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Congress maintains interest in El Salvador, a small Central American nation, due to the history of U.S. involvement in the country and extensive cultural ties. A large percentage of El Salvador's population has lived in the United States since the Salvadoran civil conflict (1980-1992), and the country is a source of irregular migration to the United States. As of 2021, some 2.5 million people born in El Salvador resided in the United States, an estimated 32% of them in the country without authorization.

In the 1980s, the U.S. government spent billions of dollars to support the Salvadoran government's counterinsurgency efforts against the leftist Farabundo Martí National Liberation Front (FMLN). The United States later supported a 1992 peace accord that ended the conflict and transformed the FMLN into a political party. Over the next few decades, the United States worked with both leftist FMLN and conservative National Republican Alliance (ARENA) administrations. However, popular disaffection with corruption and insecurity under both parties led to the election of political outsider Nayib Bukele in 2019. Relations between the United States and Bukele's El Salvador have been periodically strained.

Bukele has governed as a populist, using social media to communicate with supporters, announce policies, purge officials, and attack opponents. Through 2020, Bukele's ability to implement his policy agenda was hampered by contentious relations with the opposition-dominated legislature and the Salvadoran Supreme Court. Bukele remained popular, but critics warned about his increasingly authoritarian tendencies and possible ties to organized crime. In February 2021, Bukele's New Ideas party and its allies won a supermajority in parliamentary elections.

Since May 2021, the New Ideas-dominated legislature has helped Bukele consolidate control over all branches of government. The legislature dismissed the attorney general and five magistrates from the Supreme Court's Constitutional Chamber, replacing them with Bukele loyalists. In September 2021, those magistrates ruled that Bukele could run for another term despite constitutional prohibitions on reelection. After gang-related homicides spiked in March 2022, Bukele successfully sought, and the legislature approved, a *state of exception*, which suspended many civil rights, enabled mass arrests, and resulted in human rights abuses. The Salvadoran government has repeatedly extended the state of exception, while dramatic reductions in violent crime that have bolstered Bukele's popularity. Many expect Bukele to garner a first-round victory in presidential elections and anticipate his party dominating legislative elections scheduled for February 4, 2024.

U.S. Policy

The Biden Administration's policy toward El Salvador is guided by the U.S. Strategy for Addressing the Root Causes of Migration in Central America, which aims to promote economic prosperity, strengthen governance, and improve security in El Salvador; it is also influenced by geopolitical concerns, such as El Salvador's relations with the People's Republic of China (PRC). Criticism from Secretary of State Antony Blinken and targeted sanctions related to democratic backsliding and corruption in El Salvador initially strained relations with the Bukele government. Relations have improved as U.S. officials have scaled back public criticism of the government while praising collaboration on migration control and other issues. Although some Members of Congress have expressed concerns about democratic backsliding in El Salvador, others have praised Bukele.

As Congress oversees U.S. foreign assistance to El Salvador, it is considering the Biden Administration's FY2024 budget request of \$124.8 million for El Salvador. The House-passed (H.R. 4665/H.Rept. 118-146) and Senate-reported (S. 2438/S.Rept. 118-71) versions of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2024, would not specify funding levels for El Salvador. Both bills would maintain some restrictions on aid for the Salvadoran government, however, and S. 2438 would maintain a prohibition on Foreign Military Financing for El Salvador. Other legislative measures could affect U.S.-Salvadoran migration ties. For example, the Secure the Border Act of 2023 (H.R. 2), passed by the House in May 2023, would direct the Secretary of State to "seek to negotiate" an asylum cooperation agreement with the Salvadoran government.

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Introduction¹

El Salvador is a small, densely populated country located in the “Northern Triangle” of Central America (along with Guatemala and Honduras) with deep historical, familial, and economic ties to the United States (See **Figure 1**). Decades of post-conflict rule by the two traditional parties failed to address the country’s sluggish economic growth, persistent corruption, and high levels of gang-related crime. The 2019 election of political outsider Nayib Bukele, a millennial populist who has maintained high approval ratings largely as a result of his aggressive anticrime policies, has transformed El Salvador. President Bukele has consolidated control over all branches of government and moved to silence critics in civil society, particularly since his New Ideas party won a legislative supermajority in 2021.² Bukele is widely predicted to win reelection, despite constitutional prohibitions on presidential reelection, in elections scheduled for February 4, 2024. Economic challenges, exacerbated by President Bukele’s adoption of bitcoin as a form of legal tender in 2021, could pose a major test to governance in a potential second Bukele term.

U.S. policymakers have struggled to balance concerns about democratic backsliding and human rights abuses under the Bukele government with acknowledgment that its policies have proven popular among Salvadorans and have coincided with reduced irregular migration from the country.³ In FY2023, El Salvador did not rank among the top 10 nationalities of migrants encountered at the U.S. Southwest border (Honduras and Guatemala ranked in the top five).⁴ In addition, the Bukele government reportedly has decided to exclude Huawei Technologies Co. Ltd. and other China-based companies from its fifth-generation (5G) telecommunications infrastructure, a U.S. goal.⁵ Nevertheless, U.S. concerns about the police and the attorney general’s office have led to scaled-back U.S. foreign assistance for some units within those entities and greater U.S. support for civil society.⁶ Moving forward, some human rights advocates have urged the United States, other countries, and multilateral lenders to pressure the Bukele government to end the state of exception and allow more political pluralism.⁷

Political Situation

Bukele, a businessperson and former mayor of San Salvador (2015-2018), took office in June 2019 for a five-year presidential term after winning a first-round victory representing the Grand Alliance for National Unity (GANU) party. Bukele began his career as an FMLN politician, but party leaders expelled him in 2017 for violating party rules.⁸ Bukele founded a new political

¹ For historical background, see Federal Research Division, Library of Congress, *El Salvador: A Country Study*, ed. Richard Haggerty (Washington, DC: Library of Congress, 1990). For information on El Salvador and bilateral relations through mid-2020, see archived CRS Report R43616, *El Salvador: Background and U.S. Relations*.

² Manuel Meléndez-Sánchez, “Latin America Erupts: Millennial Authoritarianism in El Salvador,” *Journal of Democracy*, vol. 32, no. 3 (July 2021), pp. 19-32.

³ The International Organization for Migration (IOM) defines *irregular migration* as “movement of persons that takes place outside the laws, regulations, or international agreements governing the entry into or exit from the State of origin, transit or destination.” IOM, “Key Migration Terms,” at <https://www.iom.int/key-migration-terms>.

⁴ See CRS In Focus IF12538, *U.S. Efforts to Manage Western Hemisphere Migration Flows*.

⁵ Hector Silva, “El Asunto Chino: Nayib Bukele Negocia Red 5G con Estados Unidos y Obtiene Silencio por la Reección (Primera parte),” *Prensa Comunitaria*, December 6, 2023.

⁶ See, for example, U.S. Agency for International Development (USAID), USAID, “USAID Redirects Assistance for Salvadoran Government Institutions to Civil Society Groups,” May 21, 2021.

