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**The U.S. and Central America since 2000:
Free Trade and Diaspora Diplomacy**

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Central America emerged at the end of the Cold War as a region in peace. By the beginning of the 21st century, for the first time in its history, democratically elected men and women rule the six countries. Internationally observed elections have become the rule. Judicial systems have been overhauled. Civilian police forces have been established where they did not exist and strengthened where they did. The Guatemalan and Salvadoran military have been restructured. Truth Commissions have uncovered past abuses and the perpetrators have been named if not punished.

The negotiations leading to the signing and ratification of the Central American-Dominican Republic Free Trade agreement, generally referred to as CAFTA-DR, by the governments of Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, the Dominican Republic and the U.S. implied a second generation of economic reforms in the six Latin American countries that deepened the transformations of their economies initiated under the Washington Consensus framework.

Problems remain: governance is fragile, violence is widespread, inequality has grown, economic growth has been modest, but overall the region is in better shape than thirty years ago.

To most observers the relationship between the United States and the Central American Republics constitutes the perfect example of an hegemonic relationship resulting from the profound power asymmetry between the two poles of the relationship.¹ I do not disagree with such an assessment, however I would argue that to examine the relationship exclusively through the lens of power and to analyze only formal diplomatic and economic relations is not enough and probably even misleading.

My point of departure in this essay is that the extreme asymmetry of the relationship and the low priority the Central American countries constitute in the traditional U.S. foreign policy agenda hide a very dense and dynamic relationship between Guatemala, El Salvador, Honduras and Nicaragua and an increasing number of cities and counties in the U.S. Despite having a more traditional state-centric relationship with the U.S. Costa Rica is impacted by U.S. foreign policy towards the other four (CA4) through its membership in the Central American Integration System (SICA), its incorporation in the Central

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America-Dominican Republic framework (CAFTA-DR) and its participation in Central American economic and political dynamics more generally.

In the following pages, in a first section I will briefly go back to the Reagan years; secondly I will go over the three pillars of the relationship: trade, migration, and security cooperation and will finish with a discussion on possible future scenarios for the Obama administration.

Cold War Legacies

The dissolution of the socialist bloc and the disintegration of the Soviet Union made the peace accords possible and the democratization of the CA4. I refer to that period not out of misplaced nostalgia, but because I believe that the foundations of the relationship pattern that currently determines CA-U.S. dynamics were established during those years: namely the dominant trade patterns, the demographic interdependence between the CA4 and specific U.S. locales, and the security challenges.

During most of the Cold War, with the exception of Guatemala during the Arévalo and Arbenz governments and the Washington sponsored 1954 Castillo Armas rebellion, no other Latin American countries symbolized better the U.S. backyard than the Central American ones. Military dictatorships –dynastic or institutional--maintained order in the four of the five Central American republics. In those days the Embassy (as the U.S. embassy was routinely referred to) had veto power over who ruled, so did “mamita iunai”-- as the powerful United Fruit Company was called.

The triumph of the Sandinista guerrilla over the Somoza dictatorship would transform the “backyard” into the last Cold War theater. The Reagan administration became obsessed with Central America, as did the neo-conservative intellectual elites and the foreign policy establishment. Many among the main characters at the time have been until recently important Washington foreign policy decision makers albeit not regarding Central America: John Negroponte, Thomas Pickering and Elliot Abrams to name a few.

A three- pronged strategy was implemented to complement the U.S. sponsored counter revolution in Nicaragua or contra. Counterinsurgency in El Salvador and Guatemala constituted the first element; elections in those two countries plus in Honduras was the second; and economic reforms in the three countries plus Costa Rica was the third. Reasonably free elections were held and for the first time in decades civilian politicians would lead Guatemala, Honduras and El Salvador. The five countries went through profound economic transformations. Following the premises of the Washington consensus, state participation in economic activities was drastically curtailed. Public utilities, financial institutions, insurance companies and all type of industrial activities were privatized. Budget deficits were slashed. External tariffs were reduced and important subsidies to non-traditional exports were established.

In order to ease the burden of Central American and Caribbean countries going through the twin processes of structural adjustment and economic liberalization, the Reagan

administration established the Caribbean Basin Initiative (CBI) in 1983 through the Caribbean Basin Economic Recovery Act which gave tariff preferences to the exports of 27 nations and territories in the Caribbean. Nicaragua was excluded at the time and would not be designated as a “beneficiary country” until 1990 during the government of Violeta Chamorro. “Intended to facilitate the economic development and export diversification of the Caribbean Basin economies,” the U.S.-Caribbean Trade Partnership expanded the CBI in 2000. It expired in September 2008, three years after CAFTA-DR was ratified.²

The U.S. became the main trading partner of the Central American economies at the beginning of the 20th century and has remained so since. However, the 1980’s economic reforms and the preferential trade agreement established through the CBI accelerated that trend. By increasing the importance of exports as the engine of economic growth and diversifying the pattern of trade with the introduction of U.S. bound goods assembly plants (maquiladoras) and the development of non-traditional agricultural exports, trade relations with the U.S. increased even more their relative importance for the small Central American economies. CAFTA-DR is expected to further deepen their integration to the U.S. market.

Until the 1980s Central Americans had not migrated to the U.S. in large numbers. Prior to the armed conflict that opposed El Salvador to Honduras, Salvadoran had been an important minority in Honduras, Nicaraguans routinely went to Costa Rica as seasonal laborers, Guatemalans picked coffee crops in Southern Mexico, but only a handful ventured farther north.

