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U.S. Strategy for Engagement in Central America: Policy Issues for Congress

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Summary

Central America has received renewed attention from U.S. policymakers over the past few years as the region has become a major transit corridor for illicit drugs and has surpassed Mexico as the largest source of irregular migration to the United States. These narcotics and migrant flows are the latest symptoms of deep-rooted challenges in several countries in the region, including widespread insecurity, fragile political and judicial systems, and high levels of poverty and unemployment. The U.S. government and partners in the region have begun to implement new initiatives intended to address those challenges, but living conditions in Central America have yet to improve significantly.

U.S. Strategy for Engagement in Central America

The Obama Administration determined it was in the national security interests of the United States to work with Central American governments to address their challenges. With congressional support, it launched a new U.S. Strategy for Engagement in Central America and significantly increased aid to the region. The strategy takes a broader, more comprehensive approach than previous U.S. initiatives in Central America and is based on the premise that efforts to promote prosperity, improve security, and strengthen governance are mutually reinforcing and of equal importance. The strategy focuses primarily on the "Northern Triangle" countries of Central America (El Salvador, Guatemala, and Honduras), which face the greatest challenges and are carrying out complementary efforts under their Alliance for Prosperity initiative. It also provides an overarching framework for U.S. engagement with the other countries in the region: Belize, Costa Rica, Nicaragua, and Panama.

The Trump Administration has maintained the U.S. Strategy for Engagement in Central America but has adjusted the initiative to place more emphasis on preventing illegal immigration, combating transnational crime, and generating export and investment opportunities for U.S. businesses. The Administration also has sought to scale back U.S. assistance to Central America, but Congress has rejected the majority of the proposed reductions.

Funding and Conditions

Congress has appropriated nearly $2.1 billion for the Central America strategy since FY2016. This figure includes $754 million appropriated in FY2016, $700 million appropriated in FY2017, and an estimated $627 million appropriated in FY2018 (through P.L. 114-113, P.L. 115-31, and P.L. 115-141, respectively). Congress has placed strict conditions on the aid, requiring the Northern Triangle governments to address a range of concerns, including border security, corruption, and human rights, to receive assistance. As a result of those legislative requirements, delays in the budget process, and congressional holds, aid has been slow to arrive in the region.

Future Appropriations and Other Policy Issues

The first session of the 116th Congress will determine the amount of assistance to be appropriated for the Central America strategy for the remainder of FY2019 and consider the Trump Administration's forthcoming foreign aid budget request for FY2020. As Congress deliberates on the future of the Central America strategy, it may examine a number of policy issues. These issues include the funding levels and strategy necessary to meet U.S. objectives; the extent to which Central American governments are demonstrating the political will to undertake domestic reforms; the utility of the conditions placed on assistance to Central America; and the potential implications of changes to U.S. immigration, trade, and drug control policies for U.S. objectives in the region.

Contents

Introduction 1
U.S. Strategy for Engagement in Central America 2
Background and Formulation 2
Three Lines of Action 5
Promoting Prosperity and Regional Integration 6
Strengthening Governance 7
Improving Security 9
Congressional Funding 11
Conditions on Assistance 13
Relationship to the Alliance for Prosperity 15
Preliminary Results 17
Policy Issues for Congress 18
Strategy and Funding Levels 18
Political Will in Central America 20
Aid Conditionality 22
Implications of Other U.S. Policy Changes 24
Immigration 24
Trade 26
Drug Control 28
Outlook 29

Figures

Figure 1. Map of Central America 2
Figure 2. Central America Strategy Objectives and Lines of Action 5
Figure 3. Funding for the U.S. Strategy for Engagement in Central America by Foreign Assistance Account: FY2016-FY2018 13
Figure 4. U.S. Assistance to Central America: FY1946-FY2015 21
Figure 5. Remittances to Central America: 2017 25
Figure 6. Central American Exports to the United States: 2017 27

Tables

Table 1. Central America Background Information 3
Table 2. Central America Socioeconomic Indicators 6
Table 3. Central America Democracy and Governance Indicators 8
Table 4. Central America Security Indicators 10
Table 5. Funding for the U.S. Strategy for Engagement in Central America by Country: FY2016-FY2019 12
Table 6. Alliance for Prosperity Funding by Country: 2016-2018 16

Table A-1. FY2016 Funding for the U.S. Strategy for Engagement in Central America 30

Table A-2. FY2017 Funding for the U.S. Strategy for Engagement in Central America 31
Table A-3. FY2018 Funding for the U.S. Strategy for Engagement in Central America 31

Appendixes

Appendix. Appropriations for the U.S. Strategy for Engagement in Central America by Country and Foreign Assistance Account: FY2016-FY2018 30

Contacts

Author Information..... 32

Introduction

Instability in Central America—particularly the "Northern Triangle" nations of El Salvador, Guatemala, and Honduras—is one of the most pressing challenges for U.S. policy in the Western Hemisphere. These countries are struggling with widespread insecurity, fragile political and judicial systems, and high levels of poverty and unemployment. The inability of the Northern Triangle governments to address those challenges effectively has had far-reaching implications for the United States. Transnational criminal organizations have taken advantage of the situation, utilizing the region to traffic approximately 90% of cocaine destined for the United States, among other illicit activities.[1] The region also has become a significant source of mixed migration flows of asylum seekers and economic migrants to the United States. In FY2017, U.S. authorities apprehended nearly 163,000 unauthorized migrants from the Northern Triangle along the southwest border; about 63% of those apprehended were unaccompanied minors or families, many of whom were seeking humanitarian protection.[2] These mixed migration flows have continued over the past year, with some migrants banding together in large "caravans" to make the journey.

The Obama Administration determined that it was "in the national security interests of the United States" to work with Central American governments to improve security, strengthen governance, and promote economic prosperity in the region.[3] Accordingly, the Obama Administration launched a new, whole-of-government U.S. Strategy for Engagement in Central America and requested significant increases in foreign assistance to implement the strategy, primarily through the State Department and U.S. Agency for International Development (USAID). Congress has appropriated an estimated $2.1 billion in aid for the region since FY2016 but has required the Northern Triangle governments to address a series of concerns prior to receiving U.S. support.

The Trump Administration has begun to adjust the Central America strategy as part of its broader reevaluation of U.S. foreign policy. Although the updated strategy maintains the objectives that were adopted during the Obama Administration, the Trump Administration's policy toward Central America places more emphasis on preventing illegal immigration, combating transnational crime, and generating export and investment opportunities for U.S. businesses.[4] The Trump Administration also has sought to scale back—and occasionally threatened to cut off—U.S. assistance to Central America.[5] Congress has not approved most of those proposed cuts, however, and any additional shifts in funding priorities or levels will depend on legislation adopted during the 116th Congress.

This report examines the U.S. Strategy for Engagement in Central America, including its formulation, objectives, funding, and relationship to the Alliance for Prosperity plan put forward by the Northern Triangle governments. The report also analyzes the preliminary results of the

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[1] U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, *2017 International Narcotics Control Strategy Report, Volume I: Drug and Chemical Control*, March 2017.

[2] U.S. Customs and Border Protection (CBP), *CBP Border Security Report, Fiscal Year 2017*, December 5, 2017; CBP, "U.S. Border Patrol Southwest Border Apprehensions by Sector FY2017," press release, December 15, 2017.

[3] White House, *U.S. Strategy for Engagement in Central America*, March 16, 2015, at https://obamawhitehouse.archives.gov/sites/default/files/docs/central_america_strategy.pdf.

[4] U.S. Department of State, *Report to Update the U.S. Strategy for Engagement in Central America*, August 8, 2017, at https://pdf.usaid.gov/pdf_docs/PA00N7FB.pdf.

[5] See, for example, Zachary Basu, "Trump Says He Will Cut Off Foreign Aid over Migrant Caravan," *Axios*, October 22, 2018; and "Trump Vows to End all Aid to El Salvador, Guatemala, and Honduras," EFE News Service, December 28, 2018.

strategy and several policy issues that the 116th Congress may assess as it considers the future of U.S. policy in Central America. These issues include the funding levels and strategy necessary to meet U.S. objectives; the extent to which Central American governments are addressing their domestic challenges; the utility of conditions placed on assistance to the region; and how changes in U.S. immigration, trade, and drug control policies could affect conditions in the region.

Figure 1. Map of Central America

Source: Congressional Research Service (CRS) Graphics.

Notes: The "Northern Triangle" countries (El Salvador, Guatemala, and Honduras) are pictured in orange.

U.S. Strategy for Engagement in Central America

Background and Formulation

Central America is a diverse region that includes the Northern Triangle nations of El Salvador, Guatemala, and Honduras, which are facing acute economic, governance, and security challenges; the former British colony of Belize, which is stable politically but faces a difficult economic and security situation; Nicaragua, which has comparatively low levels of crime but a de facto single-party government and high levels of poverty; and Costa Rica and Panama, which

have comparatively prosperous economies and strong institutions but face growing security challenges (see **Table 1**).[6] Given the geographic proximity of the region (see **Figure 1**), the United States historically has maintained close ties to Central America and played a prominent role in the region's political and economic development. It also has provided assistance to Central American nations designed to counter perceived threats to the United States, ranging from Soviet influence during the Cold War to illicit narcotics and irregular migration today.

Table 1. Central America Background Information

	People	Geography	Economy	State Fragility	Leadership
	Population (2018 est.)	**Land Area (sq. km.)**	**Gross Domestic Product (GDP, 2018 est.)**	**Fragile States Index Rank; 1-178, Most to Least Fragile (2018)**	**Head of Government**
Belize	382,000	22,806	$1.9 billion	115	Prime Minister Dean Barrow
Costa Rica	5.0 million	51,060	$60.8 billion	144	President Carlos Alvarado
El Salvador	6.4 million	20,721	$25.9 billion	96	President Salvador Sánchez Cerén
Guatemala	16.8 million	107,159	$79.1 billion	59	President Jimmy Morales
Honduras	9.2 million	111,890	$23.8 billion	68	President Juan Orlando Hernández
Nicaragua	6.3 million	119,990	$13.4 billion	75	President Daniel Ortega
Panama	4.1 million	74,340	$66.0 billion	136	President Juan Carlos Varela

Sources: Population estimates from U.N. Economic Commission for Latin America and the Caribbean (ECLAC), *Statistical Yearbook for Latin America and the Caribbean*, *2017 Electronic Version*, February 2018; land area data from Central Intelligence Agency, *World Factbook*, 2017; GDP estimates from International Monetary Fund (IMF), *World Economic Outlook Database October 2018*, October 9, 2018; state fragility rank from the Fund for Peace, *2018 Fragile States Index*, April 24, 2018.

The U.S. Strategy for Engagement in Central America is the latest in a series of U.S. efforts over the past 20 years designed to produce sustained improvements in living conditions in the region. During the Administration of President George W. Bush, U.S. policy toward Central America primarily focused on boosting economic growth through increased trade. The George W. Bush Administration negotiated the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) and the U.S.-Panama Free Trade Agreement.[7] It also awarded

[6] For more information, see CRS Report R43616, *El Salvador: Background and U.S. Relations*, by Clare Ribando Seelke; CRS Report R42580, *Guatemala: Political and Socioeconomic Conditions and U.S. Relations*, by Maureen Taft-Morales; CRS Report RL34027, *Honduras: Background and U.S. Relations*, by Peter J. Meyer; and CRS In Focus IF10430, *Panama*, by Mark P. Sullivan.

[7] For more information, see CRS In Focus IF10394, *Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR)*, by M. Angeles Villarreal.

