

EL SALVADOR'S DEMOCRATIC TRANSITION TEN YEARS AFTER THE PEACE ACCORD

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INTRODUCTION

On January 16, 1992, El Salvador's government and guerrillas of the Farabundo Martí National Liberation Front (FMLN) signed a sweeping and historic peace agreement that put an end to a brutal twelve-year conflict. Almost exactly ten years later to the day, on January 20, 2002, the Latin American Program held a conference to evaluate in political and economic terms the years since the signing of the accord. The goal of the conference was less to analyze the degree of implementation of key provisions of the accord—although many participants made reference to its principal accomplishments and deficiencies—as much as to assess the nature of the democratic transition and related socio-economic developments in the post-war era.

Virtually all participants agreed on the central and enduring achievements of the Salvadoran peace agreement: the demilitarization of politics and an end to the left's political exclusion; reform of the armed forces and its separation from the political life of the country; improved respect for human rights; enhanced press freedoms and freedom of speech; the successful holding of presidential, legislative, and municipal elections and improved representation at the local level; and a process, albeit far from complete, of modernization and reform of key state institutions. In addition, in the post-accord era, the economy has grown at a rate faster than the average of the rest of Latin America, inflation and levels of income poverty have fallen, educational opportunities have expanded, the ratio of debt service to exports remains low, and exports have risen, especially in the *maquila* sector.

Despite progress in these areas, panelists also underscored persistent difficulties and challenges, many of them rooted in the nature of El Salvador's multiple and simultaneous transitions. Salvadoran society remains polarized and stratified, characterized by wide gaps between rich and poor, between urban and rural populations, and between the Greater San Salvador area and the rest of the country. Emigration, which provides an economic and population safety valve and contributes to the economy through massive remittances, also deprives El Salvador of professionals, members of the middle class, and *campesinos* who count among society's most talented

entrepreneurs.¹ Moreover, the peace accord's relative inattention to socio-economic issues, rooted in the dynamic of the peace negotiations and relative strengths and possibilities of the negotiating parties, left important root causes of the war unaddressed.

While recognizing the contribution of the accords to El Salvador's political evolution, participants in the first panel highlighted issues that create uncertainty about the country's political future. Ricardo Castaneda, for example, cited the absence of trust in government institutions and argued that Salvadorans living abroad, who contribute so much to the national economy, should also be able to vote via absentee ballot. In emphasizing the numerous ways that aspects of El Salvador's transition were over-determined by the fact of the war, Rubén Zamora questioned whether political parties were capable of assuming a leadership role in the transition, given their failure to go through an internal process of reform and modernization, as well as their instrumentalist view of civil society. Miguel Cruz laid out the complexity of public opinion regarding the peace process. Although a majority has consistently viewed the accords as positive, key expectations have not been met: after ten years, nearly half of those polled viewed the country as the same or worse than a decade ago, citing the increase in crime as well as disappointing economic performance. Growing rates of abstention from electoral participation were a reflection of growing pessimism. Terry Karl underscored the impact of the war transition on key aspects of the democratization process. The issue of sequencing, in which the right formed modern political parties ahead of the left, helps explain the electoral success of the ARENA party in the post-war period. Karl also noted the difficulty of democratic consolidation in a context of persistent or increasing poverty and social inequality.

Participants in the second panel voiced relatively greater optimism about the country's economic future, highlighting accomplishments at the macroeconomic level as well as continuing challenges. Sandra Barraza described fruitful efforts to build consensus around a national development plan, while still noting ongoing deficits in human capital, a disproportionate share of public investment in and around San Salvador, and ongoing problems of marginalization and exclusion. William Pleitéz noted that poverty decreased during the 1990s, even though it still affected 47.5 percent of the population. Economic reforms and structural adjustment along the lines prescribed by the

“Washington Consensus” had led per capita income to grow, inflation to drop, and key social indicators such as infant mortality and literacy to improve. Nonetheless, development strategy had failed to address persistent problems in income distribution, low levels of human development, and lack of competitiveness. José López-Cáliz cited growing awareness among Salvadoran government officials of the need for fiscal reform. He also stressed the importance of regional economic integration and crime prevention to El Salvador’s future development as well as the need to channel remittances into productive investment.

NOTES

1. The importance of remittances was driven home when, in November 2002, the Salvadoran government undertook an unprecedented effort to encourage Salvadorans living in the United States to register for Temporary Protected Status before a deadline expired.

