) boosting growth and addressing the country's fiscal crisis through infrastructure projects and reforms to improve the business climate, (2) investing in education and healthcare, and (3) combatting crime and violence. Sánchez Cerén stressed the importance of working with the United States on the PFG and promoting trade with Latin America, Asia, and Europe. His government joined Petrocaribe, an agreement with Venezuela that provides subsidized oil.

Constraints Facing the Government

President Sánchez Cerén has thus far encountered difficulty in implementing his inaugural pledges due to his country's severe fiscal constraints and his party's lack of a congressional majority. His government has experienced the same type of opposition to its proposals to raise taxes from the private sector and ARENA that the Funes Administration encountered. Those groups support austerity rather than higher taxes. A study published by El Salvador's Treasury Department in 2015 asserted that many of the country's business owners and elites, the primary opponents of tax increases, also owed back taxes to the government.

Unlike President Funes, who enjoyed high approval ratings and used the media to influence politics in the country, President Sánchez Cerén is neither popular nor particularly media-savvy. Some observers maintain that Sánchez Cerén, who is facing serious (yet undisclosed) health challenges, has failed to demonstrate the leadership necessary to address El Salvador's deteriorating security situation.¹⁰ In July 2015, he traveled to Cuba to receive medical care even though gangs had caused a three-day shutdown of San Salvador's public transport system.¹¹ The Central American University recently released a poll in which 82% of those surveyed agreed that security conditions had deteriorated in 2015 despite government efforts and 46% agreed that economic conditions had worsened.¹²

⁸ The U.S. government reportedly regards Sánchez Cerén's personal secretary, Manuel Melgar, as one of the people behind a 1985 attack on a café in San Salvador's Zona Rosa neighborhood that killed four U.S. marines. Tim Johnson, "El Salvador's Long-Ago Civil War Still Colors U.S. Relations," *McClatchy Newspapers*, March 20, 2011.

⁹ "El Salvador's Defense Minister Investigated for Arms Trafficking," *Latin News Daily Report*, June 11, 2014.

¹⁰ "Low Rating in the First Year of Government of Sanchez Cerén," *Associated Press*, May 26, 2015.

¹¹ "El Salvador President Makes Fourth Cuba Trip for Medical Treatment," *Reuters*, July 29, 2015.

¹² Fernando Romero, "Encuesta del IUDOP Refleja Reprobación para el Gobierno," *La Prensa Gráfica*, January 7, 2016.

President Sánchez Cerén has encountered opposition to his priorities from the country's legislative and judicial branches. El Salvador has a unicameral National Assembly whose members are elected to serve for three-year terms. The current legislature was elected on March 1, 2015, in an election marred by technical problems and delayed results. ARENA's representation in the 84-seat legislature rose from 28 to 35 seats. Smaller right-leaning parties that tend to vote with ARENA hold the remaining seven seats. The FMLN did not gain any seats in the legislature, maintaining its 31 seats. GANA also maintained its 11 seats. Although neither the ARENA-led coalition nor the FMLN-GANA coalition has a simple majority, the ARENA-led coalition has enough votes to block judicial appointments and the issuing of foreign debt.¹³

The Supreme Court of El Salvador is composed of 15 justices that are divided among four chambers, including a constitutional chamber. Five justices are appointed to the court every three years by a two-thirds vote in the National Assembly to serve for nine-year terms. Following the 2009 elections, the Assembly approved five new justices after difficult negotiations. Since their installation in 2009, the five justices on the constitutional chamber of the Supreme Court have taken actions that appeared intended to check the power of the president and the legislature, something it has historically failed to do. From June to August 2012, the country became embroiled in a constitutional crisis over the makeup and authority of El Salvador's Supreme Court that was only settled after a series of complicated negotiations.¹⁴ Analysts are waiting to see whether President Sánchez Cerén will be willing to abide by the court's decisions. In mid-2015, the court prohibited his government from issuing \$900 million in bonds to fund social and security initiatives that it found were approved by the legislature in an unconstitutional manner.

Economic and Social Conditions

El Salvador achieved stability and economic growth in the 1990s following its embrace of a "neo-liberal" economic model that involved cutting government spending, privatizing state-owned enterprises, and, in 2001, adopting the U.S. dollar as its currency. Dollarization led to lower interest rates, low inflation, and easier access to capital markets, but it took away the government's ability to use monetary and exchange rate adjustments to cushion the economy from external shocks. El Salvador's more moderate growth rates in the 2000s were not high enough to improve living standards among the Salvadoran people, approximately 47% of whom continued to live in poverty in 2010.¹⁵ Emigration reduced unemployment and infused some households with income from remittances, but caused social disruptions.

The Funes government inherited a stagnating economy attracting little foreign direct investment (FDI) and mired in debt. El Salvador's already weak economy then contracted by 3.1% in 2009, as a result of the combined impact of the global financial crisis, U.S. recession, and Hurricane Ida. In March 2010, President Funes and the International Monetary Fund (IMF) agreed to a \$790 million package. The IMF agreement paved the way for more than \$1 billion in loans from the World Bank and Inter-American Development Bank to support anti-poverty efforts, fiscal reform programs, and the creation of an export guarantee fund. Nevertheless, rather than presiding over a

¹³ Economist Intelligence Unit (EIU), "Country Report: El Salvador," generated January 22, 2015.

¹⁴ Geoff Thale, *Tensions Rise Between El Salvador's National Assembly and the Supreme Court: Understanding (and Misunderstanding) the Salvadoran Constitutional Crisis*, Washington Office on Latin America, July 2012.

¹⁵ U.N. Economic Commission for Latin America and the Caribbean (ECLAC), *Social Panorama of Latin America, 2011*, December 2011.

period of economic recovery, gross domestic product (GDP) growth averaged just 1.7% throughout the remainder of the Funes Administration, too slow to reduce poverty or inequality.¹⁶

The IMF and others have urged the Salvadoran government to adopt a series of reforms to attract investment, boost revenue, better target social spending, and reduce the country's fiscal deficit, which has been at an unsustainably high level.¹⁷ The Salvadoran government has tended to swap short-term debt with longer-term debt, rather than implementing unpopular fiscal reforms. Those reforms include raising the value-added tax and creating a property tax, implementing a hiring freeze and limiting wage increases in the public sector, and fixing the pension system.

Growth and Investment

Economists have identified a lack of public and private (domestic and foreign) investment in the economy as the primary reason for El Salvador's low growth rates. Many wealthy Salvadorans have chosen to invest abroad rather than in the domestic economy. Over the past decade, FDI in El Salvador has lagged behind other Central American countries. According to El Salvador's Central Bank, FDI inflows totaled just \$275 million in 2014, and the stock of U.S. FDI in the country stood at roughly \$2.9 billion, with the largest investment flowing in from the United States, Panama, and Mexico.¹⁸ Low levels of FDI have been attributed to the country's difficult business climate, public security challenges, and relatively low-skilled labor force.