Honduras, Nicaragua, and El Salvador $851 million of Millennium Challenge Corporation (MCC) aid intended to improve productivity and connect individuals to markets.[8]

U.S. policy toward Central America shifted significantly near the end of the George W. Bush Administration to address escalating levels of crime and violence in the region. The George W. Bush Administration launched a security assistance package for Mexico and Central America known as the Mérida Initiative in FY2008, and the Obama Administration rebranded the Central America portion of the aid package as the Central America Regional Security Initiative (CARSI) in FY2010. Congress appropriated nearly $1.2 billion in aid between FY2008 and FY2015 to provide Central American partners with equipment, training, and technical assistance to improve narcotics interdiction and disrupt criminal networks; strengthen the capacities of Central American law enforcement and justice sector institutions; and support community-based crime and violence prevention efforts in the region.[9]

By the beginning of President Obama's second term, the Administration had concluded that although the resources provided through MCC, CARSI, and other U.S. initiatives had "contributed to localized gains and proof-of-concept policy examples," they had "not yielded sustained, broad-based improvements" in Central America.[10] As a result, the Obama Administration already had begun to develop a new strategy for U.S. policy in Central America when an unexpected surge of unaccompanied minors and families from the Northern Triangle began to arrive at the U.S. border in 2014. The new strategy was approved by the National Security Council in August 2014 and became technically binding on all U.S. agencies in September 2014.[11] Congress directed the Trump Administration to review and revise the strategy, but the updated version, released in August 2017, maintains the objectives and sub-objectives that the Obama Administration approved in 2014.[12]

The U.S. Strategy for Engagement in Central America is intended to take a broader, more comprehensive approach than previous U.S. initiatives in the region. Its stated objective is "the evolution of an economically integrated Central America that is fully democratic; provides economic opportunities to its people; enjoys more accountable, transparent, and effective institutions; and ensures a safe environment for its citizens."[13] Whereas other U.S. efforts over the past 20 years generally emphasized a single objective, such as economic growth or crime reduction, the current strategy is based on the premise that prosperity, security, and governance are "mutually reinforcing and of equal importance."[14]

The current strategy also prioritizes interagency coordination more than previous initiatives. Many analysts criticized CARSI as a collection of "stove-piped" programs, with each U.S.

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[8] Honduras received a five-year, $215 million compact in June 2005; it was later reduced to $205 million as a result of a 2009 coup. Nicaragua received a five-year, $175 million compact in July 2005; it was later reduced to $113.5 million as a result of disputed 2008 municipal elections. El Salvador received a $461 million compact in November 2006; the Obama Administration awarded the country a second five-year compact, worth $277 million, in September 2013. For more information on the Millennium Challenge Corporation, see CRS Report RL32427, *Millennium Challenge Corporation*, by Curt Tarnoff.

[9] For background information on the Central America Regional Security Initiative (CARSI), see CRS Report R41731, *Central America Regional Security Initiative: Background and Policy Issues for Congress*, by Peter J. Meyer and Clare Ribando Seelke.

[10] White House, *U.S. Strategy for Engagement in Central America*, March 16, 2015.

[11] CRS interview with State Department official, October 2016.

[12] U.S. Department of State, *Report to Update the U.S. Strategy for Engagement in Central America*, August 8, 2017.

[13] Ibid.

[14] White House, *U.S. Strategy for Engagement in Central America*, March 16, 2015.

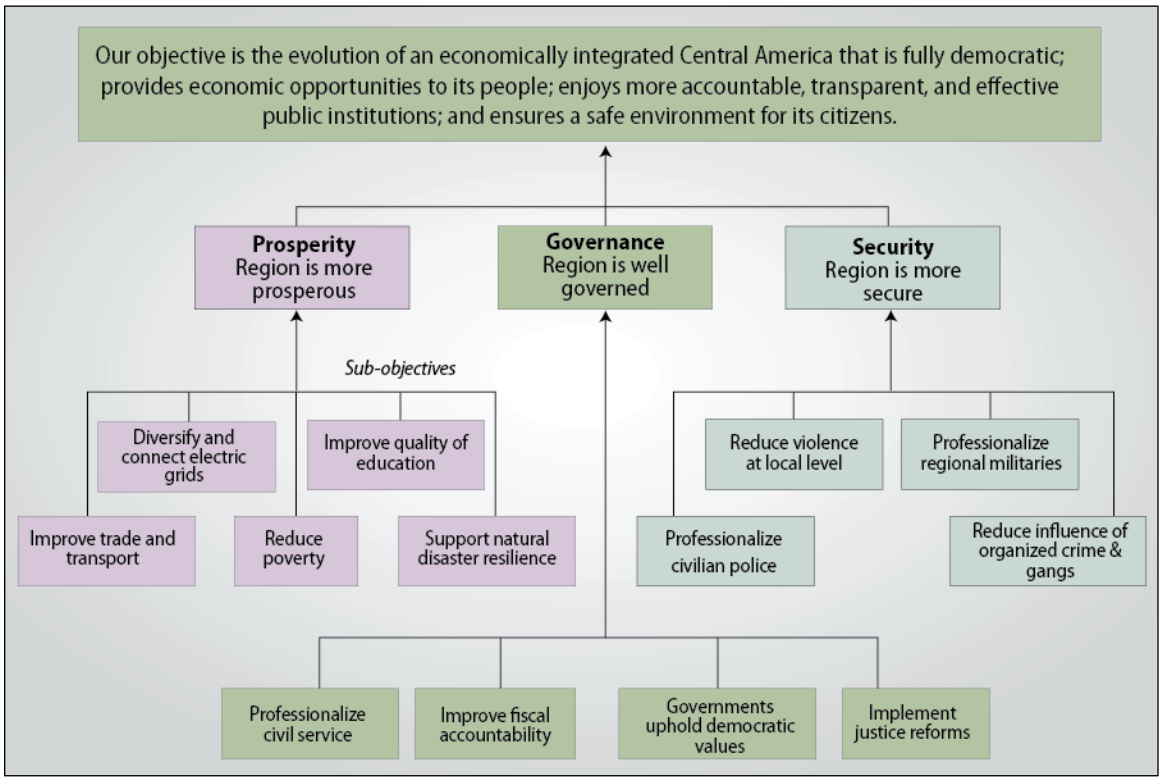
agency implementing its own activities and pursuing its own objectives, which sometimes conflicted with those of other agencies, international donors, or regional partners.[15] The U.S. Strategy for Engagement is a whole-of-government effort that provides an overarching framework for all U.S. government interactions in Central America. While U.S. agencies continue to carry out a wide range of programs, the strategy is intended to ensure their efforts—and the messages they deliver to partners in the region—are coordinated. The strategy also seeks to combine U.S. resources with those of other donors and ensure that Central American governments are committed to carrying out complementary reforms.

Three Lines of Action

To achieve its objectives, the U.S. Strategy for Engagement in Central America supports activities grouped under three overarching lines of action:

1. promoting prosperity and regional integration,
2. strengthening governance, and
3. improving security.

Figure 2. Central America Strategy Objectives and Lines of Action



Source: U.S. Department of State, "U.S. Strategy for Engagement in Central America – Results Architecture," September 7, 2016. Adapted by CRS Graphics.

[15] See, for example, Eric L. Olson et al., *Crime and Violence in Central America's Northern Triangle: How U.S. Policy Responses Are Helping, Hurting, and Can Be Improved*, Woodrow Wilson International Center for Scholars, Reports on the Americas #34, December 2014.

Promoting Prosperity and Regional Integration

With the exceptions of Costa Rica and Panama, the countries of Central America are among the poorest in the Western Hemisphere. Land ownership and economic power historically have been concentrated in the hands of a small group of elites, leaving behind a legacy of extreme inequality that has been exacerbated by gender discrimination and the social exclusion of ethnic minorities. Although the adoption of market-oriented economic policies in the 1980s and 1990s produced greater macroeconomic stability and facilitated the diversification of Central America's once predominantly agricultural economies, the economic gains have not translated into improved living conditions for many of the region's residents. Central America currently is undergoing a demographic transition in which the working age population, as a proportion of the total population, has grown significantly and is expected to continue growing in the coming decades. Although this transition presents a window of opportunity to boost economic growth, the region is failing to generate sufficient employment to absorb the growing labor supply (see **Table 2**).

Table 2. Central America Socioeconomic Indicators

	Per Capita Income	**Poverty**	**Economic Growth Rate**	**Youth Disconnection**
	GDP per Capita (2018 est.)	**% of Population Living on less than $5.50 per day (2016)[a]**	**Annual % Growth in GDP (2018 est.)**	**% of Youth Aged 15-24 not in Employment, Education, or Training (2017)[b]**
Belize	$4,830	Not available	1.8	27.3
Costa Rica	$12,095	20.0	3.3	20.1
El Salvador	$4,041	30.7	2.5	28.4
Guatemala	$4,583	48.8[a]	2.8	27.3[b]
Honduras	$2,829	50.4	3.5	27.7
Nicaragua	$2,127	34.8[a]	-4.0	15.0[b]
Panama	$15,877	14.6	4.6	17.2

Sources: Per capita income and economic growth data from the IMF, *World Economic Outlook Database October 2018*, October 9, 2018; poverty data from the World Bank *DataBank*, accessed in December 2018; youth disconnection data from the International Labour Organization (ILO), *ILOSTAT*, accessed in December 2018.

a. Poverty data use 2011 international prices. Data from 2014 for Guatemala and Nicaragua.

b. Youth disconnection data from 2016 for Guatemala and 2012 for Nicaragua.

The U.S. Strategy for Engagement in Central America seeks to address these challenges through a variety of actions designed to promote prosperity and regional integration. The strategy aims to facilitate increased trade by helping the region take advantage of the opportunities provided by CAFTA-DR and other trade agreements. For example, USAID seeks to strengthen the capacities of regional organizations, including the Central America Integration System,[16] to analyze, formulate, and implement regional trade policies.[17] Likewise, the Department of Commerce is

[16] The Central American Integration System is an international organization created in 1991 by the nations of Central America to foster regional integration. Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, and the Dominican Republic are member states of the organization.

[17] USAID, "Program Narrative: Central America Regional," CN #151, July 20, 2018, pp. 3-4.

providing training and technical assistance intended to improve customs and border management and facilitate trade.[18]

The strategy also seeks to diversify and connect electric grids in Central America to bring down the region's high electricity costs, which are a drag on economic growth. For example, the State Department's Bureau of Energy Resources aims to strengthen the Central American power market and regional transmission system and to enhance sustainable energy financing mechanisms to increase energy trade and attract investment in energy infrastructure.[19] Similarly, USAID is working with regional governments to develop uniform procurement processes and transmission rights as well as regulations to facilitate investment in renewable power generation projects.[20]

Other activities carried out under the Central America strategy aim to reduce poverty in the region and to help those living below the poverty line meet their basic needs. In Honduras, for example, USAID supports a multifaceted food security program designed to reduce extreme poverty and chronic malnutrition by helping subsistence farmers diversify their crops and increase household incomes. The program is introducing farmers to new crops, technologies, and sanitary processes intended to increase agricultural productivity, improve farming practices and natural resource management, and enable farmers to enter into business relationships and export their products.[21]

Facilitating access to quality education is another way in which the strategy seeks to promote prosperity in Central America. For example, USAID funds basic education programs in Nicaragua, including efforts to improve teacher training and student reading performance.[22] In El Salvador, USAID seeks to develop partnerships between academia and the private sector and to better link tertiary education with labor-market needs. Among other activities, USAID is providing support for career centers, internship programs, and academic programs in priority economic sectors.[23]

Finally, the Central America strategy seeks to build resiliency to external shocks, such as the drought and coffee fungus outbreak that have devastated rural communities in recent years. For instance, USAID is working with communities in the Western Highlands of Guatemala to reduce the region's vulnerability to climate change. USAID has supported efforts to increase access to climate information to inform community decisions, strengthen government capacity to address climate risks, and disseminate agricultural practices that are resilient to climate impacts.[24]

Strengthening Governance

A legacy of conflict and authoritarian rule has inhibited the development of strong democratic institutions in most of Central America. The countries of the region, with the exception of Costa Rica and Belize, did not establish their current civilian democratic regimes until the 1980s and 1990s, after decades of political repression and protracted civil conflicts.[25] Although every

[18] Department of State, "Congressional Notification 17-058 – State Western Hemisphere Regional: Central America Strategy Interagency Solicitation Process," April 4, 2017.

[19] Ibid.

[20] USAID, "Regional Program Narrative: Central America Regional," CN #14, October 14, 2016, p. 4.

[21] USAID, "Country Narrative: Honduras," CN #97, April 10, 2018, pp. 5-6.

[22] USAID, "Country Narrative: Nicaragua," April 10, 2018, pp. 2-3.

[23] USAID, "Country Narrative: El Salvador," CN #96, April 10, 2018, pp. 5-6.

[24] USAID, "USAID/Guatemala Country Fact Sheet," July 2018, p.12.

[25] Costa Rica has maintained civilian democratic rule since the end of a 1948 civil war. Belize, which obtained its independence from the United Kingdom in 1981, had a much different historical trajectory than its neighbors.

Central American country now holds regular elections, several have been controversial, and other elements of democracy, such as the separation of powers, remain only partially institutionalized. Moreover, failures to reform and dedicate sufficient resources to the public sector have left many Central American governments weak and susceptible to corruption. As governments in the region have become embroiled in scandals and have struggled to address citizens' concerns effectively, popular support for democracy has declined (see **Table 3**).