ACKNOWLEDGMENTS

I wish to thank several individuals who contributed to the success of the January 2002 conference and this publication. The Ford Foundation provided generous support for this conference and other activities of the Project on Comparative Peace Process in Latin America. Woodrow Wilson Center Public Policy Scholar in 2001, Rubén Zamora, and consultant David Holiday assisted with conference organization. World Bank representative and former official of the UN’s El Salvador Mission Madalene O’Donnell chaired the panel on economic and social policy. Latin American Program intern Craig Fagan and consultant Kelly McBride provided invaluable editorial assistance. Gretta Tovar Siebentritt assisted with translation. LAP intern Audrey Yao provided additional research. I am grateful to all of them.

Cynthia J. Arnson
December 2002

PART I

THE NATURE OF THE POLITICAL TRANSITION: ADVANCES AND SETBACKS IN DEMOCRATIC CONSOLIDATION

RICARDO GUILLERMO CASTANEDA

Iwould like to share an anecdote that a friend of mine, a senior diplomat from Venezuela, told me when we reached the stage of implementation and verification of the peace agreement. He recounted that, after the war of independence in Venezuela, a general had to inform his soldiers that the war was over. And he gathered his soldiers and said this: ‘Soldiers, stand in horror, peace has arrived.’

The Salvadoran peace agreement was formally signed in Mexico on January 17, 1992. The main goals of the agreement were: 1) to end the armed struggle through political means, that is, through negotiations; 2) to promote democratization of the country; and 3) to guarantee respect for human rights and reunify and reintegrate Salvadoran society.

Ten years later, we can evaluate the progress towards these goals. The situation of the country is different. In El Salvador, the mere fact that we were able to separate the army from the political life of the country, to keep it from meddling in political life, and to redefine the army’s constitutional role in terms of defending the country from external threats and assisting in natural disasters is quite an achievement.

The fact that my fellow countrymen and -women who used to be fighting in the hills are now participating in the political process of El Salvador is also extremely noteworthy. They are not using bullets but rather, constitutional means, to have access to power.

Respect for human rights improved, of course, after the war ended. The war itself was the major source of human rights violations. But much remains to be done.

Political participation and freedom of speech have also widened. Across the political spectrum we can debate freely and openly issues and problems on the national agenda. This freedom is taken for granted in societies in which it was achieved a long time ago. But for Salvadorans to have and to exercise freedom of speech is extremely important.

The reunification of society has not been achieved and Salvadoran society is still stratified. The gap between rich and poor has widened and much remains to be done. In socioeconomic terms, some of the same

root causes that contributed to the civil war still exist, despite some accomplishments in this area.

Civil society has expanded and the process of political enfranchisement is now a fact. Every day civil society organizations point out the country's problems and advance solutions. This is very positive.

Other threats exist that did not exist in the past. All of Central America is used as a corridor for narco-trafficking, something that profoundly affects our countries and for which cooperation is necessary. The phenomenon of globalization is a fact, but much remains to be done internally before we can fully participate and insert ourselves in the global economy. It is appalling that so many educated people still feel compelled to leave the country in search of new opportunities. There has not been enough progress given El Salvador's limited resources. The country is overpopulated. Dollarization has created some economic stability. But too many Salvadorans are still left out and seek to emigrate. All go through difficult journeys and many have almost lost their lives in the process.

The major source of income in El Salvador is no longer coffee or sugar or cotton. There is a new source: the Salvadorans who live abroad, particularly in developed countries, who send back approximately \$2 billion a year in remittances. Without this money from abroad, El Salvador would be in a terrible situation.

Additional challenges have come from natural disasters. El Salvador suffered two devastating earthquakes in 2001. The government performed fairly well in responding to the crises and attending to the emergencies, despite some initial political bickering. The army also performed very well in providing help and assistance, something recognized by the Salvadoran population. But much remains to be done.

The percentage of the budget devoted to health and education has increased. Still, too many people do not receive an adequate education. In order to be competitive in today's world, we have to educate our people. This is a basic challenge: to educate people with dignity so that so that they can better themselves.

There are important changes in representation at the local level. At one point I visited the small town of El Paisnal, which during the war was dominated by the guerrillas. I stopped to have coffee, and I asked the owner of the shop who the mayor was, because I saw that the little town has been cleaned and painted. The shop owner told me the mayor's name

and that he had been re-elected. I asked what party the mayor belonged to and he responded that the mayor belonged to the ARENA party. This was in a town once dominated by the guerrillas! The owner explained that he was a good mayor and had worked for the people and thus was re-elected.