The Sánchez Cerén government has sought to attract foreign investment through public-private partnerships (PPPs) for infrastructure development, in order to take advantage of a revised PPP law adopted and a new investment stability law. Some FMLN legislators and other party leaders oppose PPPs, however. Perhaps as a result, the government has backtracked on plans to use a PPP to modernize the airport.

Nevertheless, El Salvador's "ease of doing business" ranking improved 11 spots from 2015 to 2016, according to the World Bank. The greatest gains came in providing access to credit. The government aims to provide financing, infrastructure, and improved supply chains to some 10,000 small and medium-sized enterprises in 2016, although that may be difficult in an austere budget environment.¹⁹

The Salvadoran economy grew by an estimated 2.4% in 2015. El Salvador's economic prospects for 2016 are likely to benefit from U.S. demand for Salvadoran exports, remittance flows (which contributed 18% of GDP in 2015), and low energy prices. Growth may be hindered by the ongoing impacts of drought, a coffee rust fungus outbreak that has hurt coffee production, and declining tourism due to security and health concerns. The U.S. Centers for Disease Control (CDC) has issued travel warnings for certain U.S. travelers (namely pregnant women) bound for El Salvador due to outbreaks of Zika and other mosquito-transmitted illnesses.²⁰

¹⁶ Slow growth in the United States, El Salvador's top trade partner, likely weakened U.S. demand for Salvadoran exports and limited remittance flows. In addition, a tropical storm in 2011 caused more than \$800 million in damage to infrastructure, and agriculture and a coffee rust outbreak in 2013/2014 reduced production in that sector.

¹⁷ IMF, *IMF Executive Board Concludes 2014 Article IV Consultation with El Salvador*, January 2015.

¹⁸ U.S. Department of State, *El Salvador: Investment Climate Statement: 2015*.

¹⁹ Regional Plan of El Salvador, Guatemala, and Honduras, *Plan of the Alliance for the Prosperity of the Northern Triangle: Progress in 2015 and the Plan in 2016*, September 2015.

²⁰ Nicholas Bakalar, "Spread of Zika Virus Prompts Travel Advisories," *New York Times*, January 20, 2016.

Poverty

El Salvador's social challenges have been exacerbated by the country's long and violent civil conflict, persistent poverty and inequality, and family disintegration. As previously mentioned, the effects of the 2009 global financial crisis and U.S. recession set back some of the progress that had been made prior to that time in reducing poverty in the country. Nevertheless, conditional cash transfers and other social programs, largely supported by loans from multilateral development banks, helped reduce poverty between 2010 and 2014 from 47% to 41%.²¹ Despite that progress, El Salvador's ranking in the U.N.'s Human Development Index (HDI) remained basically unchanged from the beginning to the end of the Funes government. El Salvador's ranking increased from 106 in 2009 to 115 in 2013.

Upon taking office, President Sánchez Cerén stated his intention to increase social spending using revenues that would be made available by reductions in energy costs that would occur as a result of the country's recent entrance into Petrocaribe.²² Since that time, oil prices have fallen, which has eased the country's energy costs. At the same time, however, economic conditions in Venezuela have deteriorated significantly and cast doubt on the future of the Petrocaribe program. The Sánchez Cerén government has been unable to increase its 2016 budget or to secure large new loans (as President Funes did) to support new social programs, but is seeking to redirect the limited revenues it has to health and education programs (in addition to the police).²³

Security and Human Rights

As with neighboring Honduras and Guatemala, El Salvador has been dealing with escalating homicides and generalized crime committed by gangs, drug traffickers, and other criminal groups for more than a decade. El Salvador recorded a homicide rate of roughly 61.1 per 100,000 people in 2014, a 57% increase from 2013. During 2015, El Salvador, a country with a population of 6.5 million people, recorded some 6,657 murders. As a result, El Salvador probably posted the world's highest homicide rate, an alarming 104 per 100,000 people, last year. El Salvador has the highest concentration of gang members per capita in Central America;²⁴ as a result, gangs, namely the Mara Salvatrucha (MS-13) and 18th Street gang,²⁵ are likely responsible for a higher percentage of homicides there than in neighboring countries. Drug-trafficking organizations, including Mexican groups such as Los Zetas, have increased their illicit activities in El Salvador, including money laundering, albeit to a lesser extent than in Honduras and Guatemala.

Amid a climate of extreme violence and severe human rights abuses perpetrated by criminal groups, the State Department has reported that some Salvadoran military and police have been accused of involvement in unlawful killings and torture.²⁶ Abuses were common in the 2000s as successive ARENA governments launched aggressive "mano-dura" anti-gang policies.²⁷ It will be

²¹ ECLAC, *Preliminary Overview of the Economies of Latin America and the Caribbean*, February 2014.

²² Amadeo Cabrera et al., "El Salvador Ingreso a Acuerdo Petrocaribe," *La Prensa Gráfica*, June 3, 2014.

²³ EIU, "Standstill Budget for 2016," December 18, 2015.

²⁴ U.N. Office on Drugs and Crime (UNODC), *Transnational Organized Crime in Central America and the Caribbean: A Threat Assessment*, September 2012. Hereinafter, UNODC, September 2012.

²⁵ The 18th Street gang was formed by Mexican youth in Los Angeles in the 1960s who were not accepted into existing Hispanic gangs. MS-13 was created during the 1980s by Salvadorans in Los Angeles who had fled the country's civil conflict. Both gangs later expanded their operations to Central America after increased U.S. deportations of gang members in the mid-1990s. See CRS Report RL34112, *Gangs in Central America*, by (name redacted)

²⁶ U.S. Department of State, *Country Report on Human Rights Practices: El Salvador*, June 2015.