The contra war and the counterinsurgency strategies implemented in the region during the 1980s changed that. The first to come north were the Nicaraguan business elites and professionals deserting Sandinista Nicaragua. In July 1987 Edwin Meese, by then the U.S. Attorney General allowed all qualified Nicaraguans to obtain work permits and those whose asylum petitions had been rejected to reapply. More than 30,000 Nicaraguans reapplied and 50% of those asylum applications were granted.³ The vast majority of Nicaraguans settled in Miami and Los Angeles. Salvadorans and Guatemalans fleeing violence in their countries came shortly after. The Reagan administration refused to accept Salvadorans and Guatemalans as political refugees.⁴

In 1980, during the last days of the Carter administration, the U.S. Congress had approved the Refugee Act, modeled on the non ideological standard of well founded fear of persecution adopted by the UN. The approval of that law set the stage for a decade long controversy regarding the status of Central American migrants to the U.S.: were they economic migrants as the Reagan administration argued or war refugees as the opponents to the war considered them? And we are not talking small numbers here, not even for the United States. It is estimated that between 1981 and 1990, almost one million Salvadorans and Guatemalans came to the U.S. to cities such as Washington DC, Los Angeles, San Francisco, Boston and Chicago.⁵

U.S public opinion was deeply divided regarding the country's intervention in Central America. In 1981 a group of religious activists launched an initiative in order to protect undocumented Central Americans fleeing violence in their home countries who had made it through Mexico and crossed the U.S. border. What began as a modest border initiative became an important social movement known as the Sanctuary Movement. At its height, in the mid 1980s, a coalition of more than 1000 local Christian and Jewish congregations, several major Protestant denominations, and Catholic orders had endorsed the concept and practice of the medieval institution of church sanctuary. Sanctuary activists coordinated with their Mexican counterparts to smuggle Salvadorans and Guatemalans over the border and across the country. Assistance provided to refugees included food, medical care, and employment as well as bail and legal representation when needed.

In December 1990, a landmark immigration case, *American Baptist Churches vs. Thornbrough*, ruled that Salvadorans and Guatemalans had been discriminated against in the asylum adjudication process based on nationality and on how the U.S. government judged the ideological beliefs of the applicants. The INS was required to reopen 150,000 cases and hear petitions from 350,000 more.⁶ That same year, Congress passed legislation allowing the president to grant Temporary Protected Status (TPS) to groups in need of a temporary safe haven.

Salvadoran and Guatemalans who had arrived in the 1980s were able to stay in the country under a series of discretionary measures and under the terms of the 1991 settlement in the *American Baptist Churches* litigation. In the late 1990s the status of Salvadorans and Guatemalans protected was finally settled in a legislative agreement passed with the support of the Cuban American Florida legislators. The passage of the 1997 Nicaraguan Adjustment and Central American Relief Act (NACARA) allowed some of them to apply for permanent residency. It favored mostly Nicaraguans.

Cultural practices travelled with the refugees. They brought with them as an organizing tool the Christian Base Community model that they had used back home. Religious and human rights activists, liberal lawyers, community organizers and the refugees themselves incorporated the model to their activism in the U.S, supporting new arrivals and organizing support for grass root organizations and political parties in their countries of origin. Over twenty years later, a number of those immigrant led projects still exist as full service non-profit legal and community services centers. Immigration from Central America has continued albeit at a lower rate. It has peaked following natural disasters, such as Hurricane Mitch in 1998, two earthquakes in El Salvador in 2001, and Hurricane Stan in 2005.

The Free Trade Agreement CAFTA-DR

In 1990, the first President Bush launched the idea of creating a free trade zone from Anchorage to Tierra del Fuego that he called Enterprise of the Americas. NAFTA would be ratified four years later, but the idea of creating a Free Trade Area of the Americas as President Clinton's administration renamed the initiative did not prosper despite his active support and that of the second President Bush.

In early 2002, at the Organization of American States (OAS), George W. Bush offered the Central American countries the possibility of negotiating a sub regional free trade agreement. A year later, in San José, Costa Rica, Robert Zoellick, the U.S. Trade Representative at the time and his Central American counterparts, launched the process of formal negotiations with the explicit goal of reaching an agreement by the end of the year 2003.

Facing increasing difficulties to promote a hemispheric free trade area, the Bush administration opted to establish a trade pact with the historic five Central American countries. During his father administration George W. Bush had been involved in the decision making regarding the settlement of the Central American conflicts and considered peace in the region a personal diplomatic achievement.⁷

Additionally, contrary to what the small size of the region's economies would suggest, as a whole it constitutes a relatively important market for U.S. exports. Buying more than \$25 billion in U.S. exports, the CAFTA-DR region was in 2008 the third largest Latin American export market for the U.S. only after Mexico and Brazil. Combined, the small Central America countries plus the DR are a larger export market for U.S. goods than Russia, India or Turkey. The U.S. exports more to Costa Rica or the Dominican Republic than to Sweden, Greece or Vietnam. Moreover, unlike vis-à-vis Mexico, the balance of trade with all the CAFTA-DR countries favors the U.S.⁸

After nine grueling rounds of negotiations, by December 2003, the United States and the CA4 had concluded negotiations on the U.S.-Central American Free Trade Agreement. The U. S. and Costa Rica settled the terms of the Central American country's participation in CAFTA on January 25 after an additional negotiating round. The U.S. and the Dominican Republic concluded market access negotiations in March 2004.

CAFTA-DR will liberalize bilateral trade between the United States and the region. It is also expected to further integration among the countries of Central America, as it removes barriers to trade and investment in the region by U.S. companies. CAFTA-DR will also require the countries of Central America to undertake a series of reforms in areas such as customs administration; protection of intellectual property rights; services, including financial services; investment; market access and protection; government procurements; and sanitary, phytosanitary and other non-tariff barriers.

The U.S.-Chile Free Trade Agreement served as the base document and legal framework for CAFTA's negotiations. In order to upgrade Central American negotiators' capacity, the U.S. established a Trade Capacity Building Assistance Act. USTR commissioned a needs assessment to the Inter American Development Bank. The report concluded that two key areas should be targeted in the short term for capacity building assistance. One of those areas was a recognized government weakness in government outreach to civil society. The second was a deficit in capacity to analyze sectoral impacts of trade liberalization. A significant proportion of the aid provided to the Central Americans was

designed to target the first issue⁹. Unfortunately, transparency was undermined after the U.S. negotiators requested that their Central American counterparts sign a confidentiality agreement “to ensure that what gets put on the table does not leave the room, or else the process would be interrupted.”¹⁰

The “side rooms” established by the Central American negotiators as an informational mechanism designated for civil society and private sector observers became nothing more than window dressing. In most cases, the information shared was superficial if not perfunctory. The quality of the exchanges also varied from country to country depending on the nature of the relationship between civil society and private sector groups and the official negotiating team. According to a Costa Rican participant in the side room, the relationship was good in the Costa Rican and Nicaraguan cases, bad in the others, particularly regarding governmental and private sector relations with civil society.