Table 3. Central America Democracy and Governance Indicators

	Political Rights and Civil Liberties	Government Effectiveness	Public-Sector Corruption	Satisfaction with Democracy
	Freedom House Score and Classification; 0-100, Least Free to Most Free (2017)	Percentile Rank Globally; 0-100, Least Effective to Most Effective (2017)	Perceptions; 0-100, Highly Corrupt to Very Clean (2017)	% of Population Satisfied with How Democracy Functions in Their Country (2018)
Belize	86, Free	28	Not available	Not available
Costa Rica	91, Free	62	59	45
El Salvador	70, Free	38	33	11
Guatemala	56, Partly Free	27	28	18
Honduras	46, Partly Free	34	29	27
Nicaragua	44, Partly Free	27	26	20
Panama	83, Free	53	37	21

Sources: Political rights and civil liberties data from Freedom House, *Freedom in the World 2018*, January 16, 2018; government effectiveness data from World Bank, *Worldwide Governance Indicators*, 2018; public sector corruption data from Transparency International, *Corruption Perceptions Index 2017*, February 21, 2018; satisfaction with democracy data from Corporación Latinobarómetro, *Informe 2018*, November 9, 2018.

The U.S. Strategy for Engagement in Central America seeks to strengthen governance in the region in a variety of ways. It calls for the professionalization of Central American civil services to improve the technical competence of government employees, depoliticize government institutions, and ensure continuity across administrations. In El Salvador, for example, USAID is supporting civil society efforts to advocate for civil service reforms and the implementation of merit-based systems.[26]

The strategy also seeks to improve Central American governments' capacities to raise revenues while ensuring public resources are managed responsibly. For example, the Treasury Department is providing technical assistance to Guatemala's Ministry of Finance intended to improve treasury management operations and develop an investment policy to ensure financial resources are used efficiently and transparently.[27] At the same time, USAID is training Guatemalan civil society organizations about transparency laws to strengthen the organizations' capacities to hold the government accountable.[28]

[26] USAID, "Country Narrative: El Salvador," CN #96, April 10, 2018, p. 3.

[27] Department of State, "Congressional Notification 17-084 – State Western Hemisphere Regional: Central America Strategy Interagency Solicitation Process," May 16, 2017.

[28] USAID, "Country Narrative: Guatemala," CN #152, July 20, 2018, p. 4.

Other activities are designed to ensure governments in the region uphold democratic values and practices, including respect for human rights. For example, in Nicaragua, where President Daniel Ortega's government has moved to repress all dissent, USAID has supported independent media as well as civil society organizations working to promote and defend democracy.[29] The State Department's Bureau of Democracy, Human Rights, and Labor (DRL) works throughout the region to support human rights defenders and civil society organizations that face threats and attacks as a result of their work. DRL assistance helps individuals avoid or mitigate threats, withstand attacks, and continue advocacy efforts domestically and internationally.[30]

Finally, the U.S. Strategy for Engagement in Central America seeks to improve governance in the region by advancing justice sector reforms designed to decrease impunity. The State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) is providing training and technical assistance to prosecutors, judges, and other justice sector actors on issues such as case management and justice sector administration. INL also is providing specialized training and equipment designed to strengthen forensic capabilities, internal affairs offices, and investigative skills in the region. Moreover, INL is partially funding the operations of the U.N.-backed International Commission against Impunity in Guatemala (CICIG by its Spanish acronym) and the Organization of American States (OAS)-backed Mission to Support the Fight against Corruption and Impunity in Honduras (MACCIH by its Spanish acronym), which assist Guatemalan and Honduran prosecutors in the investigation and prosecution of complex corruption cases.[31]

Improving Security

Violence has long plagued Central America, and Belize, El Salvador, Guatemala, and Honduras continue to have some of the highest homicide rates in the world. Common crime is also widespread. A number of interrelated factors have contributed to the poor security situation, including high levels of poverty, fragmented families, and a lack of legitimate employment opportunities, which leave many youth in the region susceptible to recruitment by gangs or other criminal organizations. In addition, the region serves as an important drug-trafficking corridor due to its location between cocaine-producing countries in South America and consumers in the United States. Heavily armed and well-financed transnational criminal organizations have sought to secure trafficking routes through Central America by battling one another and local affiliates and seeking to intimidate and infiltrate government institutions. Security forces and other justice sector institutions in the region generally lack the personnel, equipment, and training necessary to respond to these threats and have struggled with systemic corruption. As a result, most crimes are committed with impunity (see **Table 4**).

[29] "Nicaragua's Ortega Ejects IACHR Missions," *Latin News Daily*, December 20, 2018; and USAID, "Country Narrative: Nicaragua," April 10, 2018, pp. 1-2.

[30] Department of State, "Congressional Notification 17-058 – State Western Hemisphere Regional: Central America Strategy Interagency Solicitation Process," April 4, 2017.

[31] See, for examples, U.S. Department of State, "Congressional Notification 18-117 – State Western Hemisphere Regional: Central America Regional Security Initiative (CARSI), Honduras," May 16, 2018; and "Congressional Notification 18-079 – State Western Hemisphere Regional: Central America Regional Security Initiative (CARSI), Guatemala," April 23, 2018.

Table 4. Central America Security Indicators

	Homicide Rate	Crime Victimization	Rule of Law
	Murders per 100,000 Residents (2017)	**% of Population Reporting They Were the Victim of a Crime in the Past Year (2016/17)**	**Percentile Rank Globally; 0-100, Weakest to Strongest (2017)**
Belize	37	Not available	16
Costa Rica	12	22	68
El Salvador	60	23	20
Guatemala	26	24	13
Honduras	43	22	14
Nicaragua	7	18	29
Panama	10	16	54

Sources: Homicide rates from Tristan Clavel, "Insight Crime's 2017 Homicide Round-Up," *Insight Crime*, January 19, 2018, and Belize Crime Observatory, *Citizen Security Belize Report*, July 2018; crime victimization data from Mollie J. Cohen, Noam Lupu, and Elizabeth J. Zechmeister (eds.), *Political Culture of Democracy in the Americas, 2016/17*, Vanderbilt University, Latin American Public Opinion Project, August 2017; rule-of-law data from World Bank, *Worldwide Governance Indicators*, 2018.

The U.S. Strategy for Engagement in Central America aims to improve security in the region in a number of ways, including through the professionalization of civilian police forces. For example, INL is carrying out a number of activities designed to improve the quality and strengthen the capacity of the Honduran National Police. Among other activities, INL is supporting efforts to vet police officers, improve police academy curricula and training, and enhance police engagement with civil society.[32] U.S. assistance also has funded regional efforts to employ intelligence-led policing, such as the expansion of the comparative statistics (COMPSTAT) model, which allows real-time mapping and analysis of criminal activity—in Belize, Costa Rica, and Panama.[33]

The strategy also expands crime and violence prevention efforts. USAID and INL have adopted a "place-based" approach that integrates their respective prevention and law enforcement interventions in the most violent Central American communities. USAID interventions include primary prevention programs that work with communities to create safe spaces for families and young people, secondary prevention programs that identify the youth most at risk of engaging in violent behavior and provide them and their families with behavior-change counseling, and tertiary prevention programs that seek to reintegrate juvenile offenders into society.[34] INL interventions include primary prevention programs working to reduce gang affiliation and increase job prospects for inmates who are eligible for early release and the development of "model police precincts," which are designed to build local confidence in law enforcement by converting police forces into more community-based, service-oriented organizations.[35]

[32] U.S. Department of State, "Congressional Notification 18-117 – State Western Hemisphere Regional: Central America Regional Security Initiative (CARSI), Honduras," May 16, 2018, pp. 4-5.

[33] U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, *2018 International Narcotics Control Strategy Report, Volume I: Drug and Chemical Control*, March 2018.

[34] USAID, "Congressional Notification: Central America Regional Security Initiative (CARSI)," CN #134, June 22, 2018.

[35] See, for example, U.S. Department of State, "Congressional Notification 18-101– State Western Hemisphere

The U.S. Strategy for Engagement in Central America also continues long-standing U.S. assistance designed to professionalize regional armed forces. The strategy aims to encourage Central American militaries to transition out of internal law enforcement roles, strengthen regional defense cooperation, and enhance respect for human rights and civilian control of the military.[36] U.S. support for regional militaries also aims to increase their capabilities and strengthen military-to-military relationships. Central American armed forces personnel have received training on topics such as intelligence, defense acquisition, and search and rescue planning at military institutions in the United States.[37]

In addition, the strategy seeks to reduce the influence of organized crime and gangs. Some U.S. assistance is designed to extend the reach of the region's security forces. For example, the U.S. government is helping Panama's national border service deploy tactical mobility vehicles and sustain fixed- and rotary-wing aircraft to protect its maritime and land borders.[38] INL is using other U.S. assistance to maintain specialized law enforcement units that are vetted by, and work with, U.S. personnel to investigate and disrupt the operations of transnational gangs and organized crime networks.[39]

Congressional Funding

Congress has appropriated an estimated $2.1 billion for efforts under the U.S. Strategy for Engagement in Central America. This figure includes $754 million in FY2016, nearly $700 million in FY2017, and an estimated $627 million in FY2018 (see **Table 5** and the **Appendix**).[40] The vast majority of the aid appropriated for the strategy from FY2016 to FY2018 was allocated to El Salvador, Guatemala, and Honduras. Congress has placed strict conditions on aid to those three countries, however, requiring the Northern Triangle governments to address a range of concerns to receive assistance (see "Conditions on Assistance," below). Due to those legislative requirements, delays in the budget process, and congressional holds, assistance has been slow to arrive in the region.

The Trump Administration requested $436 million to continue implementing the U.S. Strategy for Engagement in Central America in FY2019. If enacted, aid to the region would decline by 30% compared to FY2018 but would remain above the levels provided from FY2010 to FY2014, when annual appropriations for Central America averaged $376 million.[41] The Senate and House Appropriations Committees reported their respective FY2019 Department of State, Foreign Operations, and Related Programs appropriations measures on June 21, 2018, and July 16, 2018. The Senate committee bill (S. 3108) would have provided $515.5 million for the Central America strategy, and the House committee bill (H.R. 6385) would have provided $595 million. Neither bill received floor consideration, however, and a series of continuing resolutions (P.L. 115-245 and P.L. 115-298) that had funded the Central America strategy at the FY2018 level expired on December 21, 2018. Funding for the remainder of FY2019 will depend on appropriations legislation enacted by the 116th Congress.

Regional: Central America Regional Security Initiative (CARSI), El Salvador," May 9, 2019, p. 4.

[36] U.S. Department of State, *Report to Update the U.S. Strategy for Engagement in Central America*, August 8, 2017.

[37] U.S. Department of State, "Congressional Notification 18-163," June 26, 2018.

[38] U.S. Department of State, "Congressional Notification 18-295," September 11, 2018.

[39] See, for example, U.S. Department of State, "Congressional Notification 18-101 – State Western Hemisphere Regional: Central America Regional Security Initiative (CARSI), El Salvador," May 9, 2018.

[40] Although a previous version of this report included FY2015 appropriations, the State Department considers FY2016 appropriations to be the first year of funding for the U.S. Strategy for Engagement in Central America.

[41] U.S. Department of State, *Congressional Budget Justifications for Foreign Operations, Fiscal Years 2012-2016*.