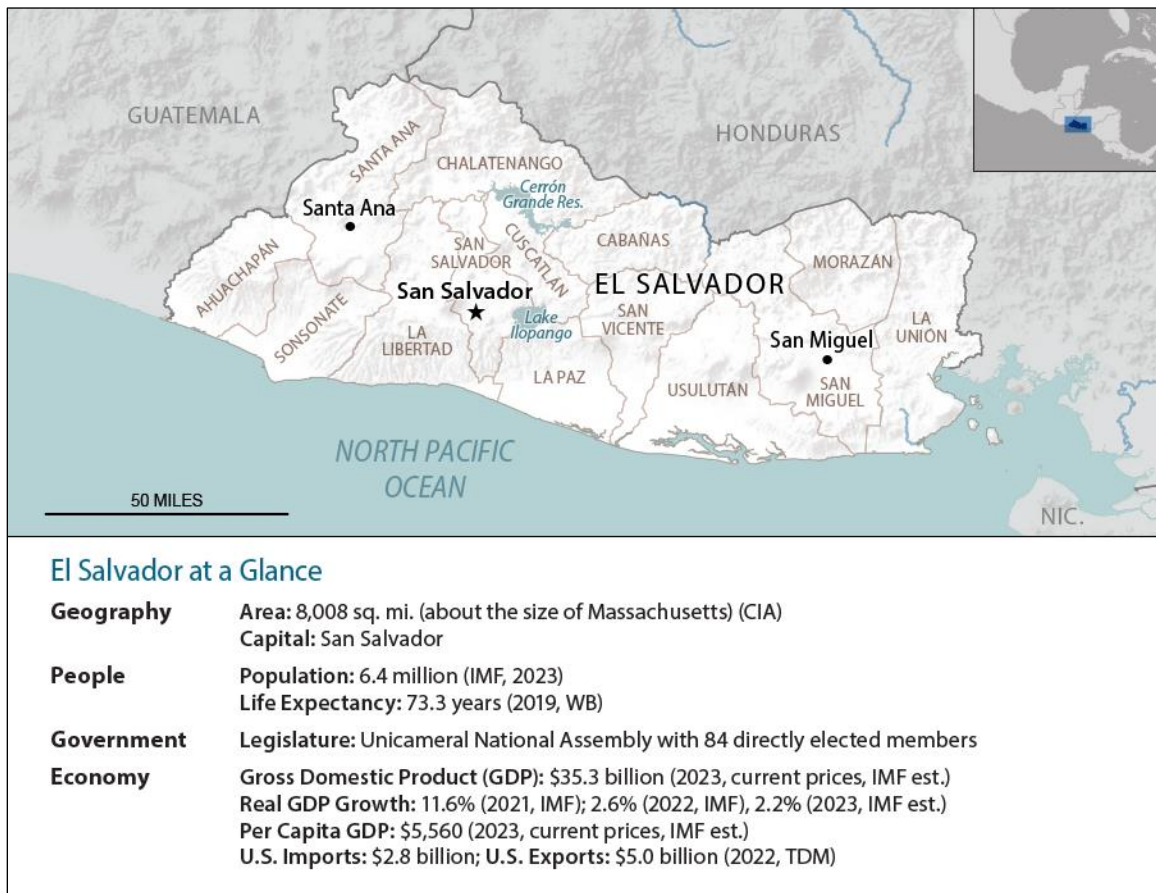
⁷ See, for example, Tamara Taraciuk Broner and Noah Bullock, “Countering El Salvador’s Democratic Backsliding,” *Americas Quarterly*, March 21, 2023.

⁸ Sonja Wolf, “A Populist President Tests El Salvador’s Democracy,” *Current History*, vol. 120, no. 823 (July 2021).

party, New Ideas, in 2017, but the party was too new to field candidates in 2019. Born in 1981, Bukele is the first Salvadoran president to come of age politically after the country’s civil war (1979-1992) and the first president in 30 years to win without support from National Republican Alliance (ARENA) or the Farabundo Martí National Liberation Front (FMLN).

Bukele promised to reduce crime and attract investment, but his lack of support in the National Assembly during the first two years of his term (GANA had 11 of 84 seats) led to executive-legislative clashes. He has governed as an authoritarian populist, using social media to communicate with supporters, announce policies, purge officials, and attack opponents. Throughout 2020, Bukele battled with the legislature and the Salvadoran Supreme Court over funding for his security plan and his aggressive enforcement of a Coronavirus Disease 2019 (COVID-19) quarantine. In February 2020, Bukele ordered the military to surround the National Assembly in an apparent effort to intimidate legislators into approving an anti-crime bill.

Figure 1. El Salvador at a Glance



Sources: Central Intelligence Agency (CIA), International Monetary Fund (IMF); World Bank (WB); and U.S. Department of Commerce, Trade Data Monitor (TDM). Map created by CRS; imagery and boundaries from Esri.

In February 2021, New Ideas and its allies won a supermajority in legislative elections amid the collapse of popular support for the two traditional parties.⁹ New Ideas’ resounding victory paved the way for Bukele to consolidate control over the legislature and the courts, quickly replicating the methods that other authoritarian leaders (such as Hugo Chávez in Venezuela and Daniel

⁹ Laura Gamboa, “How Oppositions Fight Back,” *Journal of Democracy*, vol. 34, no. 3 (July 2023), pp. 98-99.

Ortega in Nicaragua) developed over many years. On May 1, 2021, the newly seated New Ideas deputies presented charges against and dismissed five magistrates from the Supreme Court's Constitutional Chamber for inhibiting the government's pandemic response. Legislators then dismissed the attorney general for having ties to ARENA; the attorney general had been investigating corruption in Bukele's Cabinet and allegations that the administration had negotiated with gangs to reduce violence.¹⁰ Both dismissals were broadly viewed as unconstitutional.¹¹ The legislature subsequently enacted a judicial reform law that mandated retirement for all judges over the age of 60, including the judge who had presided over an emblematic trial of military officials involved in the civil war-era El Mozote massacre.¹² In September 2021, the new Constitutional Chamber magistrates ruled that Bukele could run for another term despite constitutional prohibitions on reelection.

Bukele, the legislature, and the new attorney general (who reportedly worked for a U.S.-sanctioned subsidiary of Venezuela's state oil company) shut down investigations into corruption in the Bukele administration.¹³ In May 2021, the National Assembly passed a law granting immunity from prosecution to anyone involved in administering government pandemic relief funds. Since March 2022, the legislature has repeatedly extended a state of exception suspending constitutional rights to combat criminality (see "Security Conditions"). In 2023, the legislature backed constitutional reforms to reduce the size of the unicameral legislature and cut the number of municipalities. Bukele's administration says the reforms aim to reduce costs; skeptics argue the reform will allow the ruling party to further centralize power. In January 2024, the legislature gave the attorney general authority to create a list of people and organizations to investigate as "terrorists" and more power over extraditions, including gang leaders the United States has asked El Salvador to extradite.¹⁴

Despite these efforts to erode checks and balances, Bukele has become one of Latin America's most popular leaders,¹⁵ with a 2023 poll reporting that Salvadorans expressed more satisfaction with democracy than the citizens of any other country in the region.¹⁶ Satisfaction appears to be tied to the apparent reduction in crime achieved by the Bukele government.

Bukele is widely expected to garner a first-round victory in presidential elections scheduled for February 4, 2024.¹⁷ If successful, Bukele would begin his second five-year term on June 1, 2024. Bukele's party also is widely predicted to capture a large majority of seats in the new legislature to be elected on February 4.¹⁸ Mayoral elections are to be held on March 3, 2024.

¹⁰ Carlos Martínez, Gabriela Cáceres, and Óscar Martínez, "Criminal Investigation Found the Bukele Administration Hid Evidence of Negotiations with Gangs," *El Faro*, August 23, 2021.

¹¹ International Bar Association, "El Salvador: IBAHRI Condemns Removal of Attorney General and Top Judges by Bukele Administration," May 13, 2021.

¹² Human Rights Watch, "El Salvador: New Laws Threaten Judicial Independence," September 2, 2021.

¹³ Gabriel Campos and Daniel Valencia, "Investigación Revela que Fiscal Impuesto Trabajó para Alba Petróleos," *La Prensa Gráfica*, August 1, 2021.

¹⁴ Gabriel Labrador, "Asamblea Aprueba más Poderes para el Fiscal General del Bukelismo," *El Faro*, January 17, 2024.

¹⁵ Jonathan Blitzer, "The Rise of Nayib Bukele, El Salvador's Authoritarian President," *The New Yorker*, September 5, 2022.

¹⁶ Noam Lupu et al., eds., *Pulse of Democracy*, Vanderbilt University, Latin American Public Opinion Project, 2023, p. 29.