I later went to the town of Suchitoto, which also has prospered, and I inquired who the mayor was. I was told that the mayor was so-and-so, and he used to be a mid-level guerrilla commander, someone very active during the war. People told me, 'he was a guerrilla from the FMLN,' and now that the FMLN had become a political party, he ran as a candidate of the FMLN party and had been re-elected mayor of Suchitoto. It is striking to see that the electorate knows who is working for them at the local level. That is not the case, however, of other institutions at the national level, very important institutions such as the Legislative Assembly.

Much remains to be done in El Salvador. We have modernized our institutions and created new ones. There is a new public counsel (*procurador*) for human rights; this represents an advance even though the office has had its ups and downs. Efforts have been made to enhance the independence of the judiciary, major efforts are still needed to modernize our laws and train judges.

Two presidential elections have been held since the peace agreements were signed. Overall, the government is performing well; nonetheless, citizens still do not trust existing institutions or their representatives. This situation must be addressed, starting in the legislature. Political parties also need to be reformed. A proposed law to regulate political parties should be enacted to define how the parties are funded and to allow people to vote directly for specific candidates rather than just the political party that the candidate represents. Salvadorans who live abroad and who finance the economy from abroad should also be able to vote via absentee ballot. This is not yet possible. But the situation needs to be corrected and other Latin American countries can serve as models.

All in all, El Salvador is moving in a positive direction, but certain root causes of the war have not been addressed. Despite the evolution of the two major political parties, and despite the existence of a pluralistic party system, El Salvador is still a polarized and fragmented society. Ten years after the signing of the peace accords, this is the biggest challenge that the country faces.

As Ricardo Castaneda explained, the peace agreement aimed to do three things: overcome the conflict, create a society with respect for human rights and democracy, and reunite the Salvadoran family. The accord has been very successful regarding the first objective, fairly successful regarding the second objective, and a complete failure regarding the third objective.

There is no longer a war in El Salvador, and the chance that a civil war will resume is remote, at least in the foreseeable future. In that sense, we can say that the war is over. In El Salvador, there is a consensus that change has to be achieved not by violent means, but by political means.

In terms of respect for human rights, the difference between the current situation in El Salvador and what existed 15, 20, even 25 years ago, is striking. Before, torture, disappearance, and summary execution of citizens were more or less the standard practices of the security forces. Now, while torture still occurs, it is very rare in El Salvador, and in some cases, the torturers have been brought to justice.

As for reuniting the Salvadoran family, ten years after the peace accord, the Salvadoran family is more divided than ever before, both socially and physically. More Salvadorans live abroad now than ten years ago. And there is another big difference: ten or twenty years ago, emigration from El Salvador was either for political or economic reasons, and economic emigration was mostly confined to the lower levels of Salvadoran society. Now the middle class and professionals are emigrating from El Salvador—dentists, doctors, even the former mayor of one of El Salvador's three largest cities. The economic emigrants of today are from the middle class. This is what I mean when I say that Salvadorans are less physically and socially united. While government statistics show that there has been a slight reduction of poverty, no one can dispute the social differentiation that has occurred since the accord was signed. The gap between poverty and wealth in El Salvador has grown in the last ten years, probably more than in any other period over the last 100 years. This is the paradox of our process.

What, then, is the nature of the peace agreement that we are celebrating ten years after its signing? The peace agreement is characterized by four basic points.

First, both sides recognized that they had to end the war and that the causes of the war were political and economic exclusion. There is a consensus on this point, and it is clearly reflected in the speech given by President Alfredo Cristiani when the accord was signed in Mexico's Chapultepec Castle. Although each side had its own reasons, both agreed that the war had to end. For the new government, ending the war was an economic necessity in order to pursue a new scheme of development that was not based on agricultural production, but rather, on attracting foreign investment. There could be no investment until the war ended. For their part, the guerrillas needed to end the war because they realized that a military victory was not at hand.

Second, the negotiations and the peace agreement itself focused on the principal cause of the war: political exclusion. This accounts for the success of our peace process. Why? Both sides coincided that the remedy for political exclusion was democracy. Both sides saw democracy as a way out of the previous situation.

Conservatives in and outside the government wanted to end military domination and control of politics that had lasted for 60 years. Guerrillas, meanwhile, could only lay down their arms and leave behind armed struggle if the conditions existed for them to function in society without abandoning their own ideas. That meant a democratic setting.