²⁷ *Mano dura* approaches have typically involved incarcerating large numbers of youth (often those with visible tattoos) (continued...)

a challenge for the Sánchez Cerén government to ensure that security officials—both police and military—do not engage in human rights abuses when carrying out law enforcement functions now that they have been given the legal authority to shoot back in cases of gang attacks.²⁸ Those attacks increased after a 2012 gang truce unraveled in mid-2013 and again after gang leaders who had been involved in that process were returned to maximum security prisons in early 2015.²⁹

2012 Gang Truce and Dissolution

With support from then-minister of justice and public security David Munguía Payés, a Catholic bishop and a former legislator (who was the minister's aid in the defense ministry) brokered a truce between the MS-13 and 18th Street gangs. In March 2012, Munguía Payés agreed to transfer high-ranking gang leaders serving time in maximum security prison to less secure prisons in order to facilitate intra-gang negotiations. Munguía Payés denied his role in facilitating the truce until September 2012.³⁰

Between the time the prison transfers took place and May 2013 (when Munguía Payés was removed from his post), the Salvadoran government reported that homicide rates dramatically declined (from an average of roughly 14 murders per day to 5.5 per day). Gang leaders pledged not to forcibly recruit children into their ranks or perpetrate violence against women, turned in small amounts of weapons, and offered to engage in broader negotiations. However, they never agreed to give up control over their territories or to stop extortions. While some praised the truce, many others expressed skepticism, maintaining that disappearances increased after it took effect and gangs garnered media attention and political power.³¹

The truce began to unravel after then-President Mauricio Funes withdrew support for the truce mediators and reduced communication between imprisoned gang leaders and gang members in the streets in mid-2013. By April 2014, average daily murder rates had risen to some 9 murders a day; gang attacks on police also occurred with increasing frequency. These trends worsened considerably in 2015. Church leaders have voiced support for renewed dialogue with gang members; however, the Sánchez Cerén administration opposes negotiating with the gangs—directly or indirectly—and has classified them as “terrorist organizations.”

Post-truce, the gangs are more fragmented and powerful. Gangs have increasingly become involved in extortion; kidnapping; and drug, auto, and weapons smuggling. Gangs have extorted millions of dollars from residents, bus drivers, and businesses. Failure to pay often results in harassment or violence. Gang-related crimes continue to drive internal displacement and illegal emigration.³²

Police and Judicial Capabilities

In recent years, much has been written about the governance problems that have made El Salvador susceptible to the influence of criminal elements and unable to guarantee citizen security. Resource constraints in the security sector have persisted over time. A lack of confidence in the underfunded public security forces has in turn led many businesses and wealthy people to

(...continued)

for illicit association and increasing sentences for gang membership and gang-related crimes. A *mano dura* law passed by El Salvador's Congress in 2003 was subsequently declared unconstitutional but was followed by a *super mano dura* package of anti-gang reforms in July 2004. These reforms enhanced police power to search and arrest suspected gang members and stiffened penalties for convicted gang members, although they provided some protections for minors accused of gang-related crimes. Most youth arrested under *mano dura* provisions were subsequently released for lack of evidence that they committed any crime.

²⁸ David Gagne, “El Salvador Police Chief Targets Rising Gang Violence,” *Insight Crime*, January 21, 2015.

²⁹ “El Salvador Returns Criminal Gang Leaders to High Security Jail,” Reuters, February 19, 2015. In April 2015, the government began to mix prisons housing prisoners from only one gang with prisoners from other gangs.

³⁰ Carlos Martínez and Jose Luis Sanz, “The New Truth About the Gang Truce,” *Insight Crime*, September 14, 2012.

³¹ Douglas Farah, “Central America's Gangs Are All Grown Up,” *Foreign Policy*, January 19, 2016.

³² Sarnata Reynolds, *It's a Suicide Act to Leave or Stay: Internal Displacement in El Salvador*, Refugees International, July 29, 2015; Elizabeth Carlson and Anna Marie Gallagher, “Humanitarian Protection for Children Fleeing Gang-Based Violence in the Americas,” *Journal on Migration and Human Security*, vol. 3, no. 2, 2015.

use private security firms. There have also been serious concerns about corruption in the police, prisons, and judicial system.

With a majority of the National Civil Police (PNC, its acronym in Spanish) budget devoted to salaries and benefits for current officers, there has historically been limited funding available for investing in training and equipment. The PNC has deficient wages, training, and infrastructure. It has also lacked a merit-based promotion system. Corruption, weak investigatory capacity, and an inability to prosecute officers accused of corruption and human rights abuses remain additional barriers to police performance. PNC leadership changed three times during the Funes Administration and has recently undergone a leadership change just 18 months in to the Sánchez Cerén government.

Few arrests carried out by PNC officials are successfully prosecuted in the Salvadoran justice system. The State Department maintains that “inefficiency, corruption, political infighting, and insufficient resources”³³ have hindered the performance of the Salvadoran judiciary. As police and prosecutors are often loathe to work together to build cases, El Salvador’s criminal conviction rate is less than 5%. Delays in the judicial process and massive arrests carried out during prior anti-gang sweeps have resulted in severe prison overcrowding, with prisons operating at 330% capacity in late 2014.³⁴ The State Department has described conditions in Salvadoran prisons and temporary holding cells as “harsh and life threatening.”³⁵

On January 5, 2016, the Legislative Assembly elected Douglas Arquímides Meléndez to serve a three-year term as El Salvador’s attorney general. Meléndez, a consensus candidate who received nearly unanimous support, is a career prosecutor with experience in handling corruption cases who could play a decisive role in El Salvador’s efforts to combat impunity. He will inherit an attorney general’s office that has been plagued with problems and thus far resisted offers to partner with an external entity to combat corruption and reduce impunity as neighboring Guatemala and Honduras have done.

2015 Security Plan

In September 2014, the government created a forum, the National Council for Citizen Security (CNSCC), consisting of leaders from government, civil society, businesses, the church, the media, universities and political parties. On January 15, 2015, the CNSCC announced a new security plan called “El Salvador *Seguro* (Secure).” The plan is estimated to cost \$2 billion over five years. It includes (1) violence prevention and job creation initiatives, which account for nearly three-quarters of the funding; (2) an increased state presence in the country’s 50 most violent municipalities, with the goals of improving public spaces, engaging in community policing, and increasing student retention in schools; (3) improved prison infrastructure; and (4) increased services for crime victims.³⁶ The plan is being launched in 10 of the most violent municipalities and includes proposed legislation to create reinsertion programs for gang members who have not committed violent crimes. El Salvador’s legislature approved \$100 million in loans to support the security plan; however, its implementation will likely require additional taxes and loans. Consensus on those funding mechanisms has been difficult to achieve.

³³ U.S. Department of State, *Country Report on Human Rights Practices: El Salvador*, June 2015.

³⁴ U.S. Department of State, *International Narcotics Control Strategy Report (INCSR)*, March 2015.

³⁵ U.S. Department of State, *Country Report on Human Rights Practices: El Salvador*, June 2015.

³⁶ See <http://www.presidencia.gob.sv/wp-content/uploads/2015/01/El-Salvador-Seguro.pdf>.