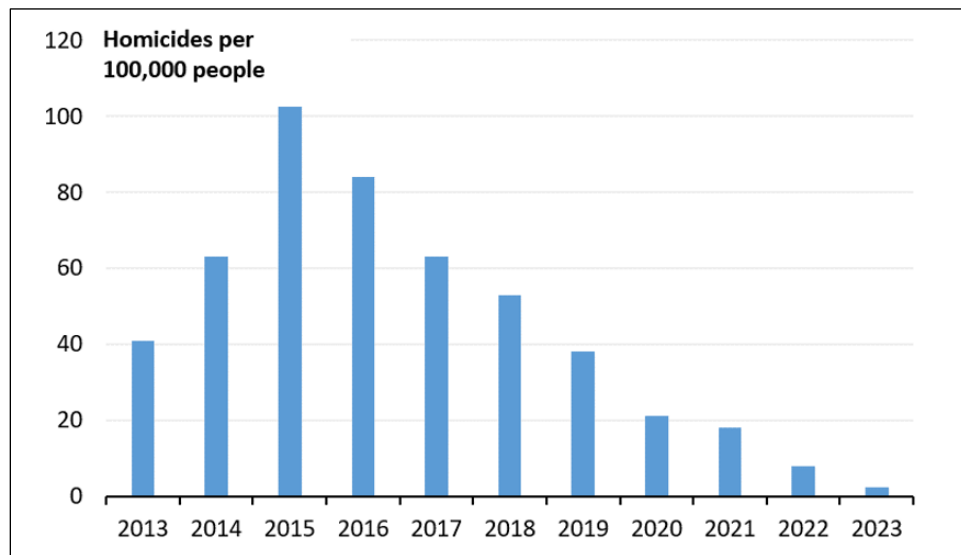
¹⁷ Nelson Renteria, "El Salvador's Bukele Looks Set to Cruise to Controversial Presidential Reelection—Poll," January 16, 2024.

¹⁸ Ibid. Eric Olson, *El Salvador's February 4 Election: Eight Keys to Understanding the Political Context and Likely Results*, Seattle International Foundation, January 2024.

Security Conditions

Since the 1990s, gangs with origins in Southern California, principally the *Mara Salvatrucha* (MS-13), the 18th Street gang, and the 18th Street *Revolucionarios* (Revolutionaries), have undermined citizen security in El Salvador. Gangs have been involved in local drug distribution, extortion, money laundering, and weapons smuggling, among other crimes. With most of their power based on territorial control, gangs have battled each other and the Salvadoran police. After a 2012 government-backed truce collapsed in 2014, homicides rose, peaking in 2015 at a rate of 107 per 100,000 people, the highest in the world (see **Figure 2**). Extrajudicial killings of suspected gang members by paramilitary groups added to the violence. In 2012, the U.S. Treasury Department designated MS-13 as a Transnational Criminal Organization (TCO). As a result, any individuals or entities that support the MS-13 can be subject to U.S. financial sanctions.¹⁹

Figure 2. Homicide Rates in El Salvador: 2013-2023



Source: U.N. Office on Drugs and Crime (UNODC); Government of El Salvador.

Over the past 20 years, successive Salvadoran governments have sought to address gangs through “hard-handed” (*mano dura*) crackdowns by security forces and negotiations.²⁰ *Mano dura* approaches typically have involved incarcerating large numbers of youth (often those with visible gang-related tattoos) for illicit association and increasing sentences for gang membership and gang-related crimes. Though the provisions have been popular with voters, they have increased pretrial detention rates as police and prosecutors have been generally unable to efficiently gather sufficient evidence to turn arrests into successful convictions. Gang roundups also have exacerbated prison overcrowding and allowed gangs to use prisons to increase cohesion and recruit youth. Government-gang negotiations, including the 2012 truce and talks during the

¹⁹ The Mara Salvatrucha 13 (MS-13) gang is designated for sanctions pursuant to E.O. 13851, the Treasury Department’s designation for transnational criminal organizations.

²⁰ Gema Kloppe-Santamaría and José Miguel Cruz, “The ‘New Wars’: Security and Cooperation in Mexico and Northern Central America,” *Crime, Law and Social Change*, November 30, 2023.

current government, have resulted in privileges for gang leaders not shared with lower-ranking gang members and often have involved corruption.²¹

Many analysts assert that initial homicide reductions under President Bukele occurred as a result of *quid pro quo* negotiations between the Bukele government and gangs.²² Bukele officials reportedly offered improved prison conditions and other incentives to some gang leaders in exchange for a reduction in homicides, gang support of pandemic-lockdowns, and electoral support.²³ In December 2021, the U.S. Treasury Department imposed sanctions on two Bukele officials for providing illicit favors during covert negotiations with the MS-13 gang. According to the sanction's designation, those favors enabled the gang "to pay its members millions of dollars through government programs and payouts."²⁴ The government reportedly released at least one high-level gang leader facing a U.S. extradition request. Mexican authorities captured that individual and extradited him to the United States in November 2023.²⁵ After government-gang negotiations ruptured in March 2022, 87 murders were registered within three days, among the most violent periods recorded since the end of the civil conflict in 1992.²⁶

In response, Bukele called for, and the legislative assembly approved, a 30-day state of exception on March 27, which curtailed certain constitutionally protected civil liberties, including the right to free association and assembly, due process, and access to legal counsel.²⁷ The assembly also adopted new criminal reforms that removed some limits on pretrial detention periods and increased prison sentences for gang members, including for youth aged 12-16. The government deployed additional soldiers to bolster its security plan. Authorities have used the special powers granted under the state of exception, extended most recently through January 2024, to carry out mass arrests and lengthy detentions of suspects with little or no evidence.²⁸

El Salvador's state of exception has contributed to measurable reduction in homicides, increased weapons and drug seizures, and some gang leader arrests, but it also has resulted in an increase in reported human rights violations.²⁹

²¹ Andrea Colombo, "Bukele's Negotiations with Gangs are a False Solution to the Structural Problem of Violence in El Salvador," *The Dialogue*, July 22, 2023.

²² See, for example, Carlos Martínez, Gabriela Cáceres, and Óscar Martínez, "Gobierno de Bukele Negoció con las Tres Pandillas e Intentó Esconder la Evidencia," *El Faro*, August 23, 2021.

²³ Carlos Garcia, "Transnational Escape of MS-13 Leader 'Crook' Caught on Social Media," *El Faro*, July 11, 2022.

²⁴ U.S. Department of the Treasury, "Treasury Targets Corruption Networks Linked to Transnational Organized Crime," December 8, 2021.

²⁵ Carlos Martínez, "U.S. Captures 'Crook,' MS-13 Fugitive Released by Bukele Administration," *El Faro*, November 9, 2023.

²⁶ Laura Jordán, "Sábado Cerró con el Mayor Número de Asesinatos Desde que Existe el Registro Diario en El Salvador," *La Prensa Gráfica*, March 27, 2022; and Maria Abi-Habib and Bryan Avelar, "Explosion of Gang Violence Grips El Salvador, Setting Record," *New York Times*, March 27, 2022.

²⁷ Organization of American States, Inter-American Commission on Human Rights (IACHR). "IACHR Urges El Salvador to Ensure that Law Enforcement and any Exceptional Measures Comply with Human Rights," April 30, 2022.

²⁸ Amnesty International, "El Salvador: President Bukele Engulfs the Country in a Human Rights Crisis After Three Years in Government," June 2, 2022.

²⁹ Alessia Genoves, "50 mil detenidos. Régimen de Excepción se Prorroga," *ContraPunto*, August 30, 2022.

Human Rights

Violence and human rights abuses have been prevalent for much of El Salvador's modern history. In 1932, for example, the Salvadoran military killed tens of thousands of Indigenous people who participated in a communist party-led peasant revolt.³⁰ After the Salvadoran Supreme Court overturned a 1993 amnesty law in July 2016, Salvadoran authorities began to investigate mass atrocities committed by government security forces during the civil war.³¹ Progress on these investigations has stalled under the Bukele administration, however, as the government has, among other measures, blocked access to military archives.³²

Many of the most serious human rights abuses in El Salvador today relate to gangs and criminal groups, excessive use of force by security forces, gender-based violence, and government attacks on civil liberties. Resource constraints, corruption, and a lack of political will have hindered efforts to address these challenges.