A third characteristic of the peace agreement was that there was no possibility of addressing the second cause of conflict, economic exclusion. This point is very important. Many people fault both the peace agreements and the FMLN, especially the left, for failing to address the economic transformation that El Salvador needed. I do not believe that that criticism makes sense. It is like criticizing our founding fathers because they were liberals and not socialists at the beginning of the 19th century. Karl Marx was not even writing at that time!

What happened with the peace agreements was that there was no consensus at all between both the parties over what constituted the problems of economic exclusion. When the government talked about economic exclusion, it meant that the role of the state and state spending were too large. The government favored neo-liberal recipes that the guerrillas

viewed as completely counterproductive. The guerrillas saw economic exclusion as a function of the rich, the oligarchy. These people also happened to be in the government at that time.

Moreover, there was not as much international pressure to deal with the issue of economic exclusion as opposed to political issues; on that latter front, there was a great deal of pressure to build democracy, not only in El Salvador, but throughout the Third World. To achieve peace, the international community asks that a country be, or attempt to be, democratic. To the extent that there was pressure from international financial institutions, that pressure was very specific and not directed at what was taking place at the negotiating table. Finally, there were different degrees of urgency attached to political and economic issues. To begin constructing a democratic society, it was absolutely and immediately necessary to end the war. Ending the war was not, however, seen as central to ending economic injustice in the country.

The fourth and final aspect of the peace agreement has to do with the nature of El Salvador's democratic transition. The beginning of the transition and its agenda and dynamic were over-determined by the fact of the war. This establishes a fundamental difference between the Salvadoran transition and all the other transitions in the Southern Cone and Southern Europe. Ours was a war transition, something that distinguishes it from the rest.

Given the nature of the Salvadoran transition, what have been the major achievements?

First, we overcame the state of war that our country lived for 12 years, and we overcame state violence as the normal and predominant instrument for domination. Although the state, by definition, holds a monopoly on the use of coercive violence, an authoritarian regime emerges when this instrument becomes the normal and usual one for maintaining control over society, and citizens' guarantees are drastically curtailed. This problem has been solved in El Salvador. State violence against citizens is no longer accepted as the normal and legitimate instrument for maintaining social control.

The second major achievement of the process has been the demilitarization of politics. For 60 years, politics in El Salvador were highly militarized, given the military's control of the political system and its direct exercise of power. The peace agreement relegated the military to its proper place, under the control of the civilian, elected government. The

best example of this change is an extreme one. During the previous administration, President Armando Calderón Sol violated the army's own rules of promotion by elevating some of his friends to the rank of general. The military protested, as did a number of us in civil society. But the military accepted even this illegal decision by the government, indicating quite a high level of acceptance of civilian control.

Third, the peace agreement achieved important reforms of state institutions, including the creation of a *Procuraduría para la Defensa de los Derechos Humanos* (National Counsel for the Defense of Human Rights), the creation of a new civilian police force, and reforms of the judiciary and the electoral system. These reforms in the state apparatus are very important and constitute an achievement of the peace process.

What, then, are the political problems of this transition? Essentially, there are four.

The first involves a problem of the transfer of political power. The entire process of transition in El Salvador can be viewed as a process of transferring political power from certain institutions and individuals to other institutions and individuals. One such transfer of political power is from the army to El Salvador's political parties. But neither the political parties, nor the private sector for that matter, were touched by the peace process. There is not a single word in the peace accords about reforming political parties. They have thus become the recipients of a greater quotient of power without going through a process of change and renovation.

In the post-conflict period, political parties retained many of the characteristics of the war years. This was not readily apparent, but has become more noticeable in behavior in the Legislative Assembly and during the electoral process. It is also evident in the eyes of the public: Salvadorans are becoming more and more cynical about democracy and political change, because, to a great extent, the new agents of the transition—political parties—are not up to the new challenge that democracy presents.

A second problem relates to the conditions of conflict under which the transition from an authoritarian regime took place. Just as war was the driving force for moving toward democracy, the war constitutes one of the main obstacles to developing democracy, in that it has tended to reproduce many of the same problems, such as polarization. Unlike the processes of transition in the Southern Cone, for instance, the two parties in the conflict were not defeated. Nor was the agent of

transition a third party. The literature on democratic transitions highlights the role of moderate, centrist forces in the transition, such as the Christian Democrat-Socialist alliance in Chile or the moderate parties of Spain and Greece.