In exchange for lax labor and environmental safeguards the governments of El Salvador, Honduras and Guatemala agreed to most of U.S. demands concerning trade liberalization, government procurement and were ready to accommodate the U.S. insistence on closing the negotiations by the given December 2003 deadline. On the other hand, Costa Rica, who proved to be the most difficult negotiating partner for the U.S., since the beginning openly criticized its counterparts in the region for closing deals bilaterally on terms that according to Costa Rican negotiators were not entirely favorable to the region.

In the end Costa Rica did not sign in December 2003. Its delegates had an additional negotiating round the following January where Costa Rica finally agreed to open the state monopolies of insurance, telecommunications and utilities to private competition, thus lifting the main stumbling block to its participation in CAFTA. The Costa Rican delegation during the final round included 68 negotiators, 80 private sector representatives and 11 congress representatives.

The free trade agreement was signed on May 28, 2004 at the OAS by the five Central American governments. A second ceremony was held on August 5 that same year for the incorporation of the Dominican Republic. The first country to ratify the trade pact was El Salvador in December 2004, Honduras ratified it second, in March 2005 followed by Guatemala the same week. The U.S. Senate approved the agreement 54 to 45 on June 30, 2005, the House of Representatives 217 in favor and 215 against it. Once approved by the U.S. Congress it became Public Law 109-053. CAFTA –DR was ratified by the Nicaraguan congress on October 2005 and by the DR legislature in March 2007.

A supra-national body, the Central American Free Trade Commission, with extensive attributions will “supervise the implementation of the agreement”. Composed by cabinet ministers from the six countries it will have the right to change, interpret, and generally oversee the operation of the agreement. The commission will be the first instance for dispute settlements. There are rights of arbitration under CAFTA-DR, but the Free Trade Commission is empowered to change, interpret, and generally supervise the operation of the pact. Whatever the countervailing forces, in the end, the Free Trade Commission will

act as the court and legislature that issues administrative rules by which disputes have to be decided.¹¹

Why did the CA4 want CAFTA so badly? Despite the obvious costs for the small agricultural producers and domestic industry oriented toward local markets, it was considered the only way to consolidate the advantages offered by the Caribbean Basin Initiative, to attract investment into the growing maquiladora sector, and very importantly, to take advantage of the expanded trade in goods and services that the Central Americans in the U.S. yearn for from their countries of origin –referred to as the “nostalgic trade.”

Labor and the Environment

In the U.S. opponents to the agreement criticized its weak provisions regarding labor and the environment. In order to increase the likelihood of Congressional approval U.S. negotiators insisted that labor and environmental clauses be included in the agreement. Those demands irritated the Central Americans considering them as aggressive meddling in their internal affairs.

The International Labor Organization (ILO) has defined three “core international labor standards”: 1) the right to associate, to form unions, and to bargain collectively; 2) the prohibition of prison and child labor; and 3) freedom from employment discrimination. In CAFTA-DR each country has additionally pledged: to effectively enforce its own labor laws, to ensure that both ILO core labor principles and internationally recognized worker rights are recognized and protected by domestic law; not to waive its own labor laws to encourage trade or investment; and to establish mechanisms for cooperative activities and labor-related trade capacity building with the other countries. However, enforcement mechanisms are weak. CAFTA –DR establishes that of these shared commitments, only sustained failure to enforce one’s own labor laws is subject to binding dispute settlement and ultimately to fines or sanctions. Furthermore the maximum fine in a particular dispute is set at \$15 million per year per violation, a part of which may be directed towards remedying the labor violation.¹²

In a report commissioned by the Central American governments during the negotiations, the ILO evaluated the labor laws of the five countries and found them largely compliant with international core labor standards. CAFTA-DR critics contend that the problem is not necessarily with the law but with the application and enforcement. Unionization, discrimination in the workplace, and the codification of the right to strike are particularly problematic. Generalized violence, corruption, impunity, weak judicial systems and poor enforcement structures only add to the common violations of workers’ rights.

Concerning the environment, the Central American isthmus is one of the most biodiverse regions of the world, unfortunately, with the exception of Costa Rica, the Central American countries have not behaved as responsible stewards of the natural riches bestowed to their territories. Four of the five Central American countries have been identified by environmental experts as “critical regions.” The Isthmus has lost much of its forest cover due to agriculture, overgrazing, and increased logging and mining. The

depletion of forest coverage has led to increased soil erosion, the deterioration of watersheds, and decreased biodiversity. Urban pollution, insufficient sewage and solid waste treatment facilities, and chemical and pesticide runoffs into water supplies, are rampant, particularly as rural-urban migration increases. Central America's coastal environment is contaminated with agricultural and industrial runoff and untreated sewage. Overfishing has led to the depletion of many valuable fish stocks. In Guatemala and Honduras, even the most basic environmental laws are still lacking in many instances. The other countries lack enforcement capacity.

CAFTA-DR is expected to open Central America to substantial changes in industrial and agricultural development, many of which would exacerbate the existing problems in the region if left unregulated. Despite extensive lobbying from the environmental groups, the agreement does not clearly require any country to maintain and effectively enforce a set of basic environmental laws and regulations. CAFTA-DR also lacks an enforceable set of standards for corporate responsibility on environmental issues. The trade agreement does include a process that allows citizens to make submissions alleging government failures to effectively enforce environmental laws. However there is no dedicated source of funding for environmental cooperation, capacity building, and objective monitoring of environmental progress.