The Office of the United Nations (U.N.) High Commissioner for Human Rights (OHCHR) and others have warned that Bukele government anti-gang measures violate international human rights standards.³³ Authorities have used the special powers granted under the state of exception to arbitrarily arrest more than 72,000 individuals (including U.S. citizens), 7,000 of whom were released without explanation in August 2023 but remain under government surveillance.³⁴ Increased human rights abuses have been reported in the country's already overcrowded prisons and police holding cells. Human Rights Watch has documented hundreds of cases of torture, physical and verbal abuse, denial of food and/or medicine, and other abuses.³⁵ Salvadoran youth have been subjected to verbal and physical abuse in detention, detained without police informing their families, and deprived of legal counsel or visits with their families. By May 2023, at least 150 detainees had reportedly died in custody.³⁶ In July 2023, the legislature enacted a law allowing mass trials for groups of up to 900 detainees at once.³⁷ It is unclear when the state of exception, once considered a temporary measure, will end.

El Salvador, along with neighboring Honduras and Guatemala, has some of the world's highest levels of femicide (targeting women or girls for murder based on their gender) and violence against women.³⁸ According to the U.N. Economic Commission for Latin America and the

³⁰ This episode, known as *la matanza* (the massacre) weakened, but did not destroy, El Salvador's small Indigenous communities. Erik Ching and Virginia Tilley, "Indians, the Military and the Rebellion of 1932 in El Salvador," *Journal of Latin American Studies*, vol. 3, no. 1 (February 1998).

³¹ Jason Motlagh, "Inside El Salvador's Battle with Violence, Poverty, and U.S. Policy," *National Geographic*, March 2019.

³² Peter Canby, "Is El Salvador's President Trying to Shut Down a Hearing on the Infamous El Mozote Massacre?," *New Yorker*, September 10, 2021.

³³ U.N. Office of the High Commissioner for Human Rights, *El Salvador: Concern at Measures in Response to Rising Gang Violence*, April 5, 2022.

³⁴ *El País*, "Detainees in El Salvador's Gang Crackdown Cite Abuse During Months in Jail," December 1, 2023.

³⁵ Human Rights Watch, "El Salvador: Evidence of Serious Abuses in State of Emergency," June 2022.

³⁶ *El País*, "Detainees in El Salvador's Gang Crackdown Cite Abuse During Months in Jail," December 1, 2023.

³⁷ Nelson Renteria, "El Salvador Backs Mass Trials for Thousand Held in Crime Crackdown," Reuters, July 26, 2023.

³⁸ María Bozmoski, "The Northern Triangle: The World's Epicenter for Gender-Based Violence," Atlantic Council, March 3, 2021.

Caribbean, El Salvador had the third-highest rate of femicide reported in Latin America and the Caribbean in 2022.³⁹ This violence has contributed to irregular emigration.⁴⁰

Observers also have decried the erosion of civil liberties under Bukele. Officials have harassed journalists, human rights activists, opposition leaders, and civil society organizations online, threatened them with audits, and accused them of money laundering and other crimes.⁴¹ In 2021, the legislature proposed a law that would have required foreign-funded entities to register as foreign agents, but multilateral pressure led deputies to abandon the proposal.⁴² The Inter-American Commission on Human Rights, the OHCHR, and others have raised concerns about reports that the Bukele government used spyware to illegally surveil journalists and civil society groups.⁴³ In February 2022, the legislature approved a reform to expand law enforcement’s ability to investigate cybercrimes; critics maintain the reform sought to legalize such surveillance.⁴⁴ In April 2022, the legislature passed a law making it illegal for journalists to “transmit messages” from gangs in their articles; it rescinded the restrictions on press freedom in November 2023, but not before dozens of journalists had fled the country after facing harassment.⁴⁵

Economic and Social Conditions

El Salvador’s economy contracted by 7.9% and lost 20% of its formal jobs in 2020 due to the COVID-19 pandemic.⁴⁶ In response, the Bukele government implemented two fiscal packages worth \$3 billion in total, financed by multilateral loans, to provide relief to local governments, support households and small firms, and combat food insecurity. The economy rebounded with 11.2% growth in 2021 due to strong remittances from migrant workers abroad, a manufacturing sector recovery, and new investment.⁴⁷ From 2015 to 2020, remittances comprised around 18% of El Salvador’s gross domestic product (GDP); remittance flows during the pandemic increased that share to over 25% in 2021.⁴⁸ The International Monetary Fund (IMF) has credited tourism, remittances, and public investment for supporting economic growth of 2.6% in 2022 and an estimated 2.3% in 2023.⁴⁹

³⁹ U.N. Economic Commission for Latin America and the Caribbean (ECLAC), *Preventing Femicides: Obligation for States and a Persistent Challenge in the Region*, November 2023.

⁴⁰ *New Humanitarian*, “How Mexico and Central America’s Femicide Epidemic Drives and Complicates the Migrant Crisis,” February 27, 2020.

⁴¹ For a recent example, see Héctor Silva Ávalos, “Quién es Rubén Zamora, el Opositor Salvadoreño a Quien la Justicia de Bukele Mandó a Arrestar en la Víspera de Nochebuena,” *Infobae*, December 31, 2023.

⁴² Tamara Taraciuk Broner and Noah Bullock, “Countering El Salvador’s Democratic Backsliding,” *Americas Quarterly*, March 21, 2023.

⁴³ *Latin American Security & Strategic Review*, “El Salvador: Spying Scandal Reignites Press Freedom Concerns,” March 2022; John Scott-Railton et al., “Project Torogoz: Extensive Hacking of Media & Civil Society in El Salvador with Pegasus Spyware,” *Citizen Lab and Access Now*, January 11, 2022.

⁴⁴ Associated Press, “El Salvador Aprueba el Uso de Agentes Encubiertos Digitales,” February 1, 2022; *LatinNews*, “El Salvador: Reforms to Tackle Cyber Crime Spark Spying Concerns,” February 2, 2022.

⁴⁵ Gerardo Arbiaza, “El Salvador Lawmakers Repeal Media Crackdown, Declare ‘War on Gangs Won,’” Reuters, November 2, 2023; Luke Taylor, “El Salvador News Outlet Relocates to Costa Rica to Avoid Bukele’s Crackdown,” *Guardian*, April 19, 2023.

⁴⁶ International Monetary Fund (IMF), *El Salvador: Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for El Salvador, Country Report 22/20*, January 2022. Hereinafter: IMF, January 2022.

⁴⁷ IMF, “World Economic Outlook Database, October 2023,” October 5, 2023.

⁴⁸ IMF, *El Salvador*, January 2022, pp. 24-25; and IMF, “El Salvador’s Comeback Constrained by Increased Risks, Country Focus,” February 16, 2022.

⁴⁹ IMF, *El Salvador: Staff Concluding Statement on the 2023 Article IV Mission*, February 10, 2023.