In the Salvadoran transition by contrast, the polarized forces from the right and the left became legitimized by the process of negotiations. The best example of this is the ARENA (Nationalist Republican Alliance) party itself, founded by death squad leader Roberto D'Aubuisson in 1982 and subsequently headed by Alfredo Cristiani, the president of peace.

The tendency has been to reproduce polarization in the process of transition. At the same time, third parties—the intermediate and moderate forces—have become or continue to be weak, because they were not actors in the process of transition or the negotiations. The possibilities of moderate forces thus diminish during the whole period of transition, fostering ongoing polarization.

The introduction of greater pluralism after the peace agreement meant that the dominant, governing ARENA party was no longer able to control the Legislative Assembly. And what did the governing party do? It went back to an alliance with another very traditional political party on the right to gain a majority in Congress. ARENA and the PCN (National Conciliation Party) are the majority. The price has been clientelism, sharing pieces of the state with and giving money to the other party. The old problems and weaknesses of the political party system have thus been reproduced; and when people realize what has happened, they tend to lose interest and confidence in the political system.

A third problem of the Salvadoran transition is the weakness of civil society. War tends to destroy civil society. The first victims of our civil wars are probably not the combatants; the most wounded is civil society. The weakness of civil society means that in the transition, all the other contradictions and traditional ways of doing politics tend to reinforce themselves. Political parties continue to have an instrumentalist relationship with civil society. The problem in El Salvador is not the lack of a relationship between civil society and political parties; on the contrary, there is a high degree of interaction between the two. The problem is the lack of respect that the political parties have for civil society and the view that it is merely their instrument. When it is not being used as an instrument, civil society tends to be ignored. This further weakens civil society.

Finally, at the same time that the peace agreement represented a movement toward democracy at the political level, it represented a movement at the economic level in the opposite direction. The governing ARENA party has had as a basic tenet the pursuit of the kinds of neo-liberal economic reforms with which we are all familiar—privatization, a reduction in the size of the government and subsidies, etc.

In other words, for the past ten years, El Salvador at the political level has been trying to incorporate more people and more ways of thinking. However, at the economic level, the trend has been toward more exclusion, a larger gap between rich and poor, and greater concentration of property ownership in the society. The contrast between political and economic trends is becoming more and more evident and is creating problems, in that many of the economic problems have been blamed on the democratic process itself. Moreover, there is the sense that if the left wins in elections, including in a future presidential election, investment in the economy would suffer. Politics and economics have come to be seen in El Salvador as two opposite forces. Unfortunately, the history in Latin America is that whenever economics clash with politics, democratic politics tend to lose.

The transition to democracy in El Salvador thus faces three fundamental problems. One is that clientilism is still the dominant way of doing politics in El Salvador. The second problem is patrimonialism, which I believe is even more serious. The private sector does not distinguish between its property and state or public property, and tends to see public property as an extension of its own personal property. In El Salvador the problem is not so much privatizing the government or the state as it is de-privatizing the government, creating a government that serves the public and not a specific economic sector. The third problem is “*partidocracia*,” or “partyarchy.” Because there is a tension or separation between parties and civil society, as well as an instrumentalist mode of political parties relating to civil society organizations, the tendency has been for political parties to become a power in their own right. The other example in Latin America of a *partidocracia* emerging from a process of transition is Venezuela, and look at what is happening there.

These reflections lead me to conclude that in El Salvador, we have clearly moved away from an authoritarian regime. But to also conclude that we are therefore moving toward democracy is a bit too hasty. What we have in

El Salvador is too dangerous to call a democracy. Many have been thinking and writing about democratic transitions: Terry Karl has identified what she calls a “hybrid regime,” and Guillermo O’Donnell has coined the phrase “delegative democracy.” I tend to think of El Salvador as a “transformist regime.” This transformist regime could, in the end, become a democracy. Italy, after all, started out as a transformist regime and now it is a democracy. The problem is that Italy first went through a period of fascism. No Salvadoran would wish to go through a fascist period in order to achieve what we have been fighting for, for so many years.

The Peace Accords Ten Years Later: A Citizens' Perspective¹

The peace accords, signed at Chapultepec Castle on January 16, 1992, constitute the single most important political event in contemporary Salvadoran history. The significance of the agreement lies not only in its role in ending a prolonged and cruel civil war, but also in that it went beyond simply achieving a cease-fire between the parties to the conflict.