The Costa Rican exception

In order to be able to renegotiate its external debt and to have access to U.S. economic aid, during the 1980's Costa Rica implemented the reforms prescribed by the Washington consensus, albeit in a milder version than other Central American countries. The country maintained a much larger public sector. With higher salaries and a better educated population, it opted for a high-end type of maquiladora (electronics) and does not have a sizeable migrant population in the U.S. The structure of its relationship with the U.S. is fundamentally different than that of its neighbors. The CAFTA-DR debate polarized the country as never before. It coincided with that nation's last presidential election: Ottón Solís, the Citizen Action Party candidate ran on a fair trade platform against CAFTA-DR, Nobel-Prize winner and former president Oscar Arias became the free trade standard bearer and won by the narrowest margin of votes in Costa Rica's history. He was sworn in for his second presidency in May 2006.

Early in 2007 the National Assembly passed a measure establishing a national referendum on whether Costa Rica should enter CAFTA-DR. The country had never organized a referendum before and the legality of such a vote is not contemplated in the country's laws, so its constitutionality had first to be approved by Costa Rica's Supreme Court. Once that hurdle was overcome, the Supreme Electoral Tribunal set the date for the referendum for October 7, 2008. For 10 months Costa Rican society debated passionately the pros and cons of adhering to CAFTA-DR. Even the U.S. Ambassador was part of it. An uninvited participant in the debate, he misleadingly suggested that there would be economic reprisals if the agreement were rejected. He was promptly disavowed by Nancy Pelosi and reprimanded by the Costa Rican electoral court and asked to refrain from intervening in Costa Rica's domestic affairs.¹³

The referendum was won by the pro CAFTA-DR sectors 52% to 48% thanks to the support of the urban and middle class votes (the rural sectors favored rejection). The agreement was subsequently ratified by the National Assembly with the required qualified two third majority. Since the treaty is contrary to various existing laws, it was necessary to modify them before CAFTA-DR could go into effect. Under the pact's terms, this should have been done by March 2008, but Costa Rica had to request two extensions, which were granted, until the end of the year.

Costa Rica joined the pact on January 1st 2009. However, several issues remain to be addressed concerning the privatization of insurance and telecommunications state monopolies.

According to the original timetable, liberalization in insurance would be achieved through a phased-in approach with an initial limited opening at entry into force, an opening of the vast majority of the market by 2008 and a total opening by 2011. Costa Rica also agreed to the establishment of an independent insurance regulatory body which required further legislative and regulatory reform. Since treaty ratification took considerably longer, the established periods had to be rescheduled.

Costa Rica made specific commitments to open its telecommunications market in three key areas and to establish a regulatory framework to foster effective market access and competition. Under the CAFTA-DR terms that anticipated timely agreement ratification, certain telecommunications market segments in Costa Rica were to have opened up gradually, beginning with private network services on January 2006; Internet services and wireless services were to have followed on January 1, 2007. However, since the CAFTA-DR did not enter into force with respect to Costa Rica by those dates. The regulatory framework has not been fully established and analysts predict that it will not be operational before 2010.¹⁴

As in the case of the North American Free Trade agreement, and despite the global economic crisis CAFTA DR is expected to bolster trade between the region and the U.S. in both directions and to increase foreign direct investment in the small Central American economies coming from the U.S. but also from foreign investors trying to better position themselves to enter the U.S. market. It will also certainly impact migration flows.

Migration and Remittances: the Engines of Transnationalisation

Globalization has had a profound impact in the small countries of Central America and its vehicle has been outward migration --and tourism in the case of Costa Rica. In 2000, according to the U.S. census, foreign born population of Central American origin amounted to 2 million concentrated in the states of California, Florida, New York, New Jersey and the greater DC area. Two thirds of that number had come from El Salvador and Guatemala. However unofficial estimates calculate higher numbers. According to some, including undocumented or unauthorized migrants, there would be between 1.5

million and 2.5 of Salvadoran born, 1 to 1.5 million of Guatemalan and close to one million Honduran.¹⁵ It is very difficult to come by reliable estimates.

The same goes for remittances. According to official data, remittances constitute 10% of Guatemala's GNP, close to 20% of El Salvador's and around 15% of Honduras' but again these figures do not take into account informal channels. According to the World Bank underestimates could be as high as 5% for Guatemala and 15% for El Salvador. What is clear is that even according to official figures, remittances are more important sources of revenue than Foreign Direct Investment and Official Development Aid for El Salvador, Honduras and Guatemala, despite the fact that the three countries are Millennium Challenge Account beneficiaries. Remittances generate more hard currency than coffee exports for Guatemala, El Salvador and Nicaragua and are more important than banana exports for Honduras. Their growth has been short of miraculous. From 2000 to 2004 remittances to Guatemala tripled, in the case of Honduras in 2006 they registered a 35% growth rate compared to the previous year. In 2008 remittances continued to grow, albeit at a slower pace. Not any longer. World Bank economists project the monthly remittances to Central America from migrants in the United States will fall 10 to 15 percent in 2009, the first annual decline since the bank began tracking the funds.

Assessments by development experts on the macroeconomic impact of remittances beyond the impressive balance of payment figures differ. An often cited study by the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) concluded that they did not seem to have much impact on the overall poverty statistics, however, the study also found that remittances did have a significant impact on households receiving remittances and enabled many recipients to escape poverty. The impact of remittances on indigence in receiving households seems even more dramatic. ECLAC found that 64% of Salvadoran households receiving remittances were lifted out of extreme poverty. Corresponding figures for Guatemala (43 percent), Honduras (28 percent) and Nicaragua (27 percent), although smaller, are still impressive.¹⁶

Remittances have been evolving and put to work in innovative experiments. One of the most interesting initiatives started with the migrants themselves. Following the Mexican example, Central American migrants have formed hometown associations or HTAs. Members of these associations pool their financial resources and send money or goods back to their hometowns. These so-called "collective remittances" are used to finance infrastructure and social projects, such as building small bridges, paving roads, remodeling churches and schools, or buying ambulances or fire trucks.

HTAs were very successful at mobilizing support for their countries after the 1996 peace agreements in Guatemala, and in raising money for crises such as Hurricane Mitch, the two 2001 earthquakes in El Salvador, and more recently have joined reconstruction efforts after hurricanes Stan, Rita and Wilma that devastated the region in 2005.