The pandemic exacerbated El Salvador's long-standing fiscal and debt problems. Since 2000, the Salvadoran government has run budget deficits that have led to a rising debt-to-GDP ratio.⁵⁰ While the Bukele administration's pandemic response helped mitigate adverse social impacts, it also drove the government on a path to "unsustainable" levels of indebtedness, estimated at 89% of GDP in 2021.⁵¹ The Bukele government repaid one of two outstanding bonds in January 2023 but has continued to seek an agreement with the IMF to stabilize its finances. After the government rejected an IMF recommendation to remove bitcoin as legal tender in November 2021, prospects for a debt relief agreement stalled.⁵²

Adoption of Bitcoin as Legal Tender

In September 2021, El Salvador's National Assembly enacted a Bukele-backed initiative to adopt bitcoin cryptocurrency as a form of legal tender, a move the International Monetary Fund had warned could expose the economy to money laundering and high crypto-asset price volatility.⁵³ To encourage its adoption, the government established a \$150 million trust fund to allow any Salvadoran citizen or firm to exchange bitcoin for U.S. dollars without cost; the trust fund subsidized the transaction and exchange rate costs. The Bukele government had hoped that designating bitcoin as a national currency would reduce transfer fees for remittances, foster financial inclusion, increase investment from international crypto-asset investors, and decrease dependence on U.S. monetary policy.⁵⁴ Two years later, despite incentives that included a \$30 bonus for anyone who signed up for the "Chivo" electronic cryptocurrency wallet to manage bitcoin, the usage of bitcoin and Chivo remains low among the general population but reportedly has increased among gangs and other criminal groups.⁵⁵

Economists assert that a lack of public and private investment and a high proportion of the labor force working outside of the formal sector dampen productivity and economic growth in the country.⁵⁶ El Salvador has registered some of the lowest inflows of foreign direct investment (FDI) in Central America; the country failed to attract increased FDI even after the Dominican Republic-Central America-United States Free Trade Agreement (DR-CAFTA) took effect in 2006.⁵⁷ Insecurity historically has impeded investment in the country.⁵⁸ According to the State Department's 2023 *Investment Climate Report* for El Salvador, violence reduction associated with the state of exception has led to increased domestic and diaspora investment but has not yet prompted increased FDI. About half of all firms in El Salvador also identify corruption, in addition to weak property rights and institutions, as a major constraint to investment, according to the World Bank.⁵⁹ A lack of infrastructure, especially in the energy sector, further hampers

⁵⁰ IMF, *El Salvador*, January 2022, pp. 3-9.

⁵¹ *Ibid.*, p. 9.

⁵² Associated Press, "El Salvador Angrily Rejects IMF Call to Drop Bitcoin Use," January 31, 2022.

⁵³ IMF, "IMF Executive Board Concludes 2021 Article IV Consultation with El Salvador," press release, no. 22/13, January 25, 2022.

⁵⁴ Henri Arslanian et al., *El Salvador's Law: A Meaningful Test for Bitcoin*, PricewaterhouseCoopers, October 2021.

⁵⁵ Douglas Farah and Marianne Richardson, "The Growing use of Cryptocurrencies by Transnational Organized Crime Groups in Latin America," *Georgetown Journal of International Affairs*, March 20, 2023; Fernando F. Alvarez, David Argente, and Diana Van Patten, *Are Cryptocurrencies Currencies?*, National Bureau of Economic Research, Bitcoin as Legal Tender in El Salvador, Cambridge, MA, February 2023, pp. 17-19.

⁵⁶ IMF, January 2022, pp. 50, 59, 90.

⁵⁷ Pedro Argumedo, Antonio Zuleta, and Karla Luna, *DR-CAFTA: 16 Years After its Signing, Lessons to Take Advantage of Nearshoring*, FUSADES and CIPE, Economic Analysis 67, August 2023.

⁵⁸ U.S. Department of State, *2021 Investment Climate Statements: El Salvador*; IMF, *El Salvador*, January 2022, p. 14.

⁵⁹ Hulya Ulku and Gabriel Zaourak, *Unleashing Central America's Growth Potential: El Salvador*, World Bank, 2021, p. 6. Hereinafter: World Bank, *Unleashing Central America's Growth Potential*, 2021.

economic growth, although the Bukele government has pursued international investment to finance infrastructure projects.⁶⁰

Prior to the pandemic, El Salvador outpaced its Northern Triangle neighbors in reducing poverty and inequality. Poverty declined from 44.6% in 2014 to 30.4% in 2019, and extreme poverty declined from 11.7% in 2014 to 5.6% in 2019.⁶¹ In 2019, the World Bank considered El Salvador to be the country with the least income inequality in Latin America and the Caribbean, in part due to increased labor income in urban areas and strong remittances to rural communities.⁶² Despite such progress, the pandemic and a series of natural disasters increased poverty in 2020, particularly in rural communities. As of 2022, the Salvadoran poverty rate was 29.8% (40.7% in rural areas) and the extreme poverty rate was 8.7% (14.8% in rural areas).⁶³

According to the 2023 World Risk Index, El Salvador is among the 35 countries in the world most at risk from natural disasters due to frequent exposure and weak response capacities.⁶⁴ The country is susceptible to a range of disasters including earthquakes, volcanoes, hurricanes, and droughts. Fifty-eight percent of El Salvador is part of the Central American Dry Corridor, a noncontiguous strip of Central America that is highly susceptible to cyclical droughts and flooding.⁶⁵ According to the World Food Program, over 1 million Salvadorans surveyed in June 2023 faced moderate to severe food insecurity.⁶⁶

Gang violence, a dearth of schools in rural areas, and low mandatory school requirements (only primary school is compulsory) contribute to an education system that often produces worse outcomes in El Salvador compared with education systems in other countries with similar income levels, according to the World Bank.⁶⁷ An estimated 25.5% of Salvadorans have not completed primary school.⁶⁸ Nearly a quarter (23.5%) of Salvadoran youth aged 15-24 are not employed, in school, or in vocational training, demonstrating the lack of opportunity in the country.⁶⁹ Those youth are widely considered to be at risk for gang recruitment.

U.S. Relations and Issues for Congress

El Salvador has traditionally been a partner of the United States.⁷⁰ During the Salvadoran civil conflict in the 1980s, which coincided with U.S. Cold War concerns about communism in the region, the United States provided billions of dollars in economic aid, as well as military training

⁶⁰ Several new energy projects, including a \$1 billion liquefied natural gas power generation facility supported by a \$350 million investment from the U.S. Development Finance Corporation and new renewable energy projects aim to make the country become self-sufficient in electricity production.

⁶¹ ECLAC, “CEPALSTAT” database, accessed January 2024.

⁶² The World Bank, “El Salvador: Overview,” updated October 6, 2021.

⁶³ ECLAC, “CEPALSTAT” database, accessed January 2024.

⁶⁴ Bündnis Entwicklung Hilft and the Institute for International Law of Peace and Armed Conflict, *World Risk Index*, 2023.

⁶⁵ Peter Laderach et al., *Climate Security in the Central American Dry Corridor*, Consultative Group for International Agricultural Research (CGIAR), position paper, 2021, p. 7.

⁶⁶ U.N. Office for the Coordination of Humanitarian Affairs, *El Salvador: Humanitarian Needs and Response Plan Summary 2024*, December 15, 2023.

⁶⁷ World Bank, *Unleashing Central America’s Growth Potential*, 2021, p. 10.

⁶⁸ Data are from the International Labour Organization (ILO), *ILOSTAT*, accessed January 2024.

⁶⁹ Ibid.

⁷⁰ This draws from U.S. Embassy in San Salvador, “U.S.-El Salvador Relations.”

and equipment to help successive governments combat the FMLN insurgency.⁷¹ Some 70,000 died during the conflict, a majority killed by security forces.⁷² After the signing of the 1992 peace accords ending the civil war, U.S. relations with El Salvador were cordial under both right-leaning ARENA and left-leaning FMLN governments. U.S. presidential administrations sought, with mixed success, to help El Salvador build a multiparty democracy, strengthen the rule of law and respect for human rights, and expand economic development. Bilateral trade increased after the 2006 implementation of DR-CAFTA. The United States and El Salvador have partnered on defense, counternarcotics, and anti-gang efforts, with El Salvador hosting a Cooperative Security Location for U.S. air assets involved in detecting and monitoring narcotics and an electronic monitoring center that supports regional efforts to combat transnational criminal organizations.