The accord was the culmination of a negotiation process that had entered into its final phase with the signing of the Geneva Accord of April 1990. Its core objectives were to end the armed conflict through political means, promote the democratization of the country, guarantee unrestricted respect for human rights, and reunify Salvadoran society. Each of these aspects is addressed in different sections of the final agreement. The end of the war, which is explicitly laid out in Chapter VII on “Cessation of the Armed Conflict,” is also envisioned throughout the text of the agreement. The goal of democratization of the country is demonstrated in the number of initiatives aimed at restructuring national institutions. These include the creation of a Human Rights Ombudsman’s Office, a National Civilian Police, and the National Council of the Judiciary, as well as the inclusion of a brief chapter on the need for reform of the electoral system. To allow for full respect for human rights, the treaty redefined the role of the armed forces, eliminated the security forces, created the National Civilian Police, provided for the FMLN’s political integration, and, most importantly, created the office of the human rights ombudsman. Finally, with regard to the reunification of Salvadoran society, the peace accords state that “one of the prerequisites for the democratic reunification of Salvadoran society is the sustained economic and social development of the country. At the same time, the reunification of Salvadoran society and an increased degree of social cohesion are indispensable for fostering development. Hence, the set of agreements required to put a definitive end to the armed conflict

in El Salvador must include certain minimum commitments to promote development for the benefit of all sectors of the population.” (United Nations, 1995.)

The aims and scope of the peace accords thus were not limited to ending the war, but instead covered most areas of social and political life in the country, thereby laying the foundations for the construction of a new social reality. Quite apart from whether or not these commitments could be complied with or the level of political will of the parties, most Salvadorans clearly viewed the accords as an historic opportunity to construct a new country and a new society, not simply as a set of technical measures to end the armed conflict. The parties to the negotiation and virtually every sector of the Salvadoran elite underscored this notion.

In 1992, there was a generalized feeling that ending the war through the accords created an opportunity to rebuild the country, not only materially and economically but also socially, structurally, and culturally. This view was held by sectors focused on purely economic issues, who believed that there would no longer be any obstacle to the country’s economic growth, and by those who believed that democratization could open the door to development with equity, peace, social justice, and respect for basic freedoms. Whatever their point of view, the majority of Salvadorans shared a sense of optimism over the future of the country.

Ten years later, that optimism has evaporated, and many citizens no longer view the future with the hope of a decade ago. Judging from survey results and from much of the information in press reports, the issue is not that Salvadorans are dissatisfied with the peace accords or that they expect to be as enthusiastic about the peace pact as they were ten years ago. Rather, they are less enthusiastic and hopeful about the future of the nation, the potential for a better quality of life and the social development of the country. In a sense, some Salvadorans are more disillusioned than ever, and more pessimistic about the national future than they were ten years ago.

To what can we attribute this widespread subjective state of the nation? Is it that the peace accords failed in their mission? Why are so many Salvadorans apparently more disillusioned with the situation in the country today than ever before? This article attempts to answer these questions based on findings from public opinion surveys. It traces the climate of public opinion beginning with the one that prevailed at the time that peace was achieved. The article is divided into four main sections. The

first examines the state of public opinion when the peace accords were signed; the second discusses the current state of Salvadoran social thought as expressed in opinion polls. The third section tracks the evolution of public opinion over the past ten years, and a final section offers some reflections about what occurred during this period to create the present disillusionment with democracy.

EXPECTATIONS OF THE PEACE ACCORDS

Most Salvadorans supported and applauded the signing of the peace pact in 1992 because it formally and effectively ended a protracted and bloody civil conflict and because it represented an opportunity to rebuild a democratic society. From the public's standpoint, this meant a society that would bring about the long-awaited social and economic well-being so often deferred in the past. While many people were unfamiliar with specifics of the accord and had not even read the text, they were aware of its significance through the declarations of the negotiating parties and press reports. Therefore, while they lacked an in-depth understanding, citizens were not mistaken in their expectation that the accords would launch the construction of a new social as well as political order.

While peace made the physical reconstruction of the country possible, building a new society required building a new socio-political order. This required action in two pivotal areas: the establishment of democratic institutions and the construction of a more just society in socioeconomic terms. In the institutional arena, respect for human rights and civil liberties would be facilitated by dismantling the old repressive forces, redefining the role of the armed forces, and creating new institutions imbued with in the spirit of democracy. The socioeconomic arena saw the creation of the Forum for Economic and Social *Concertación* and measures to mitigate the social costs of structural adjustment programs as well as to address the agrarian problem. These measures were expressly aimed toward sustainable economic and social development of the country, a prerequisite for what the United Nations had called the "reunification of Salvadoran society, in democracy."