Military Involvement in Public Security Efforts

Due to the weakness of the PNC and the severity of the security challenges the country is facing, El Salvador has deployed thousands of military troops to help the police carry out public security functions. It has not clearly defined when those deployments might end. In April 2014, the Salvadoran Supreme Court upheld former president Funes's October 2009 decree that authorized the military to carry out police functions.

Some have voiced concerns that, despite the seemingly holistic approach of "El Salvador Seguro," the government is resorting to the tough anti-gang policies of the past and further militarizing public security in a country where 7,000 officers were already engaged in anticrime efforts.³⁷ President Sánchez Cerén has mobilized three military battalions to bolster anti-gang operations run by the police. In August 2015, El Salvador's Supreme Court declared that gangs, which had used grenades against government installations, could be charged with terrorism. Analysts and human rights groups have warned the Salvadoran government that these policies could exacerbate human rights abuses committed by the country's security forces.³⁸

Confronting Past Human Rights Violations

As El Salvador seeks to deal with current security challenges posed by criminal groups in a way that respects human rights and the rule of law, the country is also still grappling with how to confront abuses committed during the country's civil conflict.

Twenty years after the U.N. Commission released its report on the war in El Salvador, Amnesty International issued a statement lamenting that the perpetrators of crimes identified in that report had not been brought to justice in El Salvador and that survivors had not received reparations.³⁹ In October 2013, then-President Funes signed a decree creating a program to provide reparations to the victims of the armed conflict. It is unclear how much funding has been budgeted for that program and how many people it has assisted thus far, but human rights groups have urged President Sánchez Cerén to continue supporting its provision of social benefits to victims and their families.⁴⁰ In his inaugural address, Sánchez Cerén pledged to do so and to help families who are seeking to find out what happened to their loved ones. It is unclear whether he will urge the Salvadoran Supreme Court to overturn the 1993 amnesty law, as domestic and international human rights groups have been urging it to do.

Although the amnesty law makes bringing cases against human rights abusers from the war era nearly impossible to do in El Salvador, some former Salvadoran military leaders who have resided in the United States have faced judicial proceedings regarding their immigration statuses.⁴¹ In recent years, the Human Rights Violators and War Crimes Unit within the Bureau of

³⁷ Hector Silva, "Violence and Risky Responses in El Salvador," *AULA Blog*, April 23, 2015.

³⁸ Eric L. Olson and Katherine Hyde, *Four Questions and Observations About El Salvador's Deteriorating Security Situation*, Woodrow Wilson Center, December 2015.

³⁹ Amnesty International, "El Salvador: No Justice 20 Years on from UN Truth Commission," press release, March 15, 2013.

⁴⁰ Teresa Alvarado, "Organizaciones Piden al Presidente Electo Continuar con Reparación a Víctimas de la Guerra," *Transparencia Activa*, March 21, 2014.

⁴¹ Julia Preston, "Salvadoran May Face Deportation for Murders," *New York Times*, February 23, 2012. ICE, "Former Salvadoran Military Officer Pleads Guilty to Concealing Information from U.S. Government," press release, September 11, 2012. For more pending cases, see <http://cja.org/article.php?list=type&type=199>.

Immigration and Customs Enforcement (ICE) of the Department of Homeland Security (DHS) has conducted investigations focused on past human rights violations in El Salvador.⁴²

- In February 2012, an immigration judge ruled that former Salvadoran Defense Minister Carlos Eugenio Vides Casanova could be removed (deported) from the United States based on his role ordering the torture of Salvadoran citizens, the 1980 killings of four American churchwomen, and the 1981 killings of land reformers. That decision was upheld in March 2015, and Vides Casanova was deported on April 8, 2015.
- In September 2012, Colonel Inocente Orlando Montano, one of the officials named by the Spanish judge as responsible for the aforementioned Jesuit murders, pled guilty to immigration fraud. Montano had hidden his military past when applying for Temporary Protected Status (TPS) in the United States. He was sentenced to 21 months in prison and could then face extradition to Spain.
- In February 2014, a federal judge determined that a former Salvadoran defense minister, General José Guillermo García, can be removed (deported) based on his role in brutal human rights violations. The judge ruled that he “assisted or otherwise participated” in 11 violent incidents, including the 1980 killing of Archbishop Óscar Arnulfo Romero. He was deported in January 2016.

U.S. Relations

U.S. relations with the FMLN governments of Mauricio Funes (2009-2014) and Salvador Sánchez Cerén have remained friendly. In March 2011, President Obama visited El Salvador and announced that El Salvador had been chosen as one of only four countries in the world deemed eligible to participate in the Partnership for Growth (PFG) initiative, a foreign aid initiative. El Salvador also completed a \$461-million Millennium Challenge Corporation (MCC) compact.⁴³

Obama Administration officials have continued economic and security cooperation under the PFG with President Sánchez Cerén and urged him to work with all of Salvadoran society to reach its goals.⁴⁴ On September 30, 2014, the MCC signed a second \$277-million compact with the Sánchez Cerén government to develop the southern coastal region; it aims to help El Salvador take better advantage of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR). Security, governance, and migration issues are also likely to figure prominently on the bilateral agenda, particularly now that violent crime and illegal emigration are trending upward.

Congress plays a key role in appropriating bilateral and regional aid to El Salvador, overseeing implementation of the Central American Regional Security Initiative (CARSI), and consulting with the MCC on how El Salvador’s second compact is proceeding. Congress is likely to closely monitor how the government is or is not improving the investment climate in El Salvador, dealing with gangs, preventing illegal emigration, and combating corruption.

⁴² For an update on these cases, see <http://www.cja.org/article.php?list=type&type=199>.

⁴³ Established in 2004, the Millennium Challenge Corporation (MCC) provides economic assistance through a competitive selection process to developing nations that demonstrate positive performance in three areas: ruling justly, investing in people, and fostering economic freedom.

⁴⁴ U.S. Department of State, “El Salvador Presidential Elections,” press release, March 25, 2014; U.S. Embassy in El Salvador, “Discurso de la Embajadora de los Estados Unidos Mari Carmen Aponte en el Desayuno de la Cámara Americana,” press release, April 24, 2014.

Partnership for Growth Initiative

El Salvador is the only Latin American country participating in the Obama Administration's PFG Initiative.⁴⁵ PFG involves greater collaboration between the donor and recipient countries than traditional U.S. assistance programs, but does not necessarily portend an increase in foreign aid. As a first step of implementing the PFG in El Salvador, a binational team conducted a diagnostic study, published in July 2011, which identified the two greatest constraints on growth in the country as crime and insecurity and a lack of competitiveness in the "tradables"⁴⁶ sector. Those two concerns have become the focus of U.S. bilateral and regional programs in El Salvador.