U.S. relations with the Bukele government have been volatile. In June 2019, the Trump Administration cut off some aid to El Salvador until El Salvador took additional steps to combat irregular migration; those steps included signing an “asylum cooperation agreement” with the United States.⁷³ Shortly thereafter, Bukele expressed interest in bolstering ties with China and traveled there in December 2019.⁷⁴ Nevertheless, Bukele forged close relations with some Trump Administration officials, particularly former Ambassador Ron Johnson, which he has maintained since President Trump left office.⁷⁵

U.S. policy interests in El Salvador have broadened under the Biden Administration to focus on issues beyond migration control, and friction has occurred due to U.S. concerns about democratic backsliding and corruption. In May 2021, Secretary of State Antony Blinken called President Bukele to express concern about the dismissals of the country’s magistrates and attorney general.⁷⁶ In 2022, Secretary Blinken questioned the Bukele government’s tactics in responding to increased levels of gang-related violence.⁷⁷ In apparent response, El Salvador abstained from the U.N. General Assembly vote condemning Russia’s invasion of Ukraine.

Over the past year, U.S. officials have sought to repair relations with the Bukele government by avoiding public criticism of most of its policies and working together on issues of mutual interest.⁷⁸ Secretary of State Blinken hosted El Salvador’s Foreign Minister at the State Department in August 2023, before which Blinken pledged to find ways to “deepen our

⁷¹ See National Security Archive, “El Salvador: War, Peace, and Human Rights, 1980-1994,” available at <https://nsarchive2.gwu.edu/nsa/publications/elsalvador2/>.

⁷² Priscilla B. Hayner, *Unspeakable Truths: Facing the Challenge of Truth Commissions* (New York, NY: Routledge, 2002);

⁷³ Section 208 of the Immigration and Nationality Act (INA) authorizes the executive branch to enter into “bilateral or multilateral agreement[s] for the removal of asylum seekers to third countries.” Such agreements are typically known as “safe third country agreements” (STCAs). In 2019, the Department of Homeland Security (DHS) started negotiating and/or implementing agreements with Guatemala, Honduras, and El Salvador, which would allow DHS to transfer some asylum seekers to those countries instead of evaluating their claims for asylum in the United States. DHS referred to these “Safe Third Country Agreements” (STCAs) as “Asylum Cooperative Agreements” (ACAs). The U.S.-El Salvador ACA was signed in September 2019, but never implemented. See CRS Legal Sidebar LSB10402, *Safe Third Country Agreements with Northern Triangle Countries: Background and Legal Issues*.

⁷⁴ El Salvador abandoned its long-standing ties with Taiwan to establish relations with China in August 2018. U.S. Department of State, Department Press Briefing, June 17, 2019; EIU, “Bukele Visits China,” December 10, 2019.

⁷⁵ “Fireside Chat with Ron Johnson, Former U.S. Ambassador to El Salvador,” FIU Gordon Institute, May 2, 2023, available at <https://www.youtube.com/watch?v=xU05zxohGZg>; Héctor Silva, “La visita de Marco Rubio a Bukele: cómo el Partido Republicano ha Influido en la Política Exterior de Washington en El Salvador,” *Prensa Comunitaria*, December 10, 2023.

⁷⁶ U.S. Department of State, “Secretary Blinken’s Call with Salvadoran President Bukele,” May 2, 2021.

⁷⁷ U.S. Department of State, “Violence and Threats to Free Speech in El Salvador,” press release, April 10, 2022.

⁷⁸ See, for example, “Ambassadors on U.S.-Central America Relations,” *C-Span*, June 16, 2023, available at <https://www.c-span.org/video/?528799-1/ambassadors-us-central-america-relations>.

cooperation.”⁷⁹ In October 2023, Assistant Secretary of State for Western Hemisphere Affairs Brian Nichols met with President Bukele during a trip to El Salvador. When asked about the legality of Bukele’s bid to seek reelection, Nichols said that Salvadoran voters “can decide whether they agree or disagree with this process.”⁸⁰ This response contrasted markedly with the State Department’s September 2021 statement that the ruling enabling Bukele’s reelection undermined democracy in the country.⁸¹

Many in Congress are monitoring events in El Salvador and U.S. policy responses, as well as the extent to which periodic tension in relations has affected cooperation on issues such as irregular migration, gangs and drugs, and trade. Congress prohibited Foreign Military Financing to El Salvador in the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2023 (P.L. 117-328, Division K), and placed several restrictions on aid to the Salvadoran government. Increasing concerns about corruption and authoritarianism in El Salvador among some Members of Congress could influence future foreign assistance provided to the country and/or prompt new legislation to replace the targeted sanctions authority under the United States-Northern Triangle Enhanced Engagement Act (P.L. 116-260, Division FF, Subtitle F), which expired in December 2023.⁸²

Migration

Migration has been a major issue in U.S. relations with El Salvador. As of 2021, some 2.5 million people born in El Salvador resided in the United States, and an estimated 32% of them were in the country without authorization.⁸³

An estimated 188,000 Salvadorans who arrived in the United States prior to 1999 currently benefit from a Temporary Protected Status (TPS) designation that was issued in the aftermath of Hurricane Mitch in 1998 and extended by consecutive U.S. presidential administrations.⁸⁴ Salvadorans with TPS receive relief from removal (deportation) and work authorization. The Trump Administration sought to terminate the TPS designation for El Salvador as of January 2020, but that decision was put on hold due to a legal challenge and was rescinded by the Biden Administration. In June 2023, the Biden Administration extended TPS for existing Salvadoran beneficiaries through March 9, 2025.⁸⁵ In addition to Salvadorans with TPS, an estimated 22,500 Salvadorans benefitted from protection from deportation and work authorization under the Deferred Action for Child Arrivals (DACA) program as of March 31, 2023.⁸⁶

⁷⁹ U.S. Department of State, “Secretary Blinken and Salvadoran Foreign Minister Alexandra Hill Tinoco Before Their Meeting,” August 7, 2023.

⁸⁰ “Brian Nichols Acknowledges Salvadorans Must Decide on Presidential Reelection,” *El Salvador News*, October 27, 2023.

⁸¹ U.S. Department of State, Office of the Spokesperson, Press Statement, “Salvadoran Re-Election Ruling Undermines Democracy,” September 5, 2021.

⁸² CRS In Focus IF12486, *Central America: Expiration of Targeted Sanctions Authority*, by Peter J. Meyer.

⁸³ Mohamad Moslimani, Luis Noe-Bustamante, and Sono Shah, “Facts on Hispanics of Salvadoran Origin in the United States, 2021,” Pew Research Center, August 16, 2023; Jeffrey S. Passel and Jens Manuel Krogstad, “What we Know About Unauthorized Immigrants Living in the U.S.,” Pew Research Center, November 16, 2023.

⁸⁴ CRS Report RS20844, *Temporary Protected Status and Deferred Enforced Departure*, by Jill H. Wilson.

⁸⁵ U.S. Department of Homeland Security (DHS), “DHS Rescinds Prior Administration’s Termination of Temporary Protected Status Designations for El Salvador, Honduras, Nepal, and Nicaragua,” press release, June 13, 2023.

⁸⁶ For information on DACA, see CRS Report R46764, *Deferred Action for Childhood Arrivals (DACA): By the Numbers*, by Andorra Bruno. U.S. Citizenship and Immigration Services, “Count of Active DACA Recipients,” March 31, 2023.

Addressing irregular migration from and through El Salvador and other Central American countries remains of acute interest to Congress. The Biden Administration’s U.S. Strategy to Address the Root Causes of Migration in Central America focuses foreign assistance efforts on improving governance, security, and socioeconomic conditions (see “Foreign Assistance” below).⁸⁷ In FY2023, U.S. Customs and Border Protection encountered 61,515 migrants from El Salvador, down slightly from 97,000 in FY2022.⁸⁸ This reduction in irregular migration may be attributable to improvements in security and economic conditions in El Salvador.