Table 5. Funding for the U.S. Strategy for Engagement in Central America by Country: FY2016-FY2019

(appropriations in millions of current U.S. dollars)

	FY2016	FY2017	FY2018 (estimate)	FY2019 (request)	% Change 2018-2019
Belize	1.2	1.2	1.3	0.2	-84%
Costa Rica	1.8	5.7	5.7	0.4	-93%
El Salvador	67.9	72.8	57.7	45.7	-21%
Guatemala	131.2	140.4	120.1	69.4	-42%
Honduras	98.3	95.3	79.8	65.8	-18%
Nicaragua	10.0	9.7	10.0	0.0	-100%
Panama	3.3	3.3	3.2	1.2	-63%
CARSI	348.5	329.2	263.2	252.8	-21%
Other Regional Assistance	91.4	42.1	29.5	0.0	-100%
Total	**753.7**	**699.7**	**626.5**	**435.5**	**-30%**

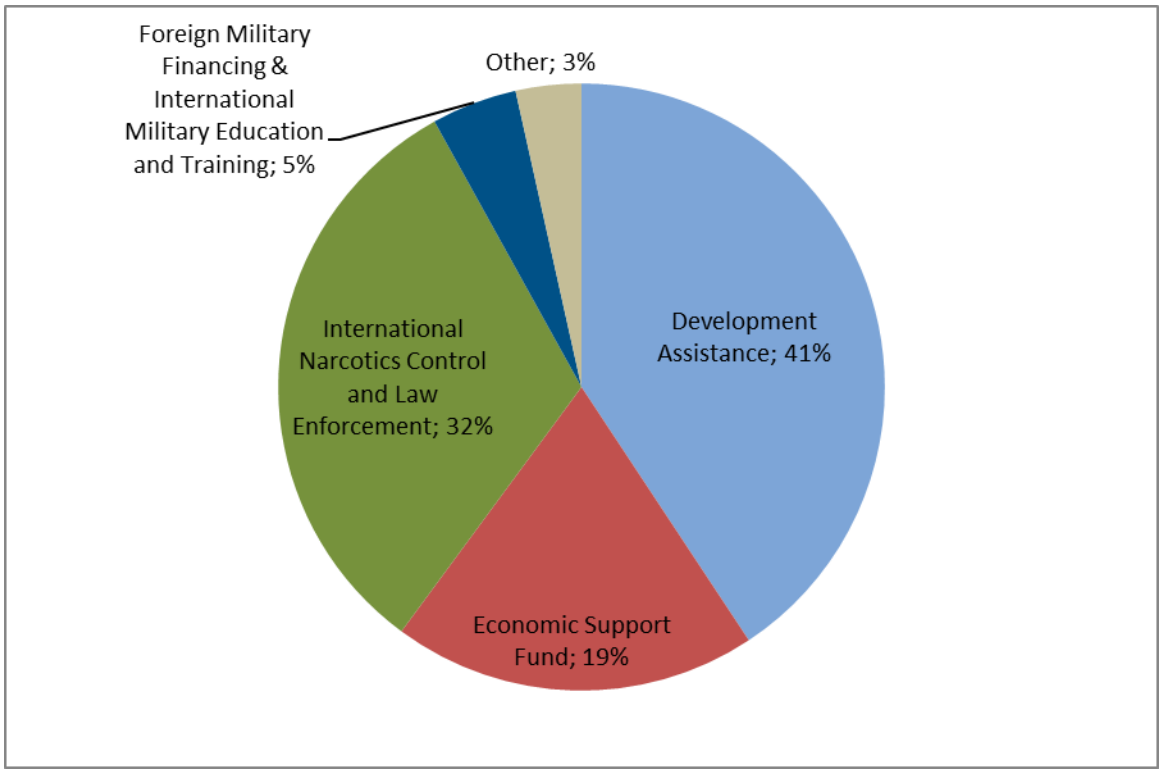
Sources: U.S. Department of State, Congressional Budget Justification for Department of State, Foreign Operations, and Related Programs, Fiscal Year 2018, May 23, 2017; U.S. Department of State, Congressional Budget Justification, Foreign Operations, Appendix 2, Fiscal Year 2019, March 14, 2018; U.S. Department of State, "FY 2018 653(a) Allocations – FINAL," 2018; and "Explanatory Statement Submitted by Mr. Frelinghuysen, Chairman of the House Committee on Appropriations, Regarding the House Amendment to Senate Amendment on H.R. 1625," Congressional Record, vol. 164, no. 50—book III (March 22, 2018), p. H2851.

Notes: CARSI =Central America Regional Security Initiative. "Other Regional Assistance" includes assistance appropriated or requested for Central America as a whole through funding accounts such as the State Department's Western Hemisphere Regional program, USAID's Central America Regional program, the Overseas Private Investment Corporation, and the Inter-American Foundation. The State Department does not consider health assistance provided through USAID's Central America Regional program to be part of the strategy.

Although many of the activities supported by the Central America strategy are not new, higher levels of assistance have allowed the U.S. government to significantly scale up programs focused on prosperity and governance and expand ongoing security efforts. For FY2016-FY2018, Congress allocated funding for the Central America strategy in the following manner:

- 41% was appropriated through the Development Assistance account, which is designed to foster sustainable, broad-based economic progress and social stability by supporting long-term projects in areas such as democracy promotion, economic reform, agriculture, education, and environmental protection.
- 32% was appropriated through the International Narcotics Control and Law Enforcement account, with the funds roughly evenly divided between programs to support law enforcement and programs designed to strengthen other justice sector institutions.
- 19% was appropriated through the Economic Support Fund account, which funds USAID crime and violence prevention programs as well as efforts to promote economic reform and other more traditional development projects.
- 5% was appropriated through the Foreign Military Financing and International Military Education and Training accounts, which provide equipment and personnel training to regional militaries (see **Figure 3**).

Figure 3. Funding for the U.S. Strategy for Engagement in Central America by Foreign Assistance Account: FY2016-FY2018



Source: CRS presentation of data from U.S. Department of State, Congressional Budget Justification for Department of State, Foreign Operations, and Related Programs, Fiscal Year 2018, May 23, 2017; U.S. Department of State, Congressional Budget Justification, Foreign Operations, Appendix 2, Fiscal Year 2019, March 14, 2018; U.S. Department of State, "FY 2018 653(a) Allocations – FINAL," 2018; and "Explanatory Statement Submitted by Mr. Frelinghuysen, Chairman of the House Committee on Appropriations, Regarding the House Amendment to Senate Amendment on H.R. 1625," Congressional Record, vol. 164, no. 50—book III (March 22, 2018), p. H2851.

Notes: "Other" includes funding appropriated through the Global Health Programs account (1.9%); the Food for Peace account (1.5%); the Overseas Private Investment Corporation (0.1%); and the Nonproliferation, Antiterrorism, Demining, and Related programs account (0.1%).

To date, Congress has appropriated all funds for the U.S. Strategy for Engagement in Central America to the State Department and USAID, with the exception of $2 million appropriated to the Overseas Private Investment Corporation in FY2016 and $10 million designated as a transfer to the Inter-American Foundation in FY2018. Nevertheless, many other U.S. agencies are carrying out programs intended to advance the objectives of the strategy using their own resources and/or funds transferred from the State Department and USAID. The other agencies involved include the Department of Agriculture, the Department of Commerce, the Department of Defense, the Department of Homeland Security, the Department of Justice, the Department of Labor, the Department of the Treasury, the Millennium Challenge Corporation, and the U.S. Trade and Development Agency.

Conditions on Assistance

Congress has placed strict conditions on assistance to El Salvador, Guatemala, and Honduras in each of the foreign aid appropriations measures enacted since FY2016 in an attempt to bolster political will in the region and improve the effectiveness of U.S. aid efforts. For example, the

Consolidated Appropriations Act, 2018 (P.L. 115-141) stipulated that 25% of the "assistance for the central governments of El Salvador, Guatemala, and Honduras" could not be obligated until the Secretary of State certified that each government was

- informing its citizens of the dangers of the journey to the southwest border of the United States;
- combating human smuggling and trafficking;
- improving border security, including preventing illegal migration, human smuggling and trafficking, and trafficking of illicit drugs and other contraband; and
- cooperating with U.S. government agencies and other governments in the region to facilitate the return, repatriation, and reintegration of illegal migrants arriving at the southwest border of the United States who do not qualify for asylum, consistent with international law.

The State Department certified that all three countries met those conditions in FY2016, FY2017, and FY2018, issuing the most recent certifications in August 2018.[42]

The act also stipulated that another 50% of the "assistance for the central governments of El Salvador, Guatemala, and Honduras" could not be obligated until the Secretary of State certified the each government was

- working cooperatively with an autonomous, publicly accountable entity to provide oversight of the Plan of the Alliance for Prosperity in the Northern Triangle in Central America;[43]
- combating corruption, including investigating and prosecuting current and former government officials credibly alleged to be corrupt;
- implementing reforms, policies, and programs to improve transparency and strengthen public institutions, including increasing the capacity and independence of the judiciary and the Office of the Attorney General;
- implementing a policy to ensure that local communities, civil society organizations (including indigenous and other marginalized groups), and local governments are consulted in the design, and participate in the implementation and evaluation of, activities of the [Alliance for Prosperity] that affect such communities, organizations, and governments;
- countering the activities of criminal gangs, drug traffickers, and organized crime;
- investigating and prosecuting in the civilian justice system government personnel, including military and police personnel, who are credibly alleged to have violated human rights, and ensuring that such personnel are cooperating in such cases;
- cooperating with commissions against corruption and impunity and with regional human rights entities;

[42] U.S. Department of State, Certification Pursuant to Section 7045(a)(3)(A) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2018 (Div. K, P.L. 115-141), August 11, 2018.

[43] The Alliance for Prosperity is a complementary initiative developed by the Northern Triangle governments. For more information, see "Relationship to the Alliance for Prosperity," below.

- supporting programs to reduce poverty, expand education and vocational training for at-risk youth, create jobs, and promote equitable economic growth, particularly in areas contributing to large numbers of migrants;
- implementing a plan that includes goals, benchmarks, and timelines to create a professional, accountable civilian police force and end the role of the military in internal policing, and make such plan available to the Department of State;
- protecting the right of political opposition parties, journalists, trade unionists, human rights defenders, and other civil society activists to operate without interference;
- increasing government revenues, including by implementing tax reforms and strengthening customs agencies; and
- resolving commercial disputes, including the confiscation of real property, between United States entities and such government.

The State Department issued certifications related to those conditions for all three countries in FY2016 and FY2017 but has not yet certified any of the countries for FY2018.

Relationship to the Alliance for Prosperity

Many observers have confused the U.S. Strategy for Engagement in Central America with the Plan of the Alliance for Prosperity in the Northern Triangle, which was announced by the Salvadoran, Guatemalan, and Honduran governments in September 2014. Drafted with technical assistance from the Inter-American Development Bank (IDB), the five-year, $22 billion initiative aims to accelerate structural changes in the Northern Triangle that would create incentives for people to remain in their own countries. It includes four primary objectives and strategic actions to achieve them:

1. **Stimulate the productive sector**, by supporting strategic sectors (such as textiles, agro-industry, light manufacturing, and tourism); creating special economic zones to attract new investment; modernizing and expanding infrastructure; deepening regional trade and energy integration; and supporting the development of micro, small, and medium enterprises and their integration into regional production chains.
2. **Develop human capital**, by improving access to, and the quality of, education and vocational training; expanding access to health care and adequate nutrition; expanding social protection systems, including conditional cash transfer programs for the most vulnerable; and strengthening protection and reintegration mechanisms for migrants.
3. **Improve public safety and access to justice**, by investing in violence prevention programs; ensuring schools are safe spaces; furthering the professionalization of the police, including through the adoption of community policing practices; enhancing the capacity of investigators and prosecutors; and strengthening prison systems.
4. **Strengthen institutions and promote transparency**, by improving tax administration and revenue collection; professionalizing human resources;

strengthening government procurement processes; and increasing budget transparency and access to public information.[44]

The Northern Triangle governments collectively allocated $2.3 billion for the Alliance for Prosperity in 2016 and $1.2 billion for the initiative in 2017 (see **Table 6**). They also budgeted $3.3 billion for the Alliance for Prosperity in 2018, though final allocations may be lower given that planned funding has significantly exceeded actual funding in each of the past two years. The resources allocated to the initiative have included government revenues as well as loans from the IDB and other international financial institutions. About 39% of the funds budgeted for the Alliance for Prosperity have been dedicated to stimulating the productive sector, 38% to developing human capital, 17% to improving public security and access to justice, and 7% to strengthening institutions and promoting transparency.[45] Some analysts argue that the Alliance for Prosperity should focus more on the region's most pressing challenges, such as reducing the size of the informal economy, and that the funds allocated to the plan could be better targeted toward the communities most in need of support.[46]

Table 6. Alliance for Prosperity Funding by Country: 2016-2018

(in millions of U.S. dollars)

	2016	2017	2018 (planned)[a]	Total
El Salvador	869	562	1,005	2,436
Guatemala	492	646	1,320	2,458
Honduras	965	910	981	2,856
Total	2,326	2,118	3,306	7,750

Source: "Recursos Presupuestarios de los Países Asignados al Plan de la Alianza para la Prosperidad," released by Rocio Izabel Tabora, Secretaría de Finanzas de Honduras, October 16, 2018.

a. Planned funding significantly exceeded actual funding in 2016 and 2017, particularly for El Salvador and Guatemala.