Once more, following the Mexican government example, Central American governments have also taken initiatives to maximize the benefits from remittances. El Salvador launched a \$300,000 matching fund in 2003 to implement joint partnerships with HTAs.

The fund serves as an incentive for HTAs to start and/or broaden development initiatives in their hometowns. Unlike in Mexico, where the state offers a three-to-one match, the Salvadoran government is offering only a one-to-one match with HTA money. For the time being, only 1% of all remittances to Central America come from HTAs, however, experts believe that if managed correctly they could rise to between three and five percent in 10 years.

Another aspect of HTA's impact in their members' hometowns is their increasing participation in local politics, very often the funded projects are implemented in collaboration with local authorities who are held accountable to the HTA's for the management of the resources.

One Guatemalan-American organization deeply concerned about migration policy's effects on Guatemalans has already demonstrated its influence at home. Founded in 1998, the National Coalition of Guatemalan Immigrants in the United States (CONGUATE) is working in Guatemala toward giving Guatemalans abroad the right to vote. The Salvadoran conference "Salvadorans in the World" ("*Salvadoreños en el Mundo*"), brings together a wide array of diaspora organizations. To date, conferences have been held in Los Angeles, Washington DC and Boston. The goal is to develop a common political platform. Thus far, the platform includes demanding the right to vote abroad and greater attention to be paid to their needs as investors and remitters.

Credit unions in El Salvador, Guatemala, Honduras, and Nicaragua were instrumental in the creation of the International Remittance Network (IRnet) which in collaboration with migrant services organizations lobbied successfully for lower remittance costs through raising customer awareness of remittance fees. Even the powerful private sector has become involved. Several banks in Central America have been able to raise relatively cheap and long-term financing from international capital markets via securitization of future remittance flows.

As remittances change the character of the region's financial sector, the governments are increasingly involved in encouraging and managing the flows of people and remittances. Migration has become an important policy concern that affects the design of state institutions and political rhetoric in the press and media.

In El Salvador, one example of the redesign of state institutions was the creation of the Directorate General of Attention for the Community Abroad, inaugurated under the 1999-2004 presidency of Francisco Flores with the stated goal of establishing an axis for development based on the potential of the Salvadoran community abroad. Another example of new institutions created to cultivate the Salvadoran diaspora was the creation in 2004 of a Vice Ministry of Foreign Affairs for Salvadorans Abroad. Today El Salvador has consular offices in sixteen U.S. cities (Argentina, Colombia and Brazil have seven, eight and nine respectively). In addition to offering the customary consular services and providing information on Salvadorans living abroad, the consulates provide legal assistance regarding U.S. immigration laws and regulations. On the Salvadoran Embassy to the U.S. website, for example, detailed information is available about the different

types of visa statuses that Salvadorans are eligible for and information on the array of nongovernmental and private organizations dedicated to facilitating migrant regularization or legalization.

As part of the ongoing campaign to renew channels of legalization, the Salvadoran government has successfully lobbied the U.S. government to expand and renew Temporary Protection Status for Salvadorans. TPS for Salvadoran, Honduran and Nicaraguan was recently extended until 2010. In 2006, an estimated 374,000 Central American lived in the U.S. under TPS.¹⁷ While the Nicaraguans have powerful allies in Congress, particularly with the Florida delegation, it is largely accepted that El Salvador's participation in the coalition of the willing and its long military presence in Iraq provided the Salvadoran government with unprecedented leverage vis-à-vis the Bush administration. TPS has not been extended for Guatemalans despite the hardships created by the 2005 hurricanes.

Guatemala has also made important strides in cultivating its diaspora. It has ten consulates in the U.S. servicing its nationals. Each one of these offers itinerant consular services in nearby cities, such as Homestead in Florida serviced by the Guatemalan consulate in Miami. Among the important services they supply is issuing a consular identification card that provides undocumented migrants with a governmental ID that is accepted by some banks and other service providers in the U.S. The Guatemalan government has created a Deputy Ministry for Human Rights and Migrant Affairs. The Guatemalan Congress formed a Commission for Migrant Affairs, which regulates migration laws and tries to support migrants in their efforts at repatriation. Finally, the Office of the Human Rights Ombudsman signed an agreement with CONGUATE, the Guatemalan American migrant services organization, to monitor and protect migrants' rights. It also set up a modest fund of US\$50,000 to repatriate the remains of migrants who die in the United States when their families cannot afford the bill.

As the Central American governments expand their engagement with the diaspora, Central Americans in the U.S. have been trying to build a coalition of organizations with the powerful Mexican American ones which brings together a variety of diaspora organizations advocating for immigrant rights and lobby both in Central America and in the U.S. for immigration reform. Central American migrant associations' leaders lobbied hard to persuade the Central American negotiators and the U.S. Trade Representative (USTR) to include a migration clause in the CAFTA-DR text. They were of course unsuccessful and opted in the end to oppose the treaty.

While migration has been the CA4's main gateway to globalization, ecotourism has done the same for Costa Rica which has become an attractive destination for nature lovers worldwide. Cell phones are ubiquitous in Central America as are internet cafes and thanks to them communication between those who left and those who stayed is constant. Daily flights link all major U.S. cities with Central American capitals, big cities like San Pedro Sula and important tourist attractions such as Roatan island in Honduras or the city of Liberia near Costa Rica's Nicoya Gulf. Information from the US Bureau of Transport Statistics shows that air traffic between the U.S and Central America has increased

exponentially in the last twenty years going from the hundred thousand passengers to the million per year. Originally catering mainly to returning migrants, TACA, the Salvadoran airline, has become a continental travel powerhouse.

Migrant workers have contributed significantly to reduce food prices in the U.S. Where would Californian or Floridian fruit and vegetable growers be without Central American and Mexican workers? The same question pertains to North Carolina's poultry and meat packing industry or construction in Long Island. Migrant labor has kept U.S. middle class homes clean, gardens trimmed, children supervised and allowed millions of women in the U.S. to become full time professionals. Since 2005 more than half of children born in the U.S. are Latinos giving the country one of the healthier demographic profiles among developed societies.