The Biden Administration’s U.S. Collaborative Migration Management Strategy seeks to manage irregular migration by working with El Salvador and other regional partners to stabilize populations with acute needs, deter potential irregular migrants, strengthen border controls, and expand access to legal migration and protection pathways.⁸⁹ To implement that strategy, the U.S. government provides humanitarian aid to El Salvador, supports public awareness campaigns, and engages in anti-migrant smuggling law enforcement efforts. The Administration has restarted the Central American Minors Refugee and Parole Program, which reunites eligible Salvadoran children with their parents in the United States, and is pushing to help more Salvadorans secure temporary H2 temporary agricultural and non-agricultural visas.⁹⁰ The Bukele government has worked to recruit eligible H2A workers and committed to covering the transportation costs for those vetted to travel to the United States. In October 2023, the Salvadoran government instituted visa requirements and a \$1,000 fee for migrants from African countries and India to help curb the use of El Salvador as a transit point for irregular migration toward the United States.⁹¹

Migration has been a subject of considerable debate in the 118th Congress, with Members introducing various legislative measures that could impact El Salvador or Salvadoran migrants. For example, the Secure the Border Act of 2023 (H.R. 2), passed by the House in May 2023, would direct the Secretary of State to “seek to negotiate” agreements with the Salvadoran government similar to the asylum cooperation agreement that the Trump Administration negotiated in 2020 and the Biden Administration terminated prior to implementation in 2021.⁹²

Foreign Assistance

Congress plays a key role in appropriating and shaping annual foreign assistance funds to help El Salvador address the security, economic, and social drivers of irregular migration and to strengthen democratic institutions. The Biden Administration allocated at least \$121.7 million in foreign assistance to El Salvador in FY2021, \$142.0 million in FY2022, and an estimated \$87.1 million in FY2023 (See **Table 1**). This funding has allowed U.S. agencies to restart some programming in the aftermath of the Trump Administration’s 14-month suspension of most aid to El Salvador in response to continued irregular migration to the United States. According to the

⁸⁷ CRS In Focus IF11151, *Central American Migration: Root Causes and U.S. Policy*, by Peter J. Meyer.

⁸⁸ DHS, Customs and Border Protection, “Nationwide Encounters,” <https://www.cbp.gov/newsroom/stats/nationwide-encounters>.

⁸⁹ The White House, “Collaborative Migration Management Strategy,” July 2021.

⁹⁰ U.S. Embassy in El Salvador, “Ambassador’s Remarks to the NCAE Employer Labor Forum,” November 29, 2023.

⁹¹ Michael D. McDonald, “El Salvador Slaps a \$1,000 Tax on Travelers from Africa and India,” *Bloomberg*, October 26, 2023.

⁹² For background information, see CRS Legal Sidebar LSB10402, *Safe Third Country Agreements with Northern Triangle Countries: Background and Legal Issues*.

Government Accountability Office (GAO), that aid suspension had several “adverse effects” on State Department and U.S. Agency for International Development (USAID)-funded projects.⁹³

Table 1. U.S. Foreign Assistance to El Salvador: FY2021-FY2024
(allocations in millions of current dollars)

Foreign Assistance Account	FY2021	FY2022	FY2023 (estimate)	FY2024 (request)
Bilateral Aid, Subtotal	80.8	98.7	87.1	124.8
Economic Support Fund	2.0 ^a	0.0	0.0	0.0
Global Health Programs (USAID)	0.0	4.0	5.0	5.0
Global Health Programs (State)	8.1	10.3	10.6	—
Development Assistance	70.0	84.0	71.2	119.0
International Military Education and Training (IMET)	0.7	0.4	0.3	0.8
CARSI	40.9	43.4	NA	NA
Economic Support Fund (ESF)	25.0	26.0	NA	NA
International Narcotics Control and Law Enforcement (INCLE)	15.9	17.3	NA	NA
Total	121.7	142.0	87.1	124.8

Source: U.S. Department of State, Congressional Budget Justifications for Foreign Operations, FY2022-FY2024; U.S. Department of State, FY2023 Allocation Data, September 26, 2023; U.S. Agency for International Development (USAID), Congressional Notification (CN) #8, November 16, 2021; CN #190, July 13, 2023; U.S. Department of State, CN 22-288, August 16, 2022; CN 23-323, August 24, 2023.

Notes: CARSI = Central America Regional Security Initiative; NA = Not available; USAID = U.S. Agency for International Development.

- a. Congress typically appropriates CARSI aid for the entire Central American region. Comprehensive allocations for El Salvador are not yet available for FY2023.

While many suspended projects eventually restarted, the Biden Administration has reshaped some assistance to El Salvador as a result of U.S. concerns about corruption, democratic backsliding, and human rights. In May 2021, in response to democratic backsliding, the Biden Administration announced the reprogramming of USAID support from government entities (such as the attorney general’s office) to civil society groups.⁹⁴ According to the State Department, U.S. agencies have shifted security and rule of law assistance away from parts of the Salvadoran government where trusted partners are lacking (e.g., the judicial sector, prisons, part of the attorney general’s office) and have focused police assistance on “human rights, ethics, and appropriate use of force.”⁹⁵

U.S. assistance supports global health security threat prevention and response; military education and training implemented by the U.S. Department of Defense, and a broad range of development activities. Those activities include good governance programs intended to encourage civil society

⁹³ The Trump Administration reprogrammed \$396.2 million of FY2018 assistance for the Northern Triangle, including \$51.7 million of bilateral assistance for El Salvador. U.S. Government Accountability Office (GAO), *Northern Triangle of Central America: The 2019 Suspension and Reprogramming of U.S. Funding Adversely Affected Assistance Projects*, GAO-21-104366, September 2021, p. 8, 14.

⁹⁴ USAID, “USAID Redirects Assistance for Salvadoran Government Institutions to Civil Society Groups,” May 21, 2021.

⁹⁵ E-mail from the Bureau of International Narcotics Control and Law Enforcement Affairs, U.S. Department of State, December 14, 2023.

engagement and oversight, elections-related assistance, and support for municipal governments.⁹⁶ Economic programs include job training and other support for small businesses, agriculture programs intended to increase food security and protect the environment, and education programs. Citizen security programs, which receive support from the Central America Regional Security Initiative (CARSI), support law enforcement training and technical assistance, operations against TCOs, border security and antidrug programs, services for victims, and crime and violence prevention initiatives.

The United States also provides humanitarian assistance to help El Salvador recover from natural disasters and stabilize vulnerable populations with food assistance and income generation activities. USAID provides psychosocial and other support to women and children victims of gender-based violence, as well as support to returned migrants to help them reintegrate into Salvadoran society. U.S. humanitarian aid totaled \$27.4 million in FY2021, \$30 million in FY2022, and at least \$14.4 million in FY2023 for basic needs such as food, water, shelter, and protection.⁹⁷

Congress has placed restrictions on some U.S. assistance to El Salvador annually since FY2016. For example, the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2023 (, Division K), prohibits Foreign Military Financing for El Salvador. It also requires the State Department to withhold 60% of Economic Support Fund and international security assistance (e.g., International Narcotics Control and Law Enforcement and International Military Education and Training aid) to support the central government of El Salvador until the Secretary of State certifies that the Salvadoran government has met certain criteria. Those criteria include combatting corruption, strengthening the rule of law, protecting human rights, improving border security, and improving the foreign investment environment.⁹⁸ The State Department has yet to certify that the Bukele administration has met the congressional criteria required to release funds appropriated in FY2021, FY2022 or FY2023. In August 2022, the State Department informed Congress that it would reprogram a total of \$13.6 million in International Narcotics Control and Law Enforcement (INCLE) assistance once allocated for El Salvador (and Guatemala) to other countries.⁹⁹

The Biden Administration requested \$124.8 million for El Salvador in FY2024. Congress has not yet concluded action on FY2024 appropriations but it has enacted continuing resolutions (P.L. 118-15, P.L. 118-22, and P.L. 118-35) that fund most foreign aid programs at the same level and under the same conditions as FY2023 from October 1, 2023 until March 8, 2024. The FY2024 foreign assistance appropriations measures approved by the House (H.R. 4665/H.Rept. 118-146) and reported in the Senate (S. 2438/S.Rept. 118-71) do not specify funding levels for El Salvador. Both bills would maintain withholding requirements on aid for the Salvadoran government, with some modifications compared with prior years. S. 2438 also would maintain the prior-year prohibition on Foreign Military Financing for El Salvador.