In November 2011, the two governments signed a 2011-2015 Joint Country Action Plan⁴⁷ officially launching the PFG; the plan includes detailed pledges by the U.S. and Salvadoran governments on how they intend to address the aforementioned growth constraints. Progress toward meeting each of 20 shared goals was to be mutually evaluated and then made public every six months. According to the plan, the U.S. government aimed to help El Salvador address crime and insecurity by strengthening judicial sector institutions and supporting crime and violence prevention programs. The U.S. government also sought to help El Salvador improve its infrastructure (physical, human, and financial) and business climate in order to attract investment and boost competitiveness. Both governments aimed to involve the private sector and other donors in the PFG. A Growth Council composed of government and business officials has continued to meet since President Sánchez Cerén took office.

The U.S. and Salvadoran governments reported in September 2015 that 15 of 20 bilateral goals were "on track" to being met.⁴⁸ Some goals had recently moved forward, including enforcement efforts by the business crimes and transit crimes task forces. However, others—such as removing assets from criminal organizations, reducing firms' costs, supporting a strategy to promote investment, and reducing overcrowding in prisons—had fallen behind schedule. The government missed its June 2014 deadline to form a judicial chamber to handle asset forfeiture and had yet to submit a civil service law to the legislature.

A final PFG evaluation for the May 2015-November 2015 period has yet to be made public. Although the goals of the PFG—reducing insecurity and bolstering El Salvador's competitiveness—may take years if not decades to accomplish, the initiative has helped focus bilateral efforts on those two goals. Building on the PFG, El Salvador has created a multi-sectoral Alliance for Prosperity Consultative Group to help oversee its portion of that initiative.

Migration Issues

The United States is home to more than 1.9 million Salvadoran migrants, some 700,000 of whom the Pew Research Center estimates to be unauthorized.⁴⁹ Salvadorans comprise the second-largest

⁴⁵ The principles behind the PFG Initiative are to (1) focus on broad-based economic growth; (2) select countries with demonstrated performance and political will; (3) use joint decision-making and prioritization of activities; (4) support catalytic policy change and institutional reform; (5) leverage U.S. government engagement for maximum impact; and (6) emphasize partnership and country ownership. The other PFG countries are Ghana, the Philippines, and Tanzania.

⁴⁶ "Tradables" refers to products that are or can be traded internationally.

⁴⁷ U.S. Department of State, *Partnership for Growth: El Salvador-United States Joint Country Action Plan 2011-2015*, November 2011, http://photos.state.gov/libraries/elsavador/92891/octubre2011/Joint_Country_Action_Plan.pdf.

⁴⁸ U.S. Department of State, *Partnership for Growth El Salvador-United States, Six Month Scorecard: November 2014-May 2015*.

⁴⁹ Anna Brown and Eileen Patten, *Statistical Portrait of the Foreign-Born Population in the United States, 2012*, Pew Research Center, April 2014; Jeffrey Passel and D'Vera Cohn, *Unauthorized Immigrant Totals Rise in 7 States, Fall in (continued...)*

foreign-born Hispanic population in the United States (behind Mexico). In the 1980s, Salvadoran emigration was fueled by the country's civil conflict. Once that ended, family reunification, the search for economic opportunities, and periodic natural disasters fueled emigration. 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 that have constituted as much as 18% of the country's GDP in recent years (according to the World Bank). On the other hand, emigration has arguably resulted in a "brain drain" of Salvadoran professionals, divided families, and left the economy overly reliant on remittances.

Temporary Protected Status and Executive Action on Immigration

Following a series of earthquakes in El Salvador in 2001 that forced thousands of Salvadorans to leave the country and prompted a determination that the country was temporarily incapable of handling the return of its nationals, the U.S. government granted Temporary Protected Status (TPS)⁵⁰ to an estimated 212,000 eligible Salvadoran migrants. TPS was extended on January 6, 2015, and is currently scheduled to expire on September 9, 2016.

The Salvadoran government has backed past efforts to enact comprehensive immigration reform in the United States. As those prospects have dimmed, the government has welcomed immigration relief provided to certain Salvadorans in the United States by President Obama's 2012 Deferred Action for Child Arrivals (DACA).⁵¹ It also welcomed November 2014 executive action on immigration that has been on hold pending court challenges. The U.S. Supreme Court is reviewing a circuit court ruling that blocked the 2014 programs.

Removals (Deportations)

The United States first began removing (deporting) large numbers of Salvadorans, many with criminal convictions, back to the region after the passage of the Illegal Immigrant Reform and Immigrant Responsibility Act (IIRIRA) of 1996.⁵² Many contend that deportees who were members of the MS-13 and 18th Street gangs "exported" a Los Angeles gang culture to Central America and recruited new members from among the local populations. Removals from El Salvador have risen since the mid-2000s, with a significant percentage of those removed both then and now possessing some sort of criminal record, although not necessarily gang-related. As a comparison, in FY2004, the Department of Homeland Security (DHS) removed 6,342 Salvadorans from the United States, 42.5% of whom had criminal records.⁵³ In FY2013, DHS removed some 18,677 Salvadorans, 46.2% of whom had criminal records.⁵⁴

The United States has been working with the Salvadoran government in a joint effort to improve the removal process since 2009. El Salvador became the first country in the world to receive more complete criminal history information on U.S. gang deportees through the FBI's Criminal History

(...continued)

14, Pew Research Center, November 18, 2014.

⁵⁰ See CRS Report RS20844, *Temporary Protected Status: Current Immigration Policy and Issues*, by (name redacted), (name redacted), and (name redacted)

⁵¹ CRS Report R43747, *Deferred Action for Childhood Arrivals (DACA): Frequently Asked Questions*, by (name redacted)

⁵² IIRIRA expanded the categories of illegal immigrants subject to deportation and made it more difficult for immigrants to get relief from removal.

⁵³ DHS, Office of Immigration Statistics, *2004 Yearbook of Immigration Statistics*.

⁵⁴ DHS, Office of Immigration Statistics, *2013 Yearbook of Immigration Statistics*.

Information Program (CHIP) in May 2012. The Bureau of Immigration and Customs Enforcement within DHS expanded a Criminal History Information Sharing (CHIS) program that began in Mexico to El Salvador in 2014.⁵⁵ The CHIS program provides a criminal history on those removed from the United States with felony records to Salvadoran law enforcement. Salvadoran police would then reciprocate by exchanging similar information with U.S. officials on deportees who have serious criminal records in El Salvador.

In 2014, the U.S. Agency for International Development (USAID) provided support to help the Salvadoran government prepare to receive larger numbers of adults, family units, and children who are removed from the United States (by air) and Mexico (by bus).