To a large extent migration has been a good thing for the receiving as well as sending countries. For Central America, unfortunately it has also come with important dislocations: family separation, changing generational roles, increased number of women heads of households. In many parts of the region, rural life is no longer based on agriculture, it is now based on remittances. Social networks across borders are stronger than between rural communities and capital cities. Perhaps, the most destructive link has been the one between migration and violence.

Central America security challenges

Central America faces numerous challenges, however public opinion routinely cites personal insecurity as its most important concern in the five countries, including Costa Rica and Nicaragua whose crime figures are well below those of the countries that form the Northern Triangle. El Salvador, Honduras and Guatemala are among the most violent countries on earth. The murder rate in the three countries is way above 50 homicides for every 100,000 inhabitants. An average of 6 people are murdered in Honduras (a country of 6 million) daily, 12 in El Salvador (5.7 million), and 14 in Guatemala (with 12 millions). According to the Inter American Human Rights Commission, with 70 homicides per 100,000 Guatemala has the highest murder rate in Latin America and one of the three highest in the world.¹⁸

The factors contributing to this violence epidemic are manifold: income inequality, enduring effects of the prolonged civil conflicts, large availability of weapons, families broken by migration, and repressive policies.¹⁹ Contrary to generalized perceptions, only 30% of homicides are the product of gang violence. Organized crime and paramilitary structures account for most of the violence and the corruption that permeates all sectors of the mentioned countries state apparatuses.

The infamous death squads were never fully dismantled during the peace processes, many went underground, others incorporated former guerrilla combatants to form organized criminal networks involved in drug trafficking, money laundering, abductions for ransom, and car theft. Unlawful activities provide economic and logistical support to maintain networks and structures that can be utilized for political purposes, if needed.

Unfortunately that seems to be the case in Guatemala, where human rights and environmental activists continuously receive death threats.²⁰

After the 1996 U.S. immigration reform the United States began deporting undocumented immigrants, many with criminal convictions, back to the region. Between 2000 and 2004, an estimated 20,000 convicted felons were sent back to Central America, the majority of them linked to the violent youth gangs established in Los Angeles by the Central American young refugees fleeing war in their countries two decades before. Massive deportations resulted in the emergence of transnational youth gangs: the well known maras MS13 or “mara salvatrucha” and 18th Street or “Barrio 18.” If the U.S. immigration policy favoring deportation of criminals contributed to the transnationalization of youth gangs, the repressive policies implemented by the governments of El Salvador, Guatemala and Honduras were instrumental in creating maras’ linkages with organized crime through the penal system. It was in prison that the gang members got acquainted with organized crime strategies and once out of prison or through their outside contacts became foot soldiers of traffickers of all stripes.

Central American societies are being the victims of the balloon effect. As Mexico cracks down on drug trafficking, new routes and transshipment sites are being set in Guatemala and El Salvador disrupting the existing balance of power established by local criminals. Homicides bearing the distinctive trademarks of drug cartels have multiplied and important drug seizures have become routine in the five countries.

Organized crime undermines the structure of the state, democracy, the rule of law and human rights. Overcoming the penetration of organized criminal networks in the state apparatus is a very difficult task much more than stopping drug traffickers or gang members. It is however an urgent task. .

U.S. – Central America Military and Law Enforcement Cooperation

For several years U.S. authorities overlooked the impact that deportations were having in Central America, but when former deported felons were apprehended again in the U.S. it was clear that the gang problem needed an integrated approach. In December 2004, the FBI created a special task force focusing on MS-13 and, in April 2005, it opened a liaison office in San Salvador to coordinate regional information sharing and anti-gang efforts. Only recently, the gang task force introduced regulations allowing U.S. officials to provide information to Central American authorities about the criminal records of deportees. In the Department of Homeland Security, U.S. Immigration and Customs Enforcement (ICE) has created a national anti-gang initiative called “Operation Community Shield” that, in addition to arresting suspected gang members in the United States, works through offices in Central America to coordinate with foreign governments that are also experiencing gang problems.

On the preventive side, the United States Agency for International Development (USAID) worked with the Department of Justice’s International Criminal Investigative Training Assistance Program (ICITAP) to create community policing programs in 200

municipalities in El Salvador, and is implementing a similar community crime prevention program in Villa Nueva, Guatemala.

Established in 1983 to provide training and logistical support to the Salvadoran Armed Forces and to the Contra rebels, the Base of Palmerola continues to operate under the name Soto Cano airbase as a joint venture between the U.S. and Honduran governments. It houses the Honduran Air Force Academy and the joint Task Force Bravo which is 500 U.S. soldiers strong. The primary mission of JTF-Bravo is drug interdiction, but it has played a central role in disaster relief operations as well.

The U.S. Southern Command also operates a Forward Operating Location (FOL) in El Salvador, located at the international airport, to support aircraft and crews that monitor and intercept drug traffic. FOLs are not considered bases, but staging airfields, owned and operated by host nations in this case El Salvador. The other FOLs host nation in the hemisphere is the Netherlands (Curaçao).

With Costa Rica, the U.S. established in 1999 a Joint Patrol Agreement. The agreement provides for increased intelligence sharing and coordination in counterdrug activities. It permits Costa Rican law enforcement personnel to embark on U.S. vessels as “shipriders” and authorizes U.S. vessels to pursue suspected traffickers in Costa Rican territorial and international waters. In exceptional “hot pursuit” situations, the agreement allows U.S. law enforcement vessels to pursue, stop and secure a suspect vessel while awaiting the arrival of Costa Rican authorities.

After unsuccessful attempts to establish a training facility for Central American law enforcement agents (first in Panama, then in Costa Rica), the U.S. established in El Salvador the International Law Enforcement Academy (ILEA) which is also a joint venture between the U.S. and the Central American country. Run jointly by the Salvadoran Ministry of Government and the U.S. State Department, its instructors come from the U. S. and their salaries as well as most of the school’s other expenses are covered by U.S. tax dollars. According to an ILEA estimate by the end of 2007, the United States had spent at least \$3.6 million on the academy and a \$4 million headquarters is under construction.²¹

U.S. – Central American security cooperation will be further strengthened by the Merida Initiative announced by Presidents Calderón of Mexico and Bush in October 2007 and voted into law on June 30, 2008. Although mainly dealing with Mexico that will get the lion’s share of the 1.6 billion three year initiative, roughly a third of the whole amount will go to improve security in the seven Central American countries plus Haiti and the Dominican Republic.