One way or another, citizens were aware of the complexity of the challenge presented by peace. A survey conducted by the University Institute of Public Opinion (*Instituto Universitario de Opinión Pública* –

IUDOP) of the University of Central America (UCA) in late 1991 during the final stages of the negotiation process found that three out of ten Salvadorans thought that the negotiations should focus on the economic reforms required to solve the country's economic problems. At the same time, four out of ten Salvadorans thought that the dialogue should address issues relating to the armed conflict (the FMLN's transition to society, reduction and purging of the armed forces, and the cease-fire itself). This means that even before the accords were signed, a significant percentage of citizens viewed them as an opportunity to revisit the structural issues in the country, in addition to issues related to the conflict.

Table 1. Opinion on the most important issue to be resolved by the peace talks (October–November 1991)

“What is the most important issue that the dialogue must resolve?”

Issue	Percentage
Economic Reforms	30.0
FMLN transition to civil society	16.7
Reduction of the Armed Forces	13.5
Purging of the Armed Forces	10.2
Judicial Reform	4.7
Solve all the problems in the country	4.7
Achieve a cease-fire	2.7
Other responses	7.9
Don't know, no response	9.6

Source: IUDOP (1991)

The explanation for this data lies in peoples' perceptions of the causes of the civil war. In an IUDOP survey conducted immediately following the signing of the Chapultepec Accords, nearly 40 percent of those polled identified causes or explanations for the war that related to social injustice and the economic crisis, not just a thirst for power or the emergence of

the guerrillas *per se*. Moreover, a comparison of these responses with those obtained on the same subject in December 1988 (see IUDOP, 1992), shows that by the war's end, the number of citizens who believed that the main causes of the armed conflict had to do with structural and economic conditions in the country had grown. For example, in December 1988, slightly less than 30 percent of respondents gave reasons having to do with the situation in the country, and the single most frequently expressed opinion pointed to the quest for power by the opposing groups.

If when the accords were signed Salvadorans viewed them as a chance to redefine the country's socio-economic order rather than simply to stop the conflagration, it was not only because they knew that these issues were contained in the pact. It was because they believed that achieving peace entailed solving the war's underlying structural causes. Without a doubt, the end of the war itself—the opportunity to live in peace—constituted the greatest source of satisfaction with the peace accords: 42.7 percent of Salvadorans surveyed in January 1992 stated that the cease-fire was the most important point included in the agreements. Even so, in the same survey, slightly over 16 percent of citizens reported that, in their view, the economic-social accord was the most important part of the pact (IUDOP, 1992).

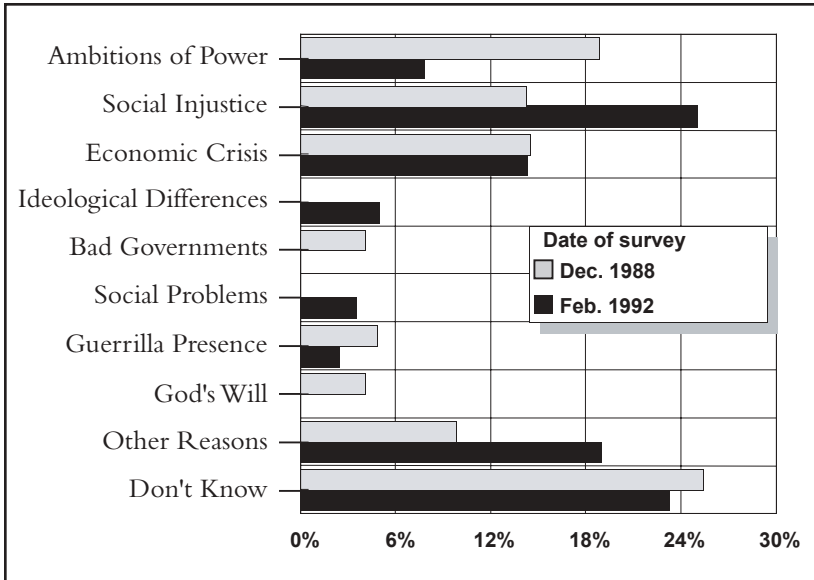
Thus, however citizens were queried about the peace accords, the issue of economic transformation in the country figured in their responses. Even when cited only by a minority, peace had to do with the economic situation and, to some extent, with social democracy. Political peace was not enough and the official text of the accords reflected this. And therein lay the relevance of the peace accords and the optimism and hope they inspired.