⁹⁶ USAID, “El Salvador Fact Sheet,” September 2023, <https://www.usaid.gov/sites/default/files/2023-09/USAID%20El%20Salvador%20Fact%20Sheet%20.pdf>.

⁹⁷ USAID, “El Salvador, Guatemala, and Honduras – Regional Response,” Fact Sheet #12, Fiscal Year 2021, September 30, 2021; USAID, “El Salvador, Guatemala, and Honduras – Regional Response,” Fact Sheet #5, Fiscal Year 2022, September 30, 2022; and USAID, Bureau for Humanitarian Assistance, “Central America Assistance Overview,” October 2023.

⁹⁸ The full criteria are listed in §7045(a)(2) of P.L. 117-328.

⁹⁹ U.S. Department of State, CN 22-300, August 17, 2022.

Sanctions

Congress has shaped U.S. sanctions policy toward El Salvador, especially in relation to concerns about corruption, democracy, and human rights. The Biden Administration has made combating corruption a key part of its strategy to address the root causes of migration from Central America. In May 2021, the State Department declassified, pursuant to Section 7019(e) of P.L. 116-260, a report to Congress on corrupt Northern Triangle officials that listed five current and former Salvadoran politicians.¹⁰⁰ Between July 2021 and December 2023, the Administration designated 34 Salvadoran individuals for engaging in significant corruption or undermining democratic processes or institutions pursuant to Section 353 of the United States-Northern Triangle Enhanced Engagement Act (P.L. 116-260, Division FF, Subtitle F). Those individuals, who are generally ineligible for entry into the United States, included Bukele's Cabinet chief, legal adviser, press secretary, and labor minister, as well as five Constitutional Chamber magistrates. Section 353 sanctions, as well as the authority to impose them, expired on December 27, 2023. In addition, the State Department has publicly revoked the visas of 14 individuals under Section 7031(c) of annual Department of State, Foreign Operations, and Related Programs Appropriations Acts for involvement in a gross violation of human rights or corruption.

In December 2021, the Department of the Treasury announced financial sanctions against Bukele's chief of staff for corruption associated with a pandemic-related procurement scandal.¹⁰¹ Treasury also sanctioned two high-level officials, Osiris Luna and Carlos Marroquin, for providing illicit favors to the Treasury-designated MS-13 gang during covert negotiations.¹⁰²

Among other changes to sanctions policy, Congress may consider reauthorizing or modifying the sanctions authority in the United States-Northern Triangle Enhanced Engagement Act (P.L. 116-260).

Counternarcotics and Anti-gang Cooperation

The flow of illicit drugs into the United States is another ongoing issue of concern to Congress. Although El Salvador is not a producer of illicit drugs, it serves as a transit country for narcotics, mainly cocaine and heroin, cultivated in the Andes and destined for the United States. In September 2023, President Biden included El Salvador on the annual list of countries designated as "major drug transit" countries.¹⁰³ According to the State Department's *International Narcotics Control Strategy Report* covering 2022, seizures by the Salvadoran Navy and a maritime unit of the police continued to increase, but corruption and inadequate budgets for the police and attorney general's office challenged antidrug efforts.

El Salvador extradited 13 MS-13 gang members to the United States between 2016 and 2020, but its willingness to extradite high-profile gang suspects to the United States has since waned, perhaps as a result of previously mentioned government negotiations with the gangs.¹⁰⁴ In

¹⁰⁰ Joshua Goodman, "U.S. Report: Allies of El Salvador's President Deemed Corrupt," AP, May 18, 2021.

¹⁰¹ U.S. Department of the Treasury, "Treasury Targets Corruption Networks Linked to Transnational Organized Crime," December 8, 2021.

¹⁰² The Mara Salvatrucha 13 (MS-13) gang is designated for sanctions pursuant to E.O. 13851, the Treasury Department's designation for transnational criminal organizations.

¹⁰³ White House, "A Memorandum for the Secretary of State on Presidential Determination on Major Drug Transit or Major Illicit Drug Producing Countries for Fiscal Year 2024," September 15, 2023.

¹⁰⁴ U.S. Department of Justice (DOJ), *Full-Scale Response: A Report on the Department of Justice's Efforts to Combat MS-13 from 2016-2020*, 2020, at <https://www.justice.gov/archives/ag/page/file/1329776/download>; and *El Faro*, "Is El (continued...)"

November 2021, the Salvadoran attorney general requested that the Salvadoran Supreme Court deny a U.S. extradition request for Armando Melgar Díaz, the first-ever MS-13 gang member to be indicted on U.S. terrorism charges; a decision regarding his extradition remains pending. In January 2021, the Department of Justice charged another 14 high-ranking gang members in El Salvador with terrorism offenses. Salvadoran authorities reportedly released four of these suspects, who were already in prison in El Salvador, between July 2021 and February 2022.¹⁰⁵ In November 2023, Mexican officials captured and extradited one of those MS-13 leaders to the United States, where he was arrested on terrorism charges.¹⁰⁶

Commercial Ties

The U.S.-Salvadoran economic relationship includes extensive investment, trade, remittance, and tourism ties. U.S. foreign direct investment on a historical-cost basis in El Salvador was estimated at \$1.4 billion in 2022.¹⁰⁷ Total trade in goods increased from \$3.8 billion in 2005 (pre-CAFTA-DR) to \$7.9 billion in 2022 (the most recent year available). The United States had a \$2.2 billion trade surplus with El Salvador in 2022.¹⁰⁸ In 2022, apparel and clothing accessories made up 61% of U.S. imports from El Salvador. Conversely, petroleum made up 21.5% of all U.S. exports to El Salvador.¹⁰⁹

Congress may continue to monitor U.S.-Salvadoran commercial relations and the extent to which U.S. investment promotion policies help U.S. companies compete with those from China. U.S. officials have expressed concerns about Chinese investments in strategic sectors in Latin America, including ports, telecommunications, and energy infrastructure. In El Salvador and in other countries, U.S. officials have expressed concern that if governments allow PRC-based Huawei to provide its 5G technology, China could use that technology to spy. The U.S. International Development Finance Corporation has increased its activities in El Salvador to help incentivize U.S. companies to invest in the country.

Outlook

Congress is likely to closely monitor conditions in El Salvador and U.S.-Salvadoran relations, particularly surrounding the presidential and legislative elections scheduled for February 4, 2024. The Bukele government has collaborated with the United States to address drug trafficking and irregular migration and has been responsive to U.S. concerns about certain Chinese investments but has denied MS-13 extradition requests.

Bukele quickly consolidated control over all branches of government by 2021. To quash gang violence, he has used authoritarian means that have captured the attention of other Latin American leaders. Should Bukele win a second term, as many expect, Congress would likely face continued debate on how to best maintain the Salvadoran government's cooperation on U.S.

Salvador Protecting MS-13 from Extradition?" March 18, 2022; Steven Dudley, "Capture of MS13 Leader Exposes US-El Salvador Rift," *InSight Crime*, November 9, 2023.

¹⁰⁵ Carlos García, "Are MS-13 Leaders Wanted for Extradition to U.S. Free in El Salvador?" *InSight Crime*, March 31, 2022.

¹⁰⁶ Reuters, "Mexico Nabs, Swiftly Deports MS-13 Gang Leader to El Salvador, April 18, 2023; U.S. DOJ, "High-Ranking MS-13 Fugitive Arrested on Terrorism Charges," November 15, 2023.

¹⁰⁷ U.S. Department of Commerce, Bureau of Economic Analysis (BEA), "Direct Investment by Country and Industry, 2022," July 20, 2023.

¹⁰⁸ BEA, "El Salvador: International Trade and Investment Country Facts," accessed December 20, 2023.

¹⁰⁹ U.S. Census data, as presented by Trade Data Monitor, accessed March 22, 2022.

security and strategic concerns while seeking to stem democratic backsliding and human rights abuses in the country.

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