Funds will go to support the Central American Fingerprinting Exploitation Initiative (CAFE) established to facilitate information-sharing about violent gang members and other criminals. They will also help develop an electronic travel document system to provide biometric and biographic information on persons being deported from the United States. Additionally funds will be directed to train and expand sensitive

investigation police units dedicated to counter narcotics efforts. Other support will go towards improving maritime interdiction capabilities, port, airport, and border security and for providing technical assistance on firearms tracing, interdiction, and destruction. The initiative will also support ILEA's police training in community policing and community prevention programs as well as what has been labeled "rule of law" programs, such as. improvement of court and prison management, prosecutorial capacity building and the establishment of juvenile justice systems.²²

Unlike U.S. cooperation within the framework of the Challenge Millennium account which has been suspended, it is interesting to note that cooperation between the governments of Nicaragua and the United States continues regarding drug interdiction. The Nicaraguan navy periodically participates in joint training exercise with the U.S. Southern Command. The Ortega government signed its formal participation in the Merida initiative on May 15, 2009.

Scenarios for the future

For better or for worse, the Central American republics are more integrated to the U.S. than ever before: demographically, through migration, economically through remittances and maquiladora exports. Even Costa Rica is not immune, its economy although more diversified than that of its neighbors, still depends heavily on American tourists, U.S. investments, U.S. markets for its agricultural exports and for its high value added maquiladora products.

The global economic and financial crises are impacting Central American countries very hard. Exports have tanked, remittances have shrunk, as has tourism. Economic growth is at a halt. Unlike other Latin American economies Central American ones did not benefit from the commodity prices boom of the years prior to the burst of the U.S. housing market. Central America exports mainly assembled products from maquiladoras, non-traditional agricultural products such as fruits, vegetables and flowers and continues to export coffee, bananas, and sugar not precisely the commodities that saw their prices soar. Furthermore all these countries are net importers of oil. When the U.S. triggered global economic crisis hit them, their economies had already been considerably weakened by oil prices. The slowdown of the U.S. economy will temper any favorable outcome that the CAFTA-DR agreement could have had. The Central American economies urgently need that the U.S. economy recuperates fast and that a comprehensive immigration reform be enacted with clear mechanisms for the incorporation of undocumented migrants into the U.S. mainstream society. Two issues that depend basically on domestic dynamics..

Politically, in the years ahead already fragile states are going to be challenged to the core: by rising levels of poverty, widespread violence, transnational criminal networks and state corruption, not to mention the earthquakes and hurricanes that periodically hit the region.

Between 2000 and 2008 eight presidential elections took place in Central America. El Salvador recently elected the opposition candidate. Honduras will hold presidential elections in November 2009 and Costa Rica in February 2010. Unfortunately, a few black clouds have appeared in the horizon.

In Honduras, Manuel Zelaya, a rather conservative businessman was elected in 2005 to succeed Ricardo Maduro, another rather conservative businessman but from a different party. Zelaya surprised friends and foes, when he recently announced that he was requesting Honduran's membership to the Bolivarian Alternative for the Americas, Venezuela's project for regional integration (ALBA). He is now promoting a constitutional amendment making reelection possible in order to seek a second term. Opposition to the reelection amendment is widespread. If Zelaya does not prevail, as expected, two businessmen will dispute power, Porfirio "Pepe" Lobo, a rancher, and Elvin Santos, Zelaya's vice-president, an industrialist who might reconsider Honduras's ALBA membership.

In 2006, Nobel Prize winner and former President Oscar Arias won the election by the narrowest of margins seen in a presidential contest. This time the challenger was not from the Social Christian Union Party, National Liberation Party's traditional rival since the 1950s, it was a relative newcomer, Ottón Solís, former member of the National Liberation Party who led the ticket of the Citizenship Action Party (PAC), on a staunch anti CAFTA-DR platform. Solís had founded PAC to compete in the 2002 contest and surprised most observers by winning 14 seats in the National Assembly and 22% of the popular vote. After 2006, the Christian Democrats all but disappeared. With 17 deputies at the National Assembly and 26% of the popular vote PAC will be a very serious contender for the Presidency in the next Costa Rican presidential elections.

In his third attempt to regain the presidency of Nicaragua, Daniel Ortega, was elected in 2006 with only 38% of the vote. Although deserted by most of his Sandinista comrades, and allied to former foes such as the Catholic Church and former president Arnoldo Alemán, Ortega is trying to establish a new brand of "participative democracy" wrapped in a pro-poor, pro Chavez, anti imperialistic rhetoric. As soon as elected, Ortega declared Nicaragua's adherence to ALBA.. He was dutifully compensated by Chavez who arrived to his inauguration with multiple gifts. The bounty included preferential pricing on crude oil in an amount equal to about a third of Nicaragua's annual oil consumption, a refinery, the forgiveness of some \$30 million in debt, new interest-free or low-interest loans of \$20 million, and a nice sum for homes and healthcare. Like other ALBA members Ortega is attempting to amend the Constitution in order to seek a consecutive second term in office which would be his third.

In 2007, Guatemalans elected Alvaro Colom, the social democrat candidate. In El Salvador for the first time the candidate of the FMLN, Mauricio Funes, an independent left of center former journalist, was elected to the presidency albeit without a legislative majority putting an end to ARENA's twenty years in government.

Mauricio Funes has announced that he will reestablish full diplomatic relations with Cuba, but has identified President Lula of Brazil as his role model. His first international trip as president elect was to Brazil. His wife is Brazilian and a former member of the Workers' Party.