Although the U.S. Strategy for Engagement in Central America and the Alliance for Prosperity have broadly similar objectives and fund complementary efforts, they prioritize different activities. Whereas the U.S. Strategy for Engagement in Central America is designed to advance U.S. interests in all seven nations of the isthmus, the Alliance for Prosperity represents the agendas of the three Northern Triangle governments. For example, the U.S. Strategy for Engagement in Central America devotes significant funding to efforts intended to strengthen the capacity of civil society groups, which—to date—have played relatively minor roles in the Alliance for Prosperity. Similarly, the Alliance for Prosperity has focused heavily on large-scale infrastructure projects, which are not funded by the U.S. Strategy for Engagement in Central America.[47]

[44] Governments of El Salvador, Guatemala, and Honduras, *Plan of the Alliance for the Prosperity of the Northern Triangle: Progress in 2015 and the Plan in 2016*, September 2015; and *Plan of the Alliance for Prosperity in the Northern Triangle: A Road Map*, September 2014, at http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=39224238.

[45] "Recursos Presupuestarios de los Países Asignados al Plan de la Alianza para la Prosperidad," released by Rocio Izabel Tabora, Secretaría de Finanzas de Honduras, October 16, 2018.

[46] See, for example, Manuel Orozco, "One Step Forward for Central America: The Plan for the Alliance for Prosperity," Inter-American Dialogue, March 16, 2016.

[47] Section 7045(a)(6) of the Consolidated Appropriations Act, 2018 (P.L. 115-141), states, "None of the funds made

Preliminary Results

Although the U.S. Strategy for Engagement in Central America was adopted more than four years ago and Congress first appropriated funding for the strategy more than three years ago, it is too early to assess the full impact of the initiative. Due to delays in the budget process, certification requirements, and congressional holds, approximately 80% of the funding for the Central America strategy that Congress appropriated for FY2016 was obligated (i.e., agencies entered into contracts or submitted purchase orders for goods or services) from March to September 2017.[48] Consequently, implementation of the strategy has been under way for little over a year. The State Department and USAID have developed 42 performance indicators to track progress toward each sub-objective of the strategy. It is unclear what the agencies have achieved thus far, however, since their most recent report to Congress largely consisted of baseline and/or incomplete data.[49]

Many activities funded by the Central America strategy build upon previous U.S. assistance efforts that have proven successful. For example, USAID is expanding its community-based crime and violence prevention programs throughout the region. A three-year impact evaluation, published in 2014, found that communities where such programs were implemented reported 19% fewer robberies, 51% fewer extortion attempts, and 51% fewer murders than otherwise would have been expected based on trends in similar communities.[50] USAID also is scaling up rural development efforts in the Northern Triangle. The agency's agricultural programming helped farmers in the impoverished Western Highlands of Guatemala increase their sales by 51% from 2015 to 2016.[51]

Although country-level indicators measure factors outside the control of the U.S. government, the State Department and USAID assert that U.S. programs can contribute to nationwide improvements over the longer term.[52] The most recent statistics available suggest the Northern Triangle nations, which have received the vast majority of U.S. assistance, have achieved mixed results in recent years.

- Security conditions have improved in some respects, as homicide rates declined by 42% in El Salvador, 13% in Guatemala, and 23% in Honduras from 2015 to 2017.[53] Nevertheless, many individuals continue to feel insecure, and the

available by this subsection for assistance for countries in Central America may be made available for direct government-to-government assistance or for major infrastructure projects."

[48] U.S. Department of State, *Report to Update the United States Strategy for Engagement in Central America Plan for Monitoring and Evaluation*, September 7, 2017, at https://www.state.gov/documents/organization/275613.pdf.

[49] U.S. Department of State, *Progress Report for the United States Strategy for Central America's Plan for Monitoring and Evaluation*, May 2018, at https://www.state.gov/documents/organization/283250.pdf. (Hereinafter: U.S. Department of State, May 2018).

[50] Susan Berk-Seligson et al., *Impact Evaluation of USAID's Community-Based Crime and Violence Prevention Approach in Central America: Regional Report for El Salvador, Guatemala, Honduras and Panama*, Vanderbilt University, Latin American Public Opinion Project (LAPOP), October 2014, p. 12. For further discussion of the study's findings, see David Rosnick, Alexander Main, and Laura Jung, *Have US-Funded CARSI Programs Reduced Crime and Violence in Central America?*, Center for Economic and Policy Research, September 2016; and *LAPOP's Response to David Rosnick, Alexander Main, and Laura Jung*, LAPOP, September 16, 2016.

[51] USAID, "USAID Guatemala Country Fact Sheet," July 2018, at https://www.usaid.gov/sites/default/files/documents/1862/Guatemala_External_Fact_Sheet_July_2018.pdf.

[52] U.S. Department of State, May 2018.

[53] Ibid, p.18.

percentage of individuals reporting they were victims of crime increased in all three Northern Triangle nations between 2014 and 2017.[54]

- Economic growth has remained steady since 2014, averaging 2.4% per year in El Salvador, 3.4% in Guatemala, and 3.8% in Honduras.[55] The stable macroeconomic situation has not translated into better living conditions for many residents, however, as national poverty rates remain relatively unchanged in all three countries.[56]
- Attorneys general in all three Northern Triangle countries, with the backing of CICIG in Guatemala and MACCIH in Honduras, have taken on high-profile corruption cases that have implicated presidents, Cabinet ministers, and legislators. Those efforts to improve governance could be undermined or even reversed, though, as they face considerable opposition from political and economic elites in the region.[57] Moreover, Freedom House has documented erosions in political rights and/or civil liberties in all three Northern Triangle nations since 2014.[58]

Policy Issues for Congress

Congress may examine a number of policy issues as it deliberates on potential changes to the U.S. Strategy for Engagement in Central America and future appropriations for the initiative. These issues include the funding levels and strategy necessary to meet U.S. objectives in the region, the extent to which Central American governments are demonstrating the political will to undertake domestic reforms, the utility of the conditions placed on assistance to Central America, and the potential implications of changes to U.S. immigration, trade, and drug control policies for U.S. objectives in the region.

Strategy and Funding Levels

U.S. policymakers have begun to reassess the U.S. Strategy for Engagement in Central America. The Consolidated Appropriations Act, 2017 (P.L. 115-31), required the Secretary of State, in consultation with the heads of other relevant U.S. agencies, to review the strategy and submit a revised version to Congress. As noted previously, the updated strategy, submitted in August 2018, maintains the objectives and sub-objectives established during the Obama Administration. Nevertheless, the updated strategy asserts that the United States "will place a stronger emphasis on the drivers of transnational criminal activity and illegal immigration ... [and] enhance efforts to promote private sector investment in Central America."[59]

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[54] Mollie J. Cohen, Noam Lupu, and Elizabeth J. Zechmeister (eds.), *Political Culture of Democracy in the Americas, 2016/17*, Vanderbilt University, LAPOP, August 2017.

[55] IMF, *World Economic Outlook Database October 2018*, October 9, 2018.

[56] U.S. Department of State, May 2018, p. 20.

[57] See, for example, Jeff Ernst and Elisabeth Malkin, "In a Corruption Battle in Honduras, the Elites Hit Back," *New York Times*, July 1, 2018; Ximena Enriquez, "5 Ways the Guatemalan Government is Trying to Dismantle CICIG," *Americas Quarterly*, September 18, 2018; and "El Salvador's Top Cop Pursues Politicians; Now Some Want Him Gone," Reuters, December 20, 2018.

[58] Freedom House, *Freedom in the World 2014*, January 23, 2014; and *Freedom in the World 2018*, January 16, 2018

[59] U.S. Department of State, *Report to Update the U.S. Strategy for Engagement in Central America*, August 8, 2017.

Although good governance ostensibly remains a central objective of the updated strategy, the Trump Administration has placed less emphasis on the issue. High-level conferences with Central American leaders that the Administration hosted in 2017 and 2018 focused on joint efforts to improve "prosperity and security" but dedicated little time to the region's governance challenges.[60] Likewise, the Administration has opted not to push back against some cases of democratic backsliding in the region. In December 2017, for example, the Administration recognized the results of the Honduran presidential election just days after the Secretary General of the Organization of American States (OAS) called on Honduras to hold new elections due to extensive irregularities and deficiencies with the electoral process.[61] More recently, the Administration has offered little diplomatic support to CICIG as Guatemalan President Jimmy Morales, who is under investigation for corruption, has sought to impede the commission's work and expel CICIG from the country.[62]

The Trump Administration also has sought to reduce funding for U.S. foreign aid programs in Central America and shift the balance of the remaining assistance toward security efforts.[63] The Administration's FY2018 budget request would have cut foreign aid to the region by $240 million (34%) compared to FY2017 and would have allocated 57% of the total to the Central America Regional Security Initiative (CARSI), up from 47% in FY2017. Similarly, the Administration's FY2019 budget request would cut aid to the region by $191 million (30%) compared to FY2018 and would allocate 58% of the total to CARSI (see **Table 5**).

By reducing assistance and shifting the balance toward security programs,[64] the Trump Administration would effectively reestablish the U.S. policy approach that was in effect in the years preceding the adoption of the U.S. Strategy for Engagement in Central America. That approach failed to generate sustained improvements in the region, as noted in 2015 by then-Assistant Secretary of State for Western Hemisphere Affairs Roberta Jacobson:

> Over the past five years of implementing our Central America Regional Security Initiative, we've learned a great deal about what works and what doesn't work on security in Central America.... What we learned most of all was that unless we focus on improving the ability of governments to deliver services efficiently and accountably, and improve economic opportunities, especially for young people, as integral parts of security, nothing we do to make things safer will be sustainable.[65]

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[60] U.S. Department of State, "United States Key Deliverables for the June 15-16, 2017 Conference on Prosperity and Security in Central America," press release, June 16, 2017; and U.S. Department of State, "The Second Conference on Prosperity and Security in Central America," press release, October 12, 2018.

[61] U.S. Department of State, "On the Presidential Elections in Honduras," press release, December 22, 2017; and Organization of American States, "Statement by the OAS General Secretariat on the Elections in Honduras," press release, December 17, 2017. For more information, see CRS Report RL34027, *Honduras: Background and U.S. Relations*, by Peter J. Meyer.

[62] Héctor Silva Ávalos, "Ambiguous US Response Leaves Guatemala Justice in Limbo," *Insight Crime*, September 6, 2018; and Mary Beth Sheridan, "U.S. Sends Dozens of Military Vehicles to Guatemala Despite Alleged Misuse," *Washington Post*, December 6, 2018.

[63] Although the Trump Administration announced on December 18, 2018, that it would provide $5.8 billion in public and private investment to promote institutional reforms and development in the Northern Triangle, nearly all of the foreign assistance included in the total was appropriated in prior years. The rest of the funding consists of potential loans, loan guarantees, and private sector resources that the U.S. Overseas Private Investment Corporation could mobilize if it is able to identify commercially viable projects. U.S. Department of State, "U.S. Strategy for Central America and Southern Mexico," press release, December 18, 2018.

[64] Although some CARSI assistance supports governance programs, the vast majority is directed to security efforts.

[65] U.S. Congress, House Committee on Appropriations, Subcommittee on State, Foreign Operations, and Related Programs, *Assistance to Central America*, remarks of Roberta S. Jacobson, Assistant Secretary of State for Western

Many analysts still think that a comprehensive strategy that addresses economic and governance concerns in addition to security challenges is needed to improve conditions in Central America and ultimately reduce irregular migration and illicit trafficking from the region.[66] Moreover, they maintain that steep cutbacks in assistance could lead Central Americans to question the commitment of the United States and undermine the individuals who are pushing for reforms in the region. Members of Congress who agree with those assessments could seek to maintain elevated appropriations levels for Central America or try to spread cuts more evenly across economic, governance, and security programs. Members also could consider a multiyear foreign assistance authorization for Central America to guide aid levels and priorities and reassure partners in the region that the United States is committed to a long-term effort.

Political Will in Central America

Although many analysts assert that Central American nations will require external support to address their challenges, they also contend that significant improvements in the region ultimately will depend on Central American leaders carrying out substantial internal reforms.[67] That contention is supported by multiple studies conducted over the past decade, which have found that aid recipients' domestic political institutions play a crucial role in determining the relative effectiveness of foreign aid.[68] Some scholars argue that this conclusion is also supported by the region's history:

> How did Costa Rica do so much better by its citizens than its four northern neighbors since 1950? The answer, we contend, stems from the political will of Costa Rican leaders. Even though they shared the same disadvantageous economic context of the rest of Central America, Costa Rica's leaders adopted and kept democracy, abolished the armed forces, moderated income inequality, and invested in education and health over the long haul. The leaders of the other nations did not make these choices, at least not consistently enough to do the job.[69]

One of the underlying assumptions of the U.S. Strategy for Engagement in Central America is that "Central American governments will continue to demonstrate leadership and contribute significant resources to address challenges" if they are supported by international partners.[70] Such political will cannot be taken for granted, however, given that previous U.S. efforts to ramp up assistance to Central America—including substantial increases in development aid during the 1960s under President John F. Kennedy's Alliance for Progress and massive aid flows in the

Hemisphere Affairs, 114th Cong., 1st sess., March 24, 2015.