Unaccompanied Alien Children⁵⁶

Since 2011, several factors have contributed to a dramatic increase in unaccompanied alien children (UAC) immigrating from El Salvador (as well as Guatemala and Honduras) to the United States. Until recently, unaccompanied children had largely emigrated in search of opportunities (work and education) and/or to reunite with family living in the United States. Escalating crime and violence, as well as the government's inability to guarantee citizen security, have altered that tendency; 66% of the UAC from El Salvador interviewed by the U.N. High Commissioner for Refugees in 2013 had been abused or threatened by criminal actors.⁵⁷ Some minors are also reportedly emigrating in hopes of being granted asylum in the United States, or at least being temporarily released and reunited with family pending a U.S. immigration court hearing.⁵⁸ Flows of unaccompanied minors have increased even as the journey from Central America through Mexico to the United States has become more costly and more dangerous.

In response to a 2014 surge in unaccompanied child migrants, the U.S. and Salvadoran governments sponsored public awareness campaigns to inform Central Americans of the dangers of the journey and to correct misinformation regarding U.S. immigration policies. They also increased law enforcement efforts against alien smugglers. On December 3, 2014, the U.S. government also launched an in-country refugee/parole processing program for children with parents residing legally in the United States. A child can be processed for refugee status while still in El Salvador; however, the limited number of refugee visas allocated to the Latin American and Caribbean region as a whole (4,000) on an annual basis will likely limit the scope of the program. If a child is not eligible for refugee status but is still at great risk due to violence, they may be considered for humanitarian parole.⁵⁹

Addressing the root causes of why children are fleeing from El Salvador, how those children are treated once they arrive in the United States, and the process by which they are repatriated—if applicable—are likely to be important issues on the bilateral migration agenda for the foreseeable

⁵⁵ U. S. Embassy in San Salvador, "U.S. and El Salvador Share Criminal and Migratory Information," press release, May 15, 2014.

⁵⁶ CRS Report R43628, *Unaccompanied Alien Children: Potential Factors Contributing to Recent Immigration*, coordinated by (name redacted) ; CRS Report R43702, *Unaccompanied Children from Central America: Foreign Policy Considerations*, coordinated by (name redacted)

⁵⁷ U.N. High Commissioner for Refugees, *Children on the Run: Unaccompanied Children Leaving Central America and Mexico and the Need for International Protection*, May 2014.

⁵⁸ Julia Preston, "Hoping for Asylum, Migrants Strain U.S. Border," *New York Times*, April 10, 2014; Jennifer Scholtes, "CBP Chief: Policies May Be Fueling Spike in Minors Crossing Border Illegally," *CQ News*, April 2, 2014.

⁵⁹ U.S. Department of State, Bureau of Population, Refugees, and Migration, "In-Country Refugee/Parole Program for Minors in El Salvador, Guatemala, and Honduras with Parents Lawfully Present in the United States," fact sheet, November 14, 2014.

future.⁶⁰ Vice President Joseph Biden focused on these topics, as well as the need to dissuade parents from sending their children illegally to the United States, in meetings with President Sánchez Cerén and his Honduran and Guatemalan counterparts held in June 2014, November 2014, and March 2015. Biden has asked Congress to consider meeting the Administration’s \$1 billion request for Central America provided that the northern triangle governments demonstrate the political will and resources necessary to tackle the root causes of illegal emigration.⁶¹

The Administration’s FY2016 budget request would provide U.S. support for the Plan of the Alliance for Prosperity in the Northern Triangle (PAPNT) developed by the northern triangle governments with support from the Inter-American Development Bank. Launched in November 2014, the regional plan aims to (1) stimulate the productive sector in each country; (2) develop opportunities for people through access to healthcare and education; (3) improve public safety and access to the justice system; and (4) strengthen institutions. Each country is preparing their national implementation plans. El Salvador has selected 44 municipalities in which to implement the plan based on their high unemployment and emigration rates, as well as their expected capacity for development.

Foreign Assistance

U.S. bilateral funding to El Salvador amounted to roughly \$22.3 million in FY2014. The Administration requested a slight increase to \$27.6 million in bilateral assistance for El Salvador for FY2015 (see **Table 1**). Final FY2015 aid totals are not yet available. In an effort to address the root causes of the unprecedented surge in unaccompanied minors who arrived at the U.S. border in 2014, the FY2016 request for El Salvador rose to \$119.2 million.

Table 1. U.S. Bilateral Assistance to El Salvador: FY2014-FY2016
(millions of dollars)

| Account | FY2014 | FY2015 (Estimate) | FY2016 (Request) | FY2016 (Estimate) |
|--------------|-------------|----------------------|---------------------|----------------------|
| DA | 18.6 | 25.0 | 116.5 | 65.0 |
| ESF | 0.0 | 19.0 | 0.0 | 0.0 |
| FMF | 1.9 | 1.6 | 1.9 | 1.9 |
| IMET | 1.1 | 1.0 | 0.8 | 1.0 |
| TOTAL | 21.6 | 46.6 | 119.2 | 67.9 |

Sources: U.S. Department of State, *Congressional Budget Justification for Foreign Operations: FY2013-FY2016*.

Notes: DA=Development Assistance; ESF=Economic Support Fund; FMF=Foreign Military Financing; IMET=International Military Education and Training.

As previously mentioned, since FY2013, U.S. bilateral assistance to El Salvador has been realigned to focus on reducing insecurity and boosting productivity in the country. As part of that effort, the U.S. Agency for International Development (USAID) is increasing funding for institutional strengthening, violence prevention, and private sector competitiveness programs for municipalities and small and medium-sized enterprises. In contrast, health programs have ended,

⁶⁰ Jennifer Scholtes and Emily Ethridge, “Alone, Illegal, and Underage: The Child Migrant Crisis,” *Roll Call*, May 28, 2014.

⁶¹ CRS Report IN10237, *President Obama’s \$1 Billion Foreign Aid Request for Central America*, by (name redacted) and (name redacted).

and education programs have been reoriented. USAID's education programs now focus on in-school and out-of-school youth in high-crime communities, while tertiary programs aim to align post-secondary training and education programs with current workforce demands.

The Central American Regional Security Initiative⁶²

In addition to bilateral aid, El Salvador receives assistance under the Central America Regional Security Initiative (CARSI, formerly known as Mérida-Central America), a package of counternarcotics, anticrime, and rule-of-law assistance for the region. As currently formulated, CARSI provides equipment, training, and technical assistance to build the capacity of Central American institutions to counter criminal threats. In addition, CARSI supports community-based programs designed to address underlying economic and social conditions that leave communities vulnerable to those threats. From FY2008 to FY2014, Congress appropriated nearly \$806 million for Central America through Mérida/CARSI. According to the Government Accountability Office (GAO), between FY2008 and FY2012, El Salvador received some \$80.8 million in CARSI assistance (16% of the funds appropriated).⁶³ More recent country breakdowns are not available.

