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The Central America Free Trade Agreement (CAFTA) has been in effect in El Salvador for nine months, and, as 2006 heads for the exits, the treaty has been a disappointment to the sectors of the population in greatest need of an economic boost. For them, CAFTA is the latest innovation in a continuum of policies dating back to times when an oligarchy of 14 families ruled the country's economic and political life. The oligarchy has undergone some evolutionary twists in the past several years and is no longer discernable in its original form, but its influence has mushroomed, and there is little to point to that would signal any economic reform to help the poor.

Prior to El Salvador's becoming the first country in Central America to ratify the treaty, President Antonio Saca sold CAFTA as the solution to low growth rates, high unemployment, and lack of foreign investment, factors that have weighed upon the country for the past decade. Now, according to journalist Juan Jose Dalton, who has tracked the situation for many years, the treaty has performed contrary to official estimates and promises.

Early on, the government promised the creation of 40,000 jobs, but instead, says Angel Ibarra of the Red Social Sinti Techan, the treaty has brought with it "serious impacts in the agricultural sector and in other areas, placing many national producers on the road to bankruptcy, causing the loss of thousands of jobs, without having attracted international investment." Economist Raul Moreno commented, "According to official statements, it would be enough just to wave the treaty magic wand in order to automatically maximize the growth of the economy through the exportation of nostalgic products to the great US market, develop competitive capacities of the national productive apparatus, expand foreign investment, and bring to a boil the welfare of the national population." But none of that has happened, said the economist.

The executive worked tirelessly to get the pact approved, a feat that included modifying and reforming a host of laws to meet the needs of a demanding US on issues of intellectual property, investment protection, and other requisites. The legislative scramble to get these things done delayed the start of the pact three months before it finally went through in March of 2006 (see NotiCen, 2006-03-02).

Rather than provide the agriculture and cattle sectors with export opportunities, said Mateo Rendon, director of the Federacion Salvadorena de Cooperativas de la Reforma Agraria (FESACORA), "what is happening is that our productive and nutritional sovereignty are being lost by the increase in imported products with which we feed ourselves and which we produce here, such as corn, beans, rice, dairy, and meat products." Rendon said that, since the onset of CAFTA, El Salvador has seen the US inundate the country with approximately 35,700 tons of white corn, 65,000 tons of rice, and 10 tons of milk.

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The local market is swamped, and Salvador's own products are being displaced. "We asked the government to postpone entry of these products for five years, while we resettled the agricultural sector, but they didn't listen to us," he said. His data show that imports of these products have increased 15%, while exports have shrunk by 18%. FESACORA has more than 23,000 members, who own a total of 133,000 hectares of land. The corn imports, they say, have cost about 8,000 jobs so far. The rice imports have cost 15,000 jobs. For every ton of product that enters El Salvador from the US, one national farmer will go into bankruptcy. These figures are consistent with a recent analysis, Impactos del TLC entre El Salvador y Estados Unidos en el sector agropecuario y en las cooperativas, published by Red Sinti Techan.

That study further shows low growth rates, low foreign investment, lack of jobs, and rising poverty in broad segments of the economy, and a looming security crisis for the population. Local producers simply cannot compete with the prices of the imports. "A month ago the price of corn was between US$11 and US$12 a hundredweight. Today, now that white and yellow corn are coming from the US, the price of our product has dropped to US$8." Rendon is a farmer. "In my case," he said, "I usually plant three manzanas of corn and beans every year. But now, the most I'm going to plant is a half-manzana, just for family use, now that the food security of the community is based on imports." (One manazana equals approximately .7 ha.)

Livelihoods lost to intellectual-property provisions

The agriculture sector is not the only area taking a pounding in the new CAFTA era. The Sinti Techan analysis also chronicles the fortunes of those caught up in complications stemming from changes in intellectual-property legislation. Explained Angel Ibarra, "On this subject, the Salvadoran government has adopted several international covenants on patents and biodiversity that work against populations like ours and that serve as a gateway for the transnationals, the principal beneficiaries of such instruments."

Among the principal losers are some 65,000 merchants of entertainment media, tapes, and CDs. They have been pursued relentlessly; their stocks of unlicensed media have been confiscated. "Before the year ends, this situation will affect the thousands of sellers of clothing, software, and shoes," warned Ibarra. All these people will be effectively displaced and their livelihoods ended under the provisions of the CAFTA-required legislation and its enforcement.

These measures, second nature in the first world, pack a devastating wallop in countries on the short end of the asymmetries. "The structure and contents of the chapters of CAFTA respond to a crosswise logic that privileges profit over human rights and sustainability. These treaties contain an extensive list of privileges converted into rights for the foreign companies that are crushing and undue. Contrast this with the omission in the contents of mechanisms that guarantee the fulfillment of economic, social, and cultural rights," said economist Moreno.

Moreno said that populations of limited means are further disadvantaged because "these treaties bring about the mercantilization of public services, erode public authority by limiting their action with respect to the foreign companies, without there being counterweights to guarantee obligations to workers, and all this has the force of law."

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In Moreno's view, treaties like CAFTA are not, and cannot be, neutral in their effect on populations like El Salvador's; there must be winners and losers. "Its implementation generates different effects between the signatory countries, and within these is configured a select group of winners, generally a reduced number of monopolistic or oligopolistic national companies and some transnational corporations that operate, or seek to operate, in the region, which get the benefits of the negotiations and of the scheme that is put forth by the treaty," he concluded.