[66] See, for example, U.S. Congress, Senate Committee on Appropriations, Subcommittee on State, Foreign Operations, and Related Programs, *Hearing to Review U.S. Assistance for Central America*, 115th Cong., 1st sess., May 23, 2017; and Atlantic Council, Adrienne Arsht Latin America Center, *Building a Better Future: A Blueprint for Central America's Northern Triangle*, Independent Task Force Report, May 2017.

[67] See, for example, Roger Noriega, "How to Turn Off the Latin Refugee Flood at the Source," *New York Post*, February 24, 2017; and Adriana Beltrán, "Children and Families Fleeing Violence in Central America," *Washington Office on Latin America (WOLA)*, February 21, 2017.

[68] Jonathan Glennie and Andy Sumner, *The $138.5 Billion Question: When Does Foreign Aid Work (and When Doesn't It)?*, Center for Global Development, CGD Policy Paper 049, November 2014, pp. 35-42.

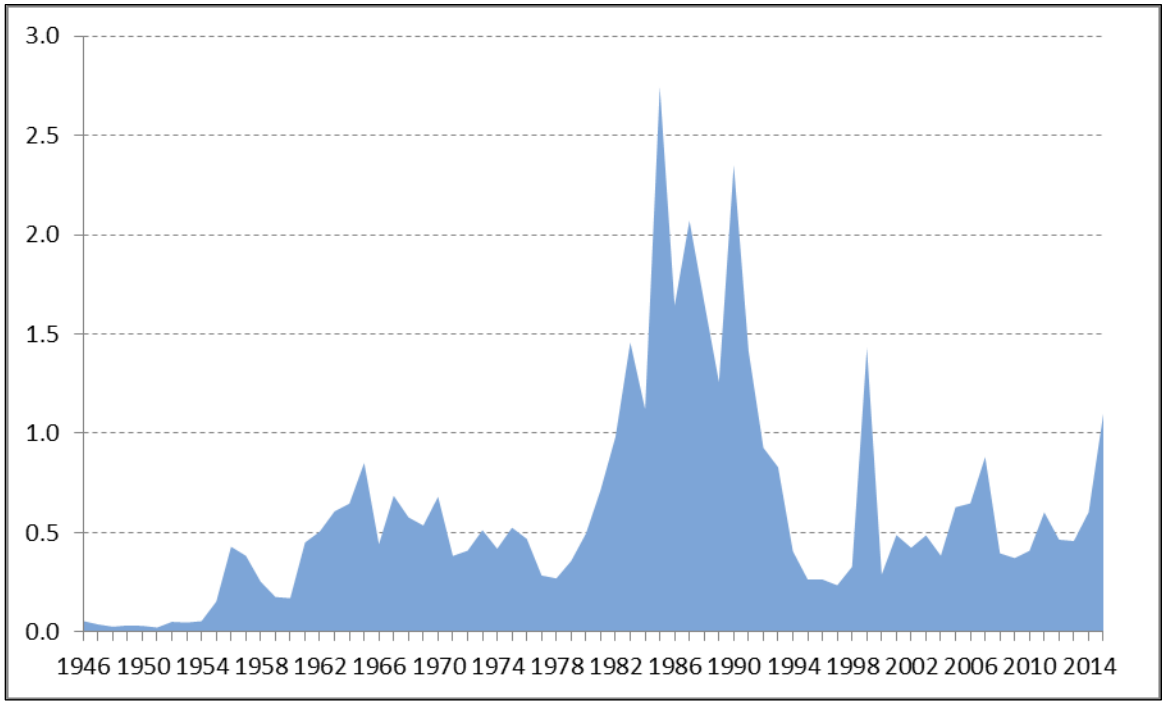
[69] John A. Booth, Christine J. Wade, and Thomas W. Walker, *Understanding Central America: Global Forces, Rebellion, and Change*, 6th ed. (Boulder, CO: Westview Press, 2015), pp. 23-24.

[70] White House, *U.S. Strategy for Engagement in Central America*, March 16, 2015.

1980s during the Central American conflicts (see **Figure 4**)—were not always matched by far-reaching domestic reforms in the region.[71]

Figure 4. U.S. Assistance to Central America: FY1946-FY2015

(obligations in billions of constant 2015 U.S. dollars)



Source: CRS presentation of data from USAID, *U.S. Overseas Loans and Grants: Obligations and Loan Authorizations, July 1, 1945-September 30, 2015*, January 10, 2017, at https://explorer.usaid.gov/reports.html.

Note: Includes aid obligations from all U.S. government agencies.

Over the past few years, Central American governments have demonstrated varying levels of commitment to internal reform. As discussed previously, the three Northern Triangle governments worked together to develop the Alliance for Prosperity, which includes numerous policy commitments. Among other actions, El Salvador has begun to implement a comprehensive security plan; Guatemala has adopted reforms to improve the transparency of the national tax agency, including the creation of a new internal affairs unit; and Honduras has begun to restructure the police force, dismissing more than half of the top officers and developing new training and evaluation protocols.[72] At the same time, tax collection has remained relatively flat in the region, leaving governments without the resources necessary to address chronic poverty or other challenges.[73] Moreover, as noted above, elected officials in the Northern Triangle have sought to undermine the anti-corruption efforts of their attorneys general, CICIG, and MACCIH.

[71] See, for example, Eduardo Frei Montalva, "The Alliance that Lost its Way," *Foreign Affairs*, April 1967; and U.S. Congress, Joint Economic Committee, *The Caribbean Basin: Economic and Security Issues*, committee print, *Central America: Continuing U.S. Concerns*, study paper prepared by Nina M. Serafino of the Congressional Research Service, 102nd Cong., 2nd sess., January 1993, S.Prt. 102-110 (Washington, DC: GPO, 1993).

[72] Governments of El Salvador, Guatemala, and Honduras, *Plan of the Alliance for the Prosperity of the Northern Triangle: Main Progress and Achievements, 2015-2016*, September 2016.

[73] Instituto Centroamericano de Estudios Fiscales (ICEFI), *Perfiles Marcofiscales de Centroamérica: Por Una Política Fiscal para la Democracia y el Desarrollo*, August 2018, p. 29.

Congress could consider a number of actions to support reform efforts in the region. In addition to placing legislative conditions on aid, which is discussed in the following section (see "Aid Conditionality"), Congress could continue to offer vocal and financial support to individuals and institutions committed to change. For example, the House adopted a resolution (H.Res. 145, Torres) in May 2017 that recognized the anti-corruption efforts of CICIG, MACCIH, and the attorneys general of El Salvador, Guatemala, and Honduras, and called on the Northern Triangle governments to provide the attorneys general with the support, resources, and independence they need to carry out their responsibilities. Similarly, the explanatory statement accompanying the Consolidated Appropriations Act, 2018 (P.L. 115-141), stipulated that the funding appropriated for the Central America strategy included $6 million for CICIG and $31 million for the MACCIH and the attorneys general of El Salvador, Guatemala, and Honduras.[74]

Alternatively, Congress could call attention to individuals in the region who seek to subvert reform efforts. For example, a provision in the FY2019 National Defense Authorization Act (P.L. 115-232, §1287) requires the Secretary of State, in consultation with the Secretary of Defense and other appropriate agencies, to produce a list of Salvadoran, Guatemalan, and Honduran officials known to have engaged in, or facilitated, acts of grand corruption or narcotics trafficking. An unclassified report, which may include a classified annex, is due to the Senate Foreign Relations Committee, the House Foreign Affairs Committee, and the congressional defense committees by February 2019.

Congress could put pressure on corrupt individuals and attempt to deter others by enacting legislation to establish new economic sanctions regimes or by recommending sanctions pursuant to existing law. In December 2018, for example, President Trump signed into law the Nicaragua Human Rights and Anticorruption Act of 2018 (P.L. 115-335). The act directs the President to impose economic sanctions on, and deny entry into the United States to, individuals who have engaged in significant corruption on behalf of the Nicaraguan government, taken significant actions to undermine democratic processes or institutions, or engaged in serious human rights violations against protestors. Some Members of the 115th Congress also called on the President to impose sanctions on various Central American officials pursuant to the Global Magnitsky Human Rights Accountability Act (P.L. 114-328).[75]

Aid Conditionality

As noted previously, Congress has placed strict conditions on foreign aid for Central America in an attempt to bolster political will in the region and ensure U.S. assistance is used as effectively as possible (see "Conditions on Assistance"). Although U.S. officials acknowledge that aid restrictions give them leverage with partner governments, some argue that recent appropriations measures have included too many conditions and have withheld too much aid. The Consolidated Appropriations Act, 2018 (P.L. 115-141), required the State Department to withhold 75% of "assistance for the central governments of El Salvador, Guatemala, and Honduras" until the Secretary of State could certify that those governments had addressed 16 different issues of congressional concern. Some U.S. officials contend that Congress should focus on a few key

[74] "Explanatory Statement Submitted by Mr. Frelinghuysen, Chairman of the House Committee on Appropriations, Regarding the House Amendment to Senate Amendment on H.R. 1625," *Congressional Record*, vol. 164, no. 50—book III (March 22, 2018), pp. H2851-H2852, at https://www.congress.gov/crec/2018/03/22/CREC-2018-03-22-bk3.pdf.

[75] See, for example, U.S. House of Representatives Committee on Foreign Affairs, "Bipartisan Group in Congress Urges Trump to Utilize Global Magnitsky Sanctions in Central America," press release, August 2, 2018. For more information on the Global Magnitsky Human Rights Accountability Act, see CRS In Focus IF10576, *The Global Magnitsky Human Rights Accountability Act*, by Dianne E. Rennack.

priorities given the limited capacities of the Northern Triangle governments. Moreover, they assert that it requires significant time to track the Northern Triangle governments' efforts to meet the conditions and that U.S. resources would be better used overseeing implementation of the Central America strategy.

U.S. officials also argue that by subjecting most "assistance for the central governments" to withholding requirements, Congress effectively prevents U.S. agencies from carrying out some programs that would advance U.S. interests and help the governments meet the conditions. For example, the State Department is required to withhold U.S. assistance to support police reform efforts until it can certify that each government is implementing a plan "to create a professional, accountable civilian police force and end the role of the military in internal policing." Similarly, the State Department is required to withhold U.S. assistance to strengthen tax collection agencies until it can certify that each government is "increasing government revenues, including by implementing tax reforms and strengthening customs agencies."[76] Congress could prevent such unintended consequences in the future by adding legislative language to waive withholding requirements for aid that would directly address the conditions themselves.

Additionally, U.S. officials note that withholding requirements have contributed to delays in the implementation of the Central America strategy. In FY2016, the first year Congress approved funding for the strategy, Congress enacted full-year appropriations legislation on December 18, 2015. The State Department did not issue the final certification (for Honduras), however, until September 30, 2016—the last day of the fiscal year. Due to the certification requirements, as well as delays in the budget process and congressional holds, most aid did not begin to be delivered to the region until 2017. Although U.S. agencies obligated some aid not subject to the withholding requirements at earlier dates, they were hesitant to commit resources to specific activities until they knew whether they would have access to the remaining funding. Similar delays have occurred with the aid Congress appropriated in FY2017 and FY2018.

Nevertheless, some Members of Congress and civil society organizations argue that the State Department has been too quick to issue certifications. For example, on November 28, 2017, the State Department certified that Honduras had met the conditions necessary to receive assistance appropriated for FY2017, including by taking effective steps to "protect the right of political opposition parties, journalists, trade unionists, human rights defenders, and other civil society activists to operate without interference."[77] The State Department issued the certification two days into Honduras's disputed presidential election, and just days before the Honduran government declared a state of emergency to suspend certain constitutional rights and human rights organizations began to document the use of excessive force by security forces to disperse opposition protests.[78] Human rights groups and some Members of Congress criticized the certification, with one Honduran union leader reportedly declaring, "They're practically giving carte blanche so they can violate human rights in this country under the umbrella of the United States."[79]

[76] See Section 7045(a)(3)(B)(ix) and (xi) of the Consolidated Appropriations Act, 2018 (P.L. 115-141).

