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## Summary Of Reagan Administration Vs. Critics' Views On U.S. Aid To El Salvador

by Deborah Tyroler

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Under the Reagan administration, the US has provided over \$2.6 billion in aid to the Salvadoran government. Congress has already approved \$417 million in aid to El Salvador for FY 1987. President Reagan has requested an additional \$172 million in FY 1987 funds, and \$441 million for FY 1988. At present, El Salvador ranks third among US aid recipients, after Israel and Egypt. Increased aid to El Salvador followed the recommendations of the Kissinger Commission for "a rough doubling of US economic assistance" to Central America over a five-year period beginning in 1985. The report emphasized the importance of strengthening the private sector. The main purpose of this additional assistance was to provide support for balance of payments and economic stabilization efforts. The bulk of the money was to be channeled through the US Agency for International Development (USAID). Meanwhile, the Salvadoran economy continues to deteriorate. On December 11, 1986, Economy Minister Ricardo Perdomo stated that the fiscal deficit had reached \$160 million, while unemployment was estimated at 35%. Next, GDP declined in 1986, and the Salvadoran foreign debt in December, 1986, was calculated at \$806 million. Damage caused by the October 10 earthquake in San Salvador has only added to the country's economic woes. In addition to the 1,500 deaths and the estimated 200,00 homeless, President Jose Napoleon Duarte has calculated the cost of rebuilding at about \$2 billion. The United Nations Economic Commission for Latin America and the Caribbean (ECLAC) estimates \$900 million in material damages caused by the earthquake. The Reagan administration's perspective on aid to El Salvador is that economic and political stabilization can be realized only through massive support. Thus, US aid seeks to improve existing economic structures with a view to the promotion of democracy, renewed and sustained economic growth, and rising living conditions. Next, as long as the civil war continues, US assistance provides a degree of insulation to the government and the population against the economic dislocation caused by the conflict. The various programs supported by US aid address the social and economic inequalities that contribute to the war. Critics of the administration's aid to El Salvador maintain that the aid strategy is designed to ultimately stabilize and strengthen the extremely inequitable economic system which is at the root of the civil war. It helps to stabilize the Salvadoran government and increase the power of the private sector. The "paquetazo," the IMF-style austerity program imposed by the United States on El Salvador in January 1986, resulted in massive price increases for fuel, transportation, and medicine, directly impacting on the poor. Also, housing costs rose in response to the increased costs for construction materials. In brief, critics argue that US economic assistance has failed to address the structural bases of inequality and in fact, has contributed to the continuance of economic instability suffered by the Salvadoran poor. US aid programs fail to speak to much-needed social reform efforts such as in the areas of land use and distribution, labor rights and progressive taxation. It is also argued that large infusions of US aid have helped to create a dependent client state, whose economy is propped up with US monies. Moreover, the Salvadoran military has been turned into a "junkie" of US assistance which has become the indispensable prerequisite to the continuation of the civil war. Finally, administration critics maintain that the continued receipt of US aid has become a primary consideration in the unwillingness of Salvadoran authorities to seek

a dialogue with the rebels to bring an end to the war. (From reports prepared in March 1987 by the Coalition for a New Foreign Policy, Washington, DC.)

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