Indeed, an initial survey conducted just five months after the peace accords were signed found that nearly 70 percent of citizens believed that some things in the country or the situation overall were changing for the better. With certain exceptions, the accords were very well received by the majority of citizens and the commitments contained in the accords had a high degree of legitimacy. For example, over 53 percent favored the reduction and purging of the armed forces; 64 percent supported the dissolution of the security forces; and nearly 75 percent supported replacing them with a new National Civilian Police.

The optimism was such that overall views of the national economic situation changed radically between October 1991 and January–February 1992 (IUDOP, 1992; IUDOP, 1991). In late 1991, about 65 percent of

Figure 1. Opinion on the Cause of War

“In your opinion, what caused the war in El Salvador?”



Source: IUDOP (1992)

those surveyed felt that the national economy had worsened, while nearly 22 percent felt it was the same, and just 11.6 percent felt it had improved. Just three months later, immediately after the signing of the peace accord, just 30 percent of those polled felt that the country was in worse shape economically (less than half the percentage in the previous survey). Those who felt the situation had not changed had risen to 45 percent (the largest group), and those who felt that the situation had improved had grown to 25 percent (double the previous level). In just three short months, the perception of the economic situation in the country had become a great deal less pessimistic, a highly unusual shift in the history of Salvadoran public opinion (see Figure 4 below).

What happened during the months prior to the signing of the accords that led people to change their opinion of the economy? News reports from the end of that year reveal no unusual or extraordinary event, no pronouncement on economic policy, and no particular disbursement of

aid for the country. So why this spectacular shift? The only plausible explanation has to do with the advent of peace and the change in Salvadoran perceptions of the economic situation based on the prevailing climate of optimism. That is, expectations began to intercede in Salvadorans' vision of economic reality.

PUBLIC OPINION TEN YEARS LATER

In 2002, the Salvadoran government—the third since peace was achieved—declared that the accords had been complied with. This view was not shared by the FMLN, which believes that compliance remains an unfinished task, particularly in the social and economic spheres and in the area of demobilization of ex-combatants.² Leaving aside the views of groups that signed the accords,³ the prevailing climate in the country is not the same as that of ten years ago. This should come as no surprise given the events of the last decade. What should come as a surprise, however, is not just the lack of optimism, but also that public opinion polls reflect a social climate of deep pessimism and disillusionment over the situation in the country (see Maihold and Córdova Macías, 2001; Cruz, 2001). The palpable optimism shared by citizens ten years ago has all but disappeared.

A survey conducted in late 2001 to gauge opinion about the situation in the country and the peace accords found that three out of four citizens believed that the country needed a change, while only one in four believed it was on the right track. The trend in public opinion can be traced back to 1996. Nonetheless, its emergence in a survey ten years since the advent of peace suggests that citizens are not seeing the country they had expected.

Most revealing are data on opinions of the accords themselves. When asked whether the Chapultepec treaty had been good or bad, the vast majority—80 percent—reported that the accords had been good; only 6.6 percent held the opposing view that they had been bad, and nearly 13 percent hedged by saying that they were neither. The continued support for the accords says a lot about citizens' views of the process and their commitment to achieving peace. However, when citizens were asked to evaluate the national situation, using the moment that peace was achieved as a benchmark—their opinions are expressed differently. They diverge into two major groups: those who feel that the country is better off ten

years after achieving peace, and those who feel that El Salvador is in the same or worse shape than it was ten years ago (See Table 2).

Table 2. Opinion on the situation in the country ten years after the peace accords and the reasons for these opinions

“Please think of the country ten years ago, before the peace accords were signed. Based on what you know or have heard, how do you think the country is doing compared to ten years ago, better than before, the same as before, or worse than before. Why do you think this?”

The situation in the country is better	53.9%
There is no more war, there is peace	45.0
The economy has improved	10.4
There are more freedoms	9.1
There is tranquility	9.0
The country is better off	7.6
There has been a change to a democratic system	5.6
There is less crime	4.1
Respect for human rights	3.8
Other responses	4.3
Don't know	1.0
The situation in the country is the same	14.6%
There has been no change	41.3
There is violence and crime	34.5
The economy is the same	16.8
Corruption is the same	1