From domestic oligarchy to regional colossus

For the beneficiary sectors of Salvadoran society, the entry of CAFTA represents substantial change. These sectors, the winners, have prepared themselves for these changes over the years. The transition from family oligarchy to corporate groups is worth characterizing, keeping in mind that, for the popular sectors, economic deprivations, along with the social and cultural oppression that sustain the inequities, have changed in form but not in function.

Thirty-five years ago, and for decades before, economic power was concentrated in the hands of 14 prominent families within the country. During this period, this oligarchy has transmogrified into eight business groups. Until 1980, the families ruled an economy centered on three main agricultural products, the predominant one coffee, followed by sugar and cotton. At that time, the population of the country was around 3 million. Now, that population has grown to about 6.7 million, of whom some 2.5 million reside in the US, working and sending home the dollars that have displaced the national currency, the colon.

The simple agricultural-export economy has been replaced with banking, shopping centers, and other marks of a consumer economy, all fueled by the dollar influx. The eight groups that dominate the present economic scenario are still largely controlled by the oligarchs, whose grip on power began to slip during the civil war, not because of the war itself but because of the land reforms and nationalizations of banking and foreign trade that accompanied it.

Economist Alfonso Goitia has been studying the shift as it has occurred. "We have done an investigation related to the groups of power in El Salvador. We attempted to decipher how economic policies established in the last 16 years which coincide with the government of the rightist Alianza Republicana Nacionalista (ARENA), which were fostered by the so-called Washington Consensus, or neoliberalism have brought about a reconcentration of capital, which generates a dynamic of inequality, poverty, and social exclusion," explained Goitia.

After 1989, with the election of Alfredo Cristiani (1989-1994) to the presidency and the subsequent peace negotiations that resulted in the Acuerdos de Chapultepec in 1992, the banking system was reprivatized as were the mechanisms of foreign trade, and a new process of privatization of state services began. This process is still underway, and the opening of trade represented by CAFTA is the latest part of that overall change.

The eight groups dominating the present economy are Cuscatlan, Banagricola, Banco Salvadoreno, Banco de Comercio, Agrisal, Grupo Poma, Grupo de Sola, and Grupo Hill. Each of these does

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business in finance, investment, agro industry, construction, trade, and other ventures. Grupo Cuscatlan, for instance, has as one of its main investors former President Cristiani. It dominates the financial system along with Grupo Banagricola and the owners of Banco Salvadoreno, the Grupo Siman. Goitia has traced the migrations of the 14 families into the new dynamic. Cuscatlan is controlled by three of the families, Cristiani, Llach, and Hill. Banagricola is controlled by the Duenas, Knete, Palomo, Deneke, and Araujo Eserski families. Families of Arab origin, Siman, Zablah, and Salume, control Grupo Siman.

All these names are the former coffee magnates. These families-cum-groups have, in turn, allied themselves with similarly powerful foreign groups. An example here is the aviation group TACA, controlled by the Knete family, which is now allied with the Mexican group Carso, controlled by Carlos Slim. Poma has also made alliances with Slim.

In other extraordinary moves, the Cuscatlan, Agricola, and Salvadoreno banks are no longer Salvadoran. They have moved their holdings to Panama, from where they are able to regionalize within the isthmus and into the Caribbean.

Goitia says these innovations are "without precedent in El Salvador and in Central America, and perhaps in Latin America." He says it is a business strategy aimed at local control through foreign banks, to take advantage of protections afforded by international law as a result of CAFTA. "That is to say, the states are practically defenseless against these transnationals," the economist concludes. What this means for democracy in El Salvador or anywhere in the region where this arrangement exists is that, with just five of these groups controlling assets exceeding the GDP of the country, they have effective control of the economic policies as well as state policies. "Moreover, they can exert influence to avoid any possibility of access to power of any parties that do not benefit them, as well as the capacity to destabilize the national economy," says Goitia.

What makes El Salvador unique in this situation is that in other countries powerful groups have an interest in defending the internal democratic process to protect their long-term interests. But in this country, they control the ruling party outright, with all political decisions made in favor of business interests. "If this continues," warned Goitia, "what can be expected in El Salvador is a dynamic of greater polarization and of confrontation. The people migrate with greater intensity [700 a day is the current rate]. If we don't change the orientation of economic policies, we will be potentiating and constructing a framework of grave future conflict and political instability."

Providing cover for all this, writes journalist Dalton, is the Salvadoran mass media. The media companies with the biggest circulation in the country are controlled by these groups. These media provide information influenced by the needs and biases of the groups and have played a key role in consolidating the business sector-government relationship. Manuel Castillo, coordinator of Probidad, an anti-corruption organization, said the media dispenses highly biased coverage of corruption, elections, and globalization in favor of the elite.

Probidad is developing a journalism observatory and has already held discussions with journalists about the limitations imposed on them. "What has emerged is the partiality of the media regarding corruption, coverage of the 2004 presidential elections, and the Central America Free Trade

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Agreement negotiations," said Castillo. "In the case of the elections, the media coverage shamelessly favored the ARENA candidate, while CAFTA negotiations were relentlessly presented in a positive light."

In addition, TACA, the banks, the telephone and electricity companies are, in Dalton's words, "untouchable interests" in the news. One result of this manipulation, says Central America Report, which is headquartered in Guatemala, not El Salvador, is that "the president's image remains positive despite increasing concern over issues such as insecurity, unemployment, and poverty....The biased coverage prevents people from recognizing the reality in which they live."

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