[77] U.S. Department of State, Certification Pursuant to Section 7045(a)(4)(B) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2017 (Div. J, P.L. 115-31), November 28, 2017.

[78] U.N. High Commissioner for Human Rights, *Human Rights Violations in the Context of the 2017 Elections in Honduras*, March 12, 2018.

[79] Christopher Sherman, Garance Burke, and Martha Mendoza, "Trump Administration Praises Honduras Amid Election Crisis," Associated Press, December 7, 2017.

Studies of aid conditionality have found that conditions generally fail to alter aid recipients' behavior when recipients think donors are unlikely to follow through on their threats to withhold aid.[80] Members of Congress who are concerned that the State Department is issuing certifications too quickly and thereby weakening the conditions' effectiveness could seek changes to the certification process. For example, Congress could set specific, measureable criteria for the Northern Triangle governments to meet prior to receiving assistance.

Implications of Other U.S. Policy Changes

Given Central America's geographic proximity and close migration and commercial ties to the United States, changes in U.S. immigration, trade, and drug control policies can have far-reaching effects in the region. As Congress considers the future of the U.S. Strategy for Engagement in Central America, it also may wish to evaluate how changes to other U.S. policies might support or hinder the strategy's objectives.

Immigration

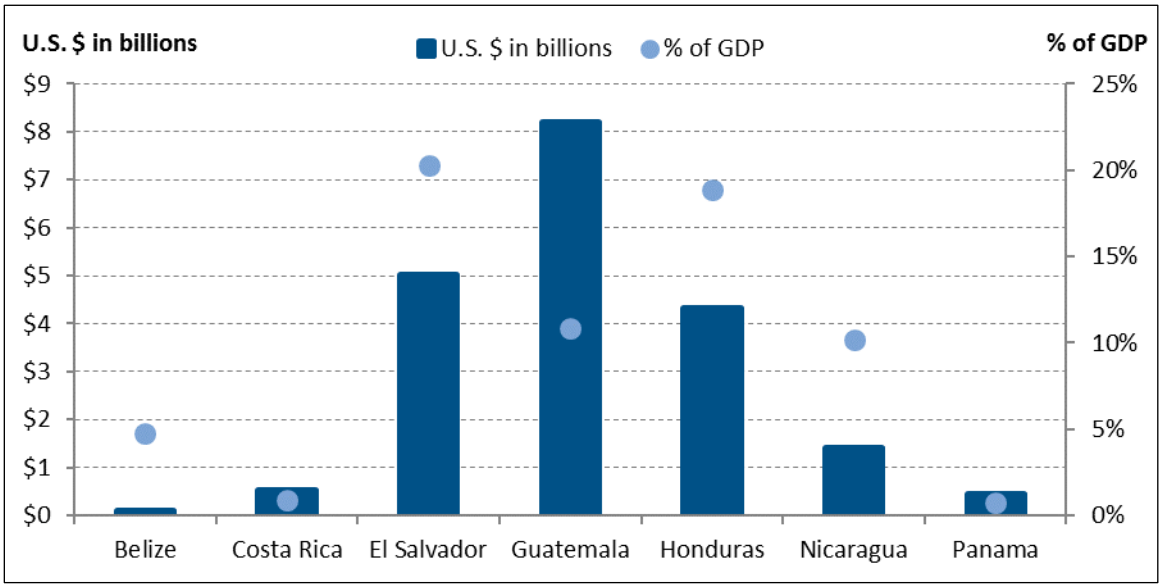
Central American nations have strong migration ties to the United States. In 2016, an estimated 3.2 million individuals born in Central America were living in the United States, including nearly 1.3 million Salvadorans; 903,000 Guatemalans; 575,000 Hondurans; and 251,000 Nicaraguans.[81] Those immigrant populations play crucial roles in Central American economies. Remittances from Central American migrants abroad—the vast majority (79%) of whom live in the United States[82]—exceeded $20 billion in 2017, and were equivalent to 10% of GDP in Nicaragua, 11% of GDP in Guatemala, 19% of GDP in Honduras, and 20% of GDP in El Salvador (see **Figure 5**).

[80] Andrew Mold, *Policy Ownership and Aid Conditionality in the Light of the Financial Crisis: A Critical Review*, Organisation for Economic Co-operation and Development, Development Centre Studies, 2009; Melissa G. Dalton, *Smart Conditions: A Strategic Framework for Leveraging Security Assistance*, Center for Strategic & International Studies, July 2016.

[81] U.S. Census Bureau, *2016 American Community Survey 5-Year Estimates*, accessed by CRS on American Factfinder Website, December 2018.

[82] Although most Central American migrants reside in the United States, about 45% of Nicaraguan migrants reside in Costa Rica. U.N. Population Division, Department of Economic and Social Affairs, *International Migrant Stock: The 2017 Revision*, December 2017.

Figure 5. Remittances to Central America: 2017



Sources: CRS, using remittance data from Manuel Orozco, *Remittances to Latin America and the Caribbean in 2017*, Inter-American Dialogue, February 10, 2017; and Central Bank of Belize, *2017 Annual Report*, May 25, 2018; and GDP data from IMF, *World Economic Outlook Database October 2018*, October 9, 2018.

Many Central Americans reside in the United States in an unauthorized status, however, and are therefore at risk of being removed (*deported*) from the country. The Pew Research Center estimates that nearly 1.9 million (about 58%) of the Central Americans residing in the United States in 2016 were unauthorized.[83] In FY2018, U.S. Immigration and Customs Enforcement (ICE) removed nearly 96,000 Central Americans, including some 50,000 Guatemalans, 29,000 Hondurans, and 15,000 Salvadorans.[84]

The Trump Administration's immigration policies could accelerate removals from the United States in the coming years. Since September 2017, for example, the Administration has terminated Temporary Protected Status (TPS), which provides relief from removal, for up to 5,300 Nicaraguans and 86,000 Hondurans who have lived in the United States since 1998 and up to 263,000 Salvadorans who have lived in the United States since 2001. TPS was scheduled to expire on January 5, 2019, for Nicaraguans, but it remains in place pending the resolution of a lawsuit challenging the Administration's termination decision. Lawsuits also could affect TPS for Salvadorans, which is scheduled to expire on September 9, 2019, and TPS for Hondurans, which is scheduled to expire on January 5, 2020.[85] Although some individuals may be able to obtain another legal status, the remainder will be subject to removal once TPS expires.

Central American officials are concerned that increased deportations could aggravate social tensions and fuel instability in the region. Although deportees could bring new skills and financial

[83] Jeffrey S. Passel and D'Vera Cohn, *U.S. Unauthorized Immigrant Total Dips to Lowest Level in a Decade*, Pew Research Center, November 27, 2018.

[84] U.S. Immigration and Enforcement (ICE), *Fiscal Year 2018 ICE Enforcement and Removal Operations Report*, December 14, 2018, pp. 17-18.

[85] For more information on TPS, see CRS Report RS20844, *Temporary Protected Status: Overview and Current Issues*, by Jill H. Wilson, and CRS Legal Sidebar LSB10215, *Federal District Court Enjoins the Department of Homeland Security from Terminating Temporary Protected Status*, by Hillel R. Smith.

resources back to their countries of origin, they also could displace local workers competing for scarce employment opportunities.[86] In addition, increased deportations could exacerbate poverty, as some 3.5 million households in the region reportedly depend on remittances for more than half of their household income.[87] During the 1990s, U.S. deportations played a key role in the spread of gang violence in Central America. Consequently, many observers are concerned that a new wave of deportations could exacerbate security challenges in the region.[88] Although most Central Americans at risk of deportation today have no connections to gangs, deported youth could become vulnerable to gang recruitment.[89]

If deportations accelerate, Congress could help mitigate the impact on the region (and reduce the likelihood of repeat migration) by appropriating increased assistance for reintegration efforts. Since FY2014, USAID has provided approximately $27 million to the International Organization for Migration to provide short-term assistance to migrants returning to the Northern Triangle and support deportees' reintegration into their communities of origin.[90]

Trade

Most Central American nations have close commercial ties to the United States, and they have become more integrated into U.S. supply chains since the adoption of CAFTA-DR. In 2017, U.S. merchandise trade with the seven nations of Central America totaled more than $49 billion. Although Central America accounts for a small portion (1.3%) of total U.S. trade, the United States is a major market for Central American goods.[91] In 2017, the value of merchandise exports to the United States was equivalent to about 10% of GDP in El Salvador, 15% of GDP in Belize, 20% of GDP in Honduras, and 24% of GDP in Nicaragua (see **Figure 6**).

[86] "El Salvador: Assessing the Economic Impact of TPS Termination," *Latin American Economy & Business*, February 2018.

[87] "Trends in Central American Migration," *Latin American Caribbean & Central America Report*, August 2018.

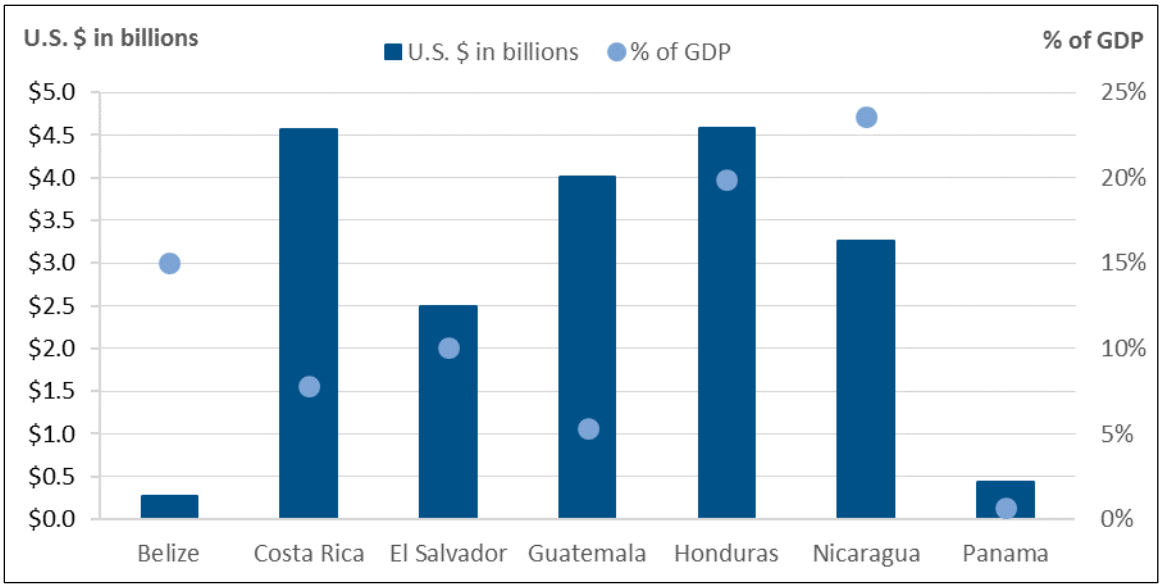
[88] Joshua Partlow, "Dread in El Salvador as Gang Members Return," *Washington Post*, May 23, 2017.

[89] Micaela Sciatschi, "By Deporting 200,000 Salvadorans, Trump may be Boosting Gang Recruitment," *Washington Post*, February 12, 2018.

[90] U.S. Government Accountability Office, *Central America: USAID Assists Migrants Returning to their Home Countries, but Effectiveness of Reintegration Efforts Remains to be Determined*, GAO-19-62, November 2018, https://www.gao.gov/assets/700/695371.pdf.

[91] U.S. Department of Commerce data, as presented by *Global Trade Atlas*, accessed December 2018.

Figure 6. Central American Exports to the United States: 2017



Sources: CRS, using U.S. import data from the U.S. Department of Commerce, as presented by *Global Trade Atlas*, accessed in December 2018; and GDP data from IMF, *World Economic Outlook Database October 2018*, October 9, 2018.

Given the economic importance of access to the U.S. market, Central American nations have closely tracked recent developments in U.S. trade policy. Some in the region were relieved by President Trump's decision to withdraw from the Trans-Pacific Partnership (TPP), a proposed trade agreement among 12 Asia-Pacific countries.[92] The agreement would have allowed Vietnam and other nations to export apparel to the United States duty-free, which could have eliminated much of the competitive advantage now enjoyed by Central American apparel producers.[93] The Salvadoran government and the Central American-Dominican Republic Apparel and Textile Council estimated that the first year of TPP implementation would have led to a 15%-18% contraction in industrial employment in the CAFTA-DR region.[94] If the United States enters into a similar trade agreement in the future, Congress could consider granting Central American nations trade preferences equal to those included in the new agreement to ameliorate the shock to economies in the region.[95]

In October 2017, U.S. Trade Representative Robert Lighthizer reportedly asserted that the Trump Administration intends to modernize trade agreements throughout Latin America.[96] Central American leaders think the Administration is unlikely to prioritize the renegotiation of CAFTA-DR and the U.S.-Panama Free Trade Agreement, however, since President Trump has focused

[92] For more information on the Trans-Pacific Partnership (TPP) and U.S. withdrawal from the agreement, see CRS In Focus IF10000, *TPP: Overview and Current Status*, by Brock R. Williams and Ian F. Fergusson.