Although final aid amounts are not yet available, the FY2015 Consolidated and Further Continuing Appropriations Act (P.L. 113-235) appears to provide an estimated \$260 million in CARSI funding, \$130 million above the Administration's FY2015 request.

Millennium Challenge Corporation⁶⁴

First Compact Completed

In 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 included (1) a \$68.5-million **productive development project** to provide technical assistance and financial services to farmers and rural businesses; (2) an \$89.1-million **human development project** to strengthen education and training and improve public services in poor communities; and (3) a \$268.8-million **connectivity project** to rehabilitate the Northern Transnational Highway and some secondary roads.⁶⁵ The MCC compact officially ended on September 20, 2012.

U.S. and Salvadoran officials have touted the MCC compact's effects on development and investment in El Salvador's northern border region. According to MCC, the compact enabled the construction or rehabilitation of 137 miles of roads and 23 bridges, which Salvadoran officials maintain has helped that area attract \$57 million in private investment.⁶⁶ The project also provided electricity to 33,000 families; connected 7,634 households to potable water sources; created 15,250 jobs; and gave supplies and technical assistance to 17,467 small-scale producers.⁶⁷

⁶² CRS Report R41731, *Central America Regional Security Initiative: Background and Policy Issues for Congress*, by (name redacted) and (name redacted).

⁶³ GAO, *Central America: U.S. Agencies Considered Various Factors in Funding Security Activities, But Need to Assess Progress in Achieving Interagency Objectives*, GAO-13-771, September 25, 2013, available at <http://gao.gov/assets/660/658145.pdf>.

⁶⁴ See CRS Report RL32427, *Millennium Challenge Corporation*, by (name redacted).

⁶⁵ The compact also included \$28 million for program administration and \$6 million for monitoring and evaluation.

⁶⁶ Ambassador of El Salvador to the United States Francisco Altschul, "Salvadoran Ambassador Francisco Altschul: The Case for a New MCC Compact with El Salvador," *The Hill*, October 1, 2012.

⁶⁷ Millennium Challenge Corporation (MCC), "El Salvador: Table of Key Performance Results," November 10, 2012.

The Salvadoran government complemented MCC investments in each of the project areas, investing \$70 million in road construction and rehabilitation alone.

Critics have challenged these results. Some asserted that roads constructed by the MCC fell apart due to design problems and a lack of maintenance.⁶⁸ Others criticized the project for providing only limited opportunities for community input in the compact development process and for failing to complete the entire infrastructure that was promised to local communities.⁶⁹

Second Compact Signed September 30, 2014

On December 15, 2011, the MCC Board announced that El Salvador would be eligible to develop a proposal for a second compact, and in February 2013 MCC obligated \$3 million to assist El Salvador with compact development. On September 12, 2013, the MCC Board approved a second five-year compact with El Salvador, this time for \$277 million; the Salvadoran government committed to match that contribution with \$88 million in complementary investments. Key compact projects include the following:

- **Investment Climate Project (\$42 million MCC funds/\$50 million Salvadoran funds):** seeks to help the government develop and implement regulatory improvements and to better partner with private investors to build infrastructure and provide public services.
- **Human Capital Project (\$100.7 million MCC funds/\$15 million Salvadoran funds):** supports full-day schooling; reforms to the policies and operations that govern teacher training and student assessment; and a new technical, vocational, education, and training system that is aligned with labor market demands.
- **Logistical Infrastructure Project (\$109.6 million MCC funds/\$15.7 million Salvadoran funds):** will widen the part of El Salvador's coastal highway that connects the airport and the ports of La Unión and Acajutla and improve border crossing facilities into Honduras at El Amatillo.

In response to some lingering concerns expressed by board members, the Salvadoran government designed a Priority Action Plan that was then agreed to by both governments to be completed prior to the compact's signing. The action plan required the Salvadoran government to (1) appoint a director and deputy director to a newly established financial crimes investigation unit in the police; (2) approve an asset forfeiture law; (3) approve reformed anti-money-laundering legislation that meets international standards; (4) approve reforms to the country's public-private partnership law to make it attractive to investors; and (5) issue a revised decree on how corn and bean seed are procured that is consistent with CAFTA-DR. The fifth condition was subsequently removed. The compact was signed on September 30, 2014.

Department of Defense (DOD) Assistance

DOD provides counternarcotics foreign assistance to train, equip, and improve the counternarcotics capabilities of relevant agencies of the Salvadoran government with its Counternarcotics Central Transfer Account appropriations. In contrast to the increases in funding requested for State Department and USAID programs in Central America for FY2016, the

⁶⁸ Carlos Hernández, "Conductores Denuncian Deterioro de Carretera Longitudinal Norte," *La Página*, December 24, 2013.

⁶⁹ "¿Fomilenio: Misión Cumplida?" *Editorial UCA*, September 21, 2012.

counternarcotics request for DOD programs in Central America did not include significant new funding. The FY2016 estimated appropriation of \$1.9 million for DOD programs in El Salvador is roughly the same as what was provided in FY2014.

Counternarcotics Cooperation

Although El Salvador is not a 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. On September 14, 2015, President Obama included El Salvador on the annual list of countries designated as “major” drug-producing or “drug-transit” countries for the fourth consecutive year. A country’s inclusion on the list does not mean that its antidrug efforts are inadequate. In 2014, Salvadoran officials seized 1,066 kilograms of cocaine and 1,271 kilograms of marijuana (roughly 40% more than what was seized in 2013). Some \$78.3 million worth of drugs were seized in 2015.⁷⁰ Still, corruption and inadequate manpower, training, and equipment among the security forces continue to hinder El Salvador’s antidrug efforts.

U.S. assistance focuses on improving the interdiction capabilities of Salvadoran law enforcement and military agencies, particularly the joint military-police antidrug task force that was formed in 2012. It also supports the attorney general’s National Electronic Monitoring Centers. Recent U.S. support has been geared at helping implement El Salvador’s asset forfeiture legislation and bolstering anti-money laundering efforts. In 2014, the Obama Administration named José Adán Salazar, a hotel magnate whom the Salvadoran government has yet to accuse of drug trafficking, as a major drug kingpin subject to U.S. sanctions.

