

3-28-2002

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LADB Staff

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LADB Staff. "President Bush at Summit in El Salvador." (2002). <https://digitalrepository.unm.edu/noticen/8944>

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President Bush at Summit in El Salvador

by LADB Staff

Category/Department: El Salvador

Published: 2002-03-28

In his brief visit to El Salvador March 24, President George W. Bush reiterated his interest in negotiating a free-trade treaty with Central America, a proposal that has delighted regional leaders who see trade as the way out of poverty. Bush showed less interest in some other topics of great importance to the region, especially immigration. Bush's five-hour stopover in El Salvador was part of a trip that took him first to Monterrey, Mexico, to attend the UN International Conference on Financing for Development, and then to Lima, Peru.

In Monterrey, Bush elaborated on his new theory that poverty and terrorism are linked. Until this year, Bush, like his predecessors, had generally held the view that poverty abroad, like poverty at home, was best tackled with trickle-down or supply-side economics designed to persuade wealth to create jobs and eventually lift all boats with little direct government intervention. Bush alters policy on aid, trade Just before his Latin American trip, however, Bush announced his support for a US \$5 billion increase in foreign aid over the next four years. While modest in percentage points, the increase was seen internationally as a breakthrough in US thinking on aid.

In Monterrey, Bush said poverty was related to hopelessness and terrorism. "Hope," he said, "is an answer to terror." Cajoled by the European Union (EU), some of whose members give many times more than the US in foreign aid, Bush increased the pledge to US\$15 billion over three years, and said he hoped to get the money flowing within a few months, instead of years. Even with the promised increase, however, US foreign aid would rise only from 0.10% to 0.13% of budget expenditures compared with 0.39% promised by the EU. UN Secretary General Kofi Annan wants to see the aggregate from all nations rise from 0.22% to 0.70%. Bush said conditions would be attached to the "new compact" for development. The rich nations are to give more aid, but the poor nations will only get the aid if they curb official corruption and undertake broad political, social, and economic reforms.

Out of this new partnership is supposed to come a halving in the number of the world's poor by 2015 as outlined in the final conference declaration, the Monterrey Consensus. Bush launches crackdown on corruption "Citizens and businesses must know that the town hall the alcaldia is free from bribery, and cronyism, and all forms of corruption," Bush said. Prodding recipient nations to clean up government, Bush has launched a radical anti-corruption policy of his own.

Assistant Secretary of State for Western Hemisphere Affairs Otto Reich spelled out the policy in his swearing-in speech March 12. From it has come a blacklist of the corrupt, which will include some current and former Latin American heads of state who will be denied US visas (see NotiCen, 2002-03-21).

Given Bush's intention to make future aid conditional upon steps to eliminate corruption, the presence of Guatemalan President Alfonso Portillo at the Monterrey and San Salvador meetings

was especially ironic. Accused recently of participating in a massive scheme to secretly transfer large sums of cash to offshore banks, he now faces a popular movement to have him indicted and removed from office (see NotiCen, 2002-03-21).

New policies tied to war on terrorism

The US turnaround on aid and the new attention paid to Latin America began with Bush's address in January to a meeting of the World Affairs Council in Washington (see NotiCen, 2002-01-31). A White House press release referred to the address as a call "to expand trade and create jobs," but the speech placed more emphasis on strengthening hemispheric cooperation against terrorism by "building a prosperous and free and democratic hemisphere." Whereas Bush's previous major pronouncement on hemispheric trade at the Quebec Summit of the Americas in April 2001 portrayed free trade and democracy as almost inseparable concepts (see NotiCen, 2002-04-26), the January speech linked them both to the new war on terrorism.

Bush told the World Affairs Council that the hemisphere's future depends on its commitment to "democracy, security, and market-based development." But Bush's statements suggest the first two are functions of the market. As Bush said, free trade is inseparable from democracy. When he refers to security, he means "security against acts of terror," and he has now linked terrorism directly to poverty, which in turn, is to be attacked by trade and market mechanisms. Bush has pressed hard, both at the Summit of the Americas and the World Affairs Council meeting, to keep up Latin America's commitment to neoliberal policies.

Concern that the Argentine economic collapse could undermine that commitment, Bush made it clear in the January speech that he wants Latin America to go ahead with free trade, privatization, deregulation, and austere fiscal policies toward the ultimate goal of a Free Trade Area of the Americas (FTAA) by 2005. As a step in that direction, he announced that the US would consider a free-trade agreement with Central America. Expectations rose in Central America that something concrete on trade issues would emerge from the Salvador mini-summit. In a hastily called meeting in Guatemala January 27, Central American presidents agreed with the all key elements in Bush's address ten days earlier. They unanimously declared their interest in a free-trade treaty with the US and their belief that free trade was necessary to combat poverty and prevent "uncontrolled migration."

Another expected benefit from free trade would be a unified regional trade policy that would accelerate the glacial pace of regional integration, which has been obstructed by continuous border conflicts and attempts to forge bilateral instead of multilateral trade agreements.

In a February meeting, Central American economy ministers laid out strategies for presenting a united front in the expected free-trade negotiations with the US. A key proposal was to get free access to the US market without quotas or tariffs except those necessary to compensate for asymmetries between the region and the US. And in still another set of agreements in February, the region's business associations met in San Salvador to plan for inclusion in the negotiations.

Representatives of the Federation de Cupulas Empresariales de Centroamerica, Panama y Republica Dominicana (FEDEPRICAP) agreed to act as a bloc in promoting their interests and to petition governments to give the organization a role in negotiations. They also set up an advisory board (Consejo Empresarial Centroamericano) to act as a parallel body to the economy ministers' Consejo de Ministros de Economia de Centroamerica (COMIECO). Questions of unity remain. Despite the outward display of unity, it remains to be seen whether enthusiasm is enough to create a joint regional negotiating position on free trade.

The most important exception could be Panama, which has preferred bilateral pacts because it sees its economy as far more dependent than its neighbors on services such as banking. Currently, Panama is discussing a bilateral treaty with the US. Also separating Panama from its neighbors are longstanding claims against the US, which the US has been reluctant to address. These include demands for the cleanup of former US military installations in Panama where toxic materials and unexploded munitions, some left over from the 1940s, present a hazard. Recently, an international inspection team confirmed that the US had left chemical weapons on the island of San Jose.

Market access, subsidies are key concerns

Labor leaders and nongovernmental organizations all over Central America have claimed that local producers cannot stand up to US imports under free trade and that only certain sectors, mainly exporters, benefit. Many observers believe that regional presidents see free trade and lucrative exports to the US as a substitute for meaningful reforms such as taking the painful step of raising tax-collection rates to first-world standards to pay for poverty- and debt-reduction programs. For Central America, promotion of democracy and anti-terrorism may mean less than the elimination of barriers to the US market and an increased flow of US capital to create jobs and slash the region's poverty rates. Bush seemed to agree on the importance of access, and he told the Salvadoran daily *El Diario de Hoy* that free trade would be eight times more valuable to Central America than any aid program.

But some of the Bush rhetoric seemed disingenuous because of a long history of US subsidies as well as tariffs and quotas even on goods produced with US materials in assembly (maquila) plants and shipped to the US market (see *NotiCen*, 2000-10-12, 2001-12-20). Bush's recent approval of higher tariffs on imported steel has drawn criticism from producing countries and non-producing countries that face increased prices on steel-related imports.

Countries in Central America and elsewhere in Latin America complain that US agricultural subsidies give US exporters an unfair advantage and threaten to extinguish agriculture in poor nations. The cost of these subsidies to US taxpayers is much greater than the cost of foreign aid, they say. Another potential obstacle to trade negotiations is a preference for piecemeal entry into any future trade pact.

During the Salvador summit, Bush said Salvadoran President Francisco Flores had suggested the US begin negotiating free trade with any country that is ready to do so. This plan would destroy the united-front consensus reached in the January and February regional meetings. But Flores later

explained that his idea was to first negotiate as a region, then, after ratification by the US Senate, the treaty would go into effect as each country met the conditions. Whatever the interpretation, there appears to be agreement that entry into free trade will not proceed at the pace set by the slowest country.

El Salvador is a model for others

Salvadoran Ambassador in Washington Rene Leon's understanding of Bush's visit was that Bush picked El Salvador for his Central American stop in recognition of its progress in fulfilling the peace accords of 1992 that ended the armed conflict. The political message Bush wants to send, said Leon, is that El Salvador is the kind of country the US wants to hold up as a model for development. For others, El Salvador is not much of a model and free trade is not the answer. Bush said El Salvador was one of the "freest, strongest, and most stable" countries in the Western Hemisphere.

While it is true that El Salvador's economy is one of the most hospitable to neoliberal policies, it is also one of the poorest, with great contrast in wealth, and stuck in a five-year recession. Poverty affects, by some estimates, as much as 60% of the population and neoliberal policies have not halted the increases. Salvadorans protest Flores asked Salvadorans to refrain from violent protests during Bush's visit to preserve the image of the nation. He said planned demonstrations were the work of minorities, a term that angered organizers of the demonstrations. They said the 50 participating groups represented a majority of Salvadorans. An estimated 5,000 people participated in a protest march against Bush, neoliberalism, the free-trade treaty, and the proposed FTAA. Celina de Monterrosa, a Legislative Assembly deputy for the main opposition party Farabundo Marti para la Liberacion Nacional (FMLN), said the Bush visit offered no benefits for most Salvadorans. The party issued a statement opposing the visit.

Enrique Palamo Lacs, coordinator of a private Guatemalan group working on trade issues, told The Christian Science Monitor, "Bush's logic is that trade is the motor of development. The logic, however, was the same in the 1980s, and we followed it. But this logic hasn't shown results. We export more, but we are not any richer. We continue with the same problems as always."

Bush's decision to visit the country on March 24 also invited resentment in El Salvador since it was the 22nd anniversary of the assassination of Archbishop Oscar Romero. Romero's death is inextricably linked to the US-sponsored anti-insurgency war of the 1980s, and demonstrators carried signs blaming the US for 70,000 Salvadoran deaths during that conflict.

Bush less specific on immigration issues

The governments of Honduras, Nicaragua, and El Salvador continually ask the US for an extension of Temporary Protected Status (TPS), which allows immigrants from those countries to remain in the US on a temporary basis. Besides giving humanitarian relief to immigrants from the countries hit by Hurricane Mitch in 1998 and earthquakes in 2002, TPS also serves as an indirect foreign-aid program providing immigrants the opportunity to contribute to the transfer of more than US\$3.5 billion each year in family remittances to their home countries.

Bush told the Salvadoran daily El Diario de Hoy that immigration and TPS were not on his agenda and that no decision would be made yet on whether to extend TPS past the September cutoff. He said, however, that he would study the matter and promised that the immigrants would be treated with respect.

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