With the exception of El Salvador—probably not for long-- all Central American countries participate either as full members (Nicaragua, Honduras and Guatemala) or as observers (Costa Rica) in PetroCaribe. PetroCaribe S.A. is a Caribbean Basin oil cooperation scheme established by Venezuela which allows its members to purchase oil on conditions of preferential payment. The alliance was launched in June 2005. The payment system allows for seventeen Caribbean and Central American nations to buy oil at market value but only a certain amount is needed up front; the remainder can be paid through a 25 year financing agreement at 1% interest.²³ Membership in Petro Caribe is a pragmatic choice, not an ideological one. Even Honduras and Nicaragua, the two Central American ALBA members have kept their CAFTA-DR and Merida Initiative participation.

In Port of Spain, at the Fifth Summit of the Americas, President Obama criticized his country's excessive reliance on military cooperation vis-à-vis the whole region, hinting towards more reliance on diplomacy and development cooperation. However, considering the many problems domestic and international to address, it is unlikely that the President will pay much attention to Latin America let alone to Central America. The principal decision makers regarding the CAFTA-DR countries will probably be those whose job is precisely that of paying attention to the region at the State Department and the National Security Council.

If confirmed by the Senate, Arturo Valenzuela, will become the next U.S. Assistant Secretary for Western Hemispheric Affairs, a key player in U.S. Latin American relations, Valenzuela, an academic, has spent his career studying Latin American societies and political systems. Although not a specialist in Central America, he understands that the small countries for all practical purposes constitute the U.S. Southern border and need help to overcome the challenges they will face during the next decade. Dan Restrepo at the National Security Council was the liaison to the Latino community and understands very well the deep linkages that most of its members maintain with their countries of origin. He is well placed to know that for U.S. migration policy to be effective it must include alongside comprehensive domestic reforms an international cooperation program with the sending countries.

Notes

¹ In this chapter, when talking about Central America, I will refer mainly to the "historic five", but I will also refer to the countries of the Northern Triangle, the CA4 but to SICA and to CAFTA-DR as well. However I will not discuss the particular dynamics of the U.S. -Panama, the U.S.-DR or the U.S.-Belize relationship.

²Office of the United States representative,

http://www.ustr.gov/_Development/Preference_Programs/CBI/Section_Index.html

³ Norma Stoltz Chinchilla and Nora Hamilton, “Central American Immigrants: Diverse Populations and Changing Communities” in David G. Gutierrez, *The Columbia History of Latinos in the U.S. since 1960*, New York: Columbia University Press, 2004, p.210

⁴ Susan Gzesh, “Central Americans and Asylum Policy in the Reagan Era,” *Migration Information Source*, <http://www.migrationinformation.org/Feature/display.cfm?id=384#top>

⁵ Susan Gzesh, *ibidem*

⁶ Stoltz Chinchilla and Hamilton, *op.cit.*, p. 210.

⁷ As reported by Salvadoran President Francisco Flores after his visit to Washington following his country’s 2001 earthquakes. President Flores requested the U.S. to extend TPS status for Salvadorans which President Bush granted.

⁸ <http://www.census.gov/foreign-trade/balance/>

⁹ Principal donors were USAID, IDB, BCIE, ECLAC, and OAS. See Vincent McElhinny, “Update on the U.S.-Central American Free Trade Agreement (CAFTA): Implications of the Negotiations,” <http://www.interaction.org/idb> , p.67

¹⁰ Salomón Cohen (at the time Guatemalan lead negotiator) quoted by Vincent McElhinny, *ibidem*.

¹¹ Chapters 19 and 20 of the Agreement.

http://www.ustr.gov/Trade_Agreements/Bilateral/CAFTA/CAFTA-DR_Final_Texts/Section_Index.html

¹² Mary Jane Bolle, “DR-CAFTA Labor Rights Issues,” *CRS. Report for Congress* <http://fpc.state.gov/documents/organization/50152.pdf>

¹³ House Speaker Nancy Pelosi and Senate Majority Leader Harry Read in late September sent a letter to Costa Rica’s Ambassador to the United States correcting Langsdale’s false threats <http://www.alternet.org/workplace/64680/>

¹⁴ Mario Bermudez Vives, “Seguros y telecomunicaciones:aperturas se concretarán juntas”, *El Financiero* (Costa Rica) May 11, 2009.

¹⁵ <http://www.migrationinformation.org/DataHub/whosresults.cfm> and Salomón Cohen, CAFTA: What Could It Mean for Migration? <http://www.migrationinformation.org/feature/display.cfm?ID=388>

¹⁶ ECLAC, Social Panorama of Latin American 2005, <http://www.eclac.cl/cgi-bin/getProd.asp?xml=/publicaciones/xml/4/24054/P24054.xml&xsl=/dds/tpl-i/p9f.xsl&base=/tpl-i/top-bottom.xslt>

¹⁷ Megan Davy, *The Central American Foreign Born in the United States*, April 2006. <http://www.migrationinformation.org/feature/display.cfm?ID=385>

¹⁸ Manuel Bermúdez, *Central America: Gang Violence and anti Gangs Death Squads*, Inter Press Service, September 6, 2008. <http://ipsnews.net/news.asp?idnews=30163>

¹⁹ Between 1960 and 1974 the homicide rate in El Salvador ranged between 23.6 and 32/100,000. After 1992, however, the homicide rates reached unprecedented levels of 138/100,000 in 1994-95 an unprecedented surge in violence attributed to the aftershocks of the civil war. See, Roberto Steiner, "Criminalidad en El Salvador : diagnóstico y recomendaciones de política," San Salvador: FUSADES, February 1999.

²⁰ See Amnesty International country report, 2008.

²¹ <http://www.fletc.gov/training/programs/international-training-and-technical-assistance-itt/international-law-enforcement-academies/ilea-san-salvador>

²² Colleen W. Cook, Rebecca G. Rush, and Clare Ribando Seelke, "Merida Initiative: Proposed U.S. Anticrime and Counter drug Assistance for Mexico and Central America," *CRS Report to Congress*, June 3, 2008. <http://www.wilsoncenter.org/news/docs/06.03.08%20CRS%20Report.pdf>

²³ Petro Caribe has a special arrangement with local governments led by the Farabundo Martí National Liberation front (FMLN) to sell oil at preferential prices.