Comalapa International Airport in El Salvador serves as one of two cooperative security locations (CSLs) for U.S. antidrug forces in the hemisphere. The CSL extends the reach of detection and monitoring aircraft into the eastern Pacific drug-smuggling corridors. The U.S. lease on the airport was renewed for a five-year term in August 2014.⁷¹ El Salvador is also the home of the U.S.-backed International Law Enforcement Academy, which provides police management and training to officials from across the region.

Anti-Gang Efforts and U.S. Programs

Since the mid-2000s, several U.S. agencies have been actively engaged on the law enforcement and preventive side of dealing with Central American gangs; many U.S. anti-gang efforts in Central America began in El Salvador. In 2004, the Federal Bureau of Investigation (FBI) created an MS-13 Task Force to improve information-sharing and intelligence-gathering among U.S. and Central American law enforcement officials. The FBI established a vetted Transnational Anti-Gang Unit in El Salvador in 2007. In addition to arresting suspected gang members in the United States, ICE within DHS began coordinating its U.S. anti-gang efforts with its Transnational Criminal Investigative Unit activities in El Salvador.

Since FY2008, the State Department has funded anti-gang programs in El Salvador with support from the Mérida Initiative/Central American Regional Security Initiative (CARSI). From FY2008 to FY2012, a line item in the Foreign Operations budget designated for “Criminal Youth Gangs” separately provided \$35 million for anti-gang efforts. A Regional Gang Advisor based in El Salvador has coordinated Central American gang programs, including model police precincts and

⁷⁰ Jessel Santos, “4.1 Toneladas de Droga Incautadas Durante 2015,” *La Prensa Gráfica*, December 29, 2015.

⁷¹ *INCSR*, March 2015.

a school-based, law enforcement-led prevention program, since January 2008. USAID conducted a comprehensive gang assessment in 2005 and has since supported a variety of prevention programs for at-risk youth, municipal crime prevention projects, and community policing efforts. USAID-El Salvador has begun a \$42 million public-private partnership focused on crime prevention and \$2 million in grant awards to municipalities that have designed innovative crime prevention projects.

On October 11, 2012, the Treasury Department designated the MS-13 as a significant transnational criminal organization whose assets will be targeted for economic sanctions pursuant to Executive Order (E.O.) 13581.⁷² Issued in July 2011 as part of the Obama Administration's National Strategy to Combat Transnational Organized Crime, E.O. 13581 enables the Treasury Department to block the assets of members and associates of designated criminal organizations and prohibit U.S. citizens from engaging in transactions with them.⁷³ Salvadoran officials seemed surprised by the designation, with then-President Funes asserting that U.S. officials may be "overestimating the economic risk or financial risk resulting from the criminal actions of the MS."⁷⁴ U.S. officials have stood by the designation, asserting that it will provide law enforcement with new tools to advance domestic and international anti-gang efforts. At least six individuals have been designated as subject to U.S. sanctions.

In mid-2013, USAID suspended funding that was intended to reimburse the Salvadoran government for costs of a small grants program to assist individuals affected by the global financial crisis. Following media allegations that the benefits of the program were being directed to gang members, USAID investigated and found that the government's implementing agency had failed to follow correct program procedures, including those for selecting participating communities. For that reason, USAID ended its funding for that particular component before any funding had been reimbursed to the government for program costs. The Salvadoran government continued the program, at least for a time, using non-U.S. government funding.

Trade and CAFTA-DR⁷⁵

The United States is El Salvador's main trading partner, purchasing 46% of its exports and supplying more than 40% of its imports.⁷⁶ Salvadoran exports to the United States include apparel, electrical equipment, sugar, and coffee; its top imports from the United States are fuel oil, heavy machinery, and electrical machinery. Other main trade partners for El Salvador include Guatemala, Honduras, and Mexico.

From the 1980s through 2006, El Salvador benefitted from preferential trade agreements, such as the Caribbean Basin Initiative and later the Caribbean Basin Trade Partnership Act (CBTPA) of 2000, which provided many of its exports, especially apparel and related items, duty-free entry

⁷² The criteria established for declaring a transnational criminal organization pursuant to Executive Order 13581 are available at <http://www.whitehouse.gov/the-press-office/2011/07/25/executive-order-blocking-property-transnational-criminal-organizations>. U.S. Department of the Treasury, "Treasury Sanctions Latin American Criminal Organization," press release, October 11, 2012.

⁷³ The first four criminal organizations that received transnational criminal organization (TCO) designations were the Brother's Circle, the Camorra, Los Zetas, and the Yakuza. See White House, Office of the Press Secretary, "Executive Order 13581—Blocking Property of Transnational Criminal Organizations," July 25, 2011.

⁷⁴ Geoffrey Ramsey, "El Salvador President: US 'Overestimating' MS-13," *Insight Crime*, October 11, 2012.

⁷⁵ For historical background, see CRS Report R42468, *The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA DR): Developments in Trade and Investment*, by (name redacted)

⁷⁶ Trade data contained in this section are from Global Trade Atlas.

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.

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. Since that time, the volume of U.S.-Salvadoran trade has tended to follow trends in growth rates in the United States, with a variety of factors inhibiting the performance of Salvadoran exports vis-à-vis the other CAFTA-DR countries. Those factors have included a continued dependence on the highly competitive apparel trade, low levels of investment, public security problems, and broader governance concerns. As a comparison, El Salvador's exports to the United States increased from \$2.0 billion in 2005 (the year before the agreement took effect there) to \$2.4 billion in 2014. Nicaragua's exports increased from \$1.1 billion in 2005 to \$3.1 billion in 2014.

According to the July 2011 Partnership for Growth (PFG) assessment, a lack of competitiveness among firms in El Salvador that produce internationally traded goods has prevented the country from enjoying the full benefits of CAFTA-DR. The study found that El Salvador may be "missing eight percentage points of GDP compared to CAFTA colleagues" due to its productivity constraints. Low productivity may be due, in part, to the country's low level of human capital.

More recently, El Salvador and other Central American and Caribbean countries have become increasingly concerned about the potential impact of the Trans-Pacific Partnership agreement (TPP) on their textile and apparel industries.⁷⁷ All things considered, tariff preferences provided through CAFTA-DR appear to be important in keeping apparel producers in those countries competitive in the U.S. market. A TPP agreement, if one is reached, has the potential to upset this situation. If apparel produced in Asian TPP countries gains duty-free access to the U.S. market, it could displace apparel manufactured with U.S. fabric in Central America, adversely affecting the textile and apparel industries in those countries and in the United States.

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⁷⁷ CRS Report R42772, *U.S. Textile Manufacturing and the Trans-Pacific Partnership Negotiations*, by (name redacted)

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