[93] CRS Report R44610, *U.S. Textile Manufacturing and the Proposed Trans-Pacific Partnership Agreement*, by Michaela D. Platzer.

[94] U.S. International Trade Commission, *Trans-Pacific Partnership Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors*, May 2016, p. 270.

[95] Eric Farnsworth, "How the TPP Could Disrupt U.S. Aid Plans in Central America," *World Politics Review*, August 24, 2015.

[96] "Lighthizer Says a Slew of Latin American Free Trade Deals must be 'Modernized' after NAFTA," *Inside U.S. Trade*, October 3, 2018.

primarily on reducing U.S. trade deficits and the United States ran a $9.8 billion trade surplus with Central America in 2017.[97] Nevertheless, other potential changes to trade policy, such as imposing tariffs on imports, could be detrimental to Central American economies. In 2017, the IDB estimated that if the United States increased the average tariff for imports from Central America by 20% of their value, the region's GDP would decline by 2.2-4.4 percentage points.[98]

Drug Control

Although illicit drug production and consumption remain relatively limited in Central America,[99] the region is seriously affected by the drug trade due to its location between cocaine producers in South America and consumers in the United States. About 90% of cocaine trafficked to the United States in 2016 transited through Central America, along with unknown quantities of opiates, cannabis, and methamphetamine.[100] The criminal groups that move cocaine through the region receive immense profits; in 2016, a security analyst estimated that trafficking generated $700 million per year in Honduras and similar amounts in Guatemala and El Salvador.[101] Violence in the region has escalated as rival criminal organizations have fought for control over the lucrative drug trade and gangs have battled to control local distribution. The illicit funds produced by drug trafficking also have fostered corruption and impunity in Central America as criminal organizations have financed political campaigns and parties; distorted markets by channeling proceeds into legitimate and illegitimate businesses; and bribed security forces, prosecutors, and judges.[102]

Upon the launch of the Mérida Initiative in 2008, the George W. Bush Administration pledged to reduce drug demand in the United States as part of its "shared responsibility" to address the challenges posed by transnational crime.[103] The Trump Administration, like the Obama Administration before it, has reiterated that pledge, asserting that the United State "recognizes its responsibility to address the demand for illegal drugs."[104] Between FY2009 and FY2016, U.S. expenditures on drug demand reduction efforts (i.e. prevention and treatment) increased from $9.2 billion to $11.3 billion and the portion of the U.S. drug control budget dedicated to demand reduction increased from $37% to 42%.[105] The Trump Administration has not released data on

[97] "Central American Leaders Confident Trump Won't Revoke CAFTA," Agence France Presse, January 25, 2017; and U.S. Department of Commerce data, as presented by *Global Trade Atlas*, accessed December 2018.

[98] Inter-American Development Bank, *Running Out of Tailwinds: Opportunities to Foster Inclusive Growth in Central America and the Dominican Republic*, 2017, p. 80.

[99] According to State Department estimates, about 310 hectares of opium poppy were under cultivation in Guatemala in 2016, with the potential to produce 7 metric tons of heroin. (In comparison, Mexico had an estimated production potential in 2016 of 685 metric tons of heroin). U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, *2018 International Narcotics Control Strategy Report, Volume I: Drug and Chemical Control*, March 2018.

[100] Although Mexico is the source of most heroin in the United States, the State Department estimates that about 1,100 hectares of opium poppy were under cultivation in Colombia in 2015 (most recent year available), with the potential to produce 24 metric tons of heroin. Ibid.

[101] Steven Dudley, "How Drug Trafficking Operates, Corrupts in Central America," *Insight Crime*, July 6, 2016.

[102] Ibid.

[103] U.S. Department of State, Office of the Spokesman, "Joint Statement on the Mérida Initiative: A New Paradigm for Security Cooperation," October 22, 2007.

[104] U.S. Department if State, Office of the Spokesperson, "United States Key Deliverables for the June 15-16, 2017 Conference on Prosperity and Security in Central America," press release, June 16, 2017.

[105] Office of National Drug Control Policy (ONDCP), *National Drug Control Budget, FY2018 Funding Highlights*, May 2017, p. 19. These figures may not be strictly comparable due to a change in how Medicaid benefit outlays for substance use treatment are estimated. Moreover, there is considerable debate over whether the National Drug Control

U.S. expenditures on demand reduction for FY2017 or FY2018. The estimated number of individuals aged 12 or older currently using (past month use of) cocaine declined from about 1.9 million in 2008 to 1.4 million in 2011. It has climbed significantly since then, however, reaching nearly 2.2 million in 2017.[106]

Legislative measures to expand or improve the effectiveness of programs to reduce cocaine and other illicit drug consumption in the United States would complement efforts under the Central America strategy and would maintain the sense of "shared responsibility" that has guided U.S. relations with the region over the past decade. The 116th Congress could build on measures adopted during the 115th Congress to address substance abuse and treatment, such as the Support for Patients and Communities Act (P.L. 115-271).[107] The 116th Congress also could engage in a broader reassessment of U.S. drug control policy, including the relative emphasis placed on interdiction efforts in Central America and domestic demand reduction.

Outlook

Congress has appropriated nearly $2.1 billion of foreign aid since FY2016 to promote prosperity, strengthen governance, and improve security in Central America. Those are difficult, long-term endeavors, however, and U.S. efforts are little more than a year into implementation. Although Central American nations have made some tentative progress over the past three years in addressing long-standing challenges, the region is at serious risk of backsliding. Political and economic elites that benefit from the status quo are working to undermine anti-corruption efforts, and the Trump Administration has begun to withdraw the diplomatic pressure and foreign aid that had incentivized structural reforms. To achieve success in the medium and long terms, Central American nations would need to redouble their efforts to strengthen institutions, bolster their tax bases, and create opportunities for young people, and international donors would need to provide extensive support over an extended period. Absent such efforts, conditions are likely to remain poor in several Central American countries, contributing to periodic instability that—as demonstrated by recent migration flows—is likely to affect the United States.

Budget captures the full scope of U.S. counter-drug activities. For more information, see CRS Report R41535, *Reauthorizing the Office of National Drug Control Policy: Issues for Consideration*, by Lisa N. Sacco and Kristin Finklea.

[106] ONDCP, *National Drug Control Strategy, Data Supplement*, 2016, p.19., Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, *Results from 2017 National Survey on Drug Use and Health: Detailed Tables*, September 7, 2018.

[107] For more information, see CRS Report R45423, *Public Health and Other Related Provisions in P.L 115-271, the SUPPORT for Patients and Communities Act*, coordinated by Elayne J. Heisler and Johnathan H. Duff.

Appendix. Appropriations for the U.S. Strategy for Engagement in Central America by Country and Foreign Assistance Account: FY2016-FY2018

Table A-1. FY2016 Funding for the U.S. Strategy for Engagement in Central America

(appropriations in millions of current U.S. dollars)

	DA	GHP	ESF	P.L. 480	INCLE	NADR	IMET	FMF	OPIC	Total
Belize	—	—	—	—	—	—	0.2	1.0	—	1.2
Costa Rica	—	—	—	—	—	—	0.4	1.4	—	1.8
El Salvador	65.0	—	—	—	—	—	1.0	1.9	—	67.9
Guatemala	112.0	13.0	—	3.7	—	—	0.8	1.7	—	131.2
Honduras	93.0	—	—	—	—	—	0.8	4.5	—	98.3
Nicaragua	10.0	—	—	—	—	—	—	—	—	10.0
Panama	—	—	—	—	—	0.5	0.7	2.1	—	3.3
CARSI	—	—	126.5	—	222.0	—	—	—	—	348.5
Other Regional Programs	19.4	—	57.0	—	—	—	—	13.0	2.0	91.4
Total	**299.4**	**13.0**	**183.5**	**3.7**	**222.0**	**0.5**	**3.9**	**25.7**	**2.0**	**753.7**

Source: U.S. Department of State, *Congressional Budget Justification for Department of State, Foreign Operations, and Related Programs, Fiscal Year 2018*, May 23, 2017.

Notes: Figures may not sum to totals due to rounding. DA = Development Assistance; GHP = Global Health Programs; ESF = Economic Support Fund; P.L. 480 = Food for Peace/Food Aid; INCLE = International Narcotics Control and Law Enforcement; NADR = Nonproliferation, Anti-terrorism, Demining, and Related Programs; IMET = International Military Education and Training; FMF = Foreign Military Financing; OPIC = Overseas Private Investment Corporation; and CARSI=Central America Regional Security Initiative.

Table A-2. FY2017 Funding for the U.S. Strategy for Engagement in Central America

(appropriations in millions of current U.S. dollars)

	DA	GHP	ESF	P.L. 480	INCLE	NADR	IMET	FMF	Total
Belize	—	—	—	—	—	—	0.2	1.0	1.2
Costa Rica	—	—	—	—	—	—	0.7	5.0	5.7
El Salvador	70.0	—	—	—	—	—	0.9	1.9	72.8
Guatemala	110.0	13.0	—	15.0	—	—	0.8	1.7	140.4
Honduras	90.0	—	—	—	—	—	0.8	4.5	95.3
Nicaragua	9.5	—	—	—	—	—	0.1	—	9.7
Panama	—	—	—	—	—	0.5	0.8	2.0	3.3
CARSI	—	—	104.2	—	225.0	—	—	—	329.2
Other Regional Programs	17.6	—	12.0	—	—	—	—	12.5	42.1
Total	**297.2**	**13.0**	**116.2**	**15.0**	**225.0**	**0.5**	**4.2**	**28.6**	**699.7**

Source: U.S. Department of State, *Congressional Budget Justification, Foreign Operations, Appendix 2, Fiscal Year 2019*, March 14, 2018.

Notes: Figures may not sum to totals due to rounding. DA = Development Assistance; GHP = Global Health Programs; ESF = Economic Support Fund; P.L. 480 = Food for Peace/Food Aid; INCLE = International Narcotics Control and Law Enforcement; NADR = Nonproliferation, Anti-terrorism, Demining, and Related Programs; IMET = International Military Education and Training; FMF = Foreign Military Financing; and CARSI=Central America Regional Security Initiative.

Table A-3. FY2018 Funding for the U.S. Strategy for Engagement in Central America

(estimated appropriations in millions of current U.S. dollars)

	DA	GHP	ESF	P.L. 480	INCLE	NADR	IMET	FMF	Total
Belize	—	—	—	—	—	—	0.3	1.0	1.3
Costa Rica	—	—	—	—	—	—	0.7	5.0	5.7
El Salvador	55.0	—	—	—	—	—	0.8	1.9	57.7
Guatemala	93.0	13.0	—	11.5	—	—	0.8	1.7	120.1
Honduras	75.0	—	—	—	—	—	0.8	4.0	79.8
Nicaragua	10.0	—	—	—	—	—	—	—	10.0
Panama	—	—	—	—	—	0.5	0.7	2.0	3.2
CARSI	—	—	104.2	—	215.0	—	—	—	319.2
Other Regional Programs	17.0	—	—	—	—	—	—	12.5	29.5
Total	**250.0**	**13.0**	**104.2**	**11.5**	**215.0**	**0.5**	**4.1**	**28.1**	**626.5**

Source: U.S. Department of State, "FY 2018 653(a) Allocations – FINAL," 2018; and "Explanatory Statement Submitted by Mr. Frelinghuysen, Chairman of the House Committee on Appropriations, Regarding the House Amendment to Senate Amendment on H.R. 1625," *Congressional Record*, vol. 164, no. 50—book III (March 22, 2018), p. H2851.

Notes: Figures may not sum to totals due to rounding. DA = Development Assistance; GHP = Global Health Programs; ESF = Economic Support Fund; P.L. 480 = Food for Peace/Food Aid; INCLE = International Narcotics Control and Law Enforcement; NADR = Nonproliferation, Anti-terrorism, Demining, and Related Programs; IMET = International Military Education and Training; FMF = Foreign Military Financing; and CARSI=Central America Regional Security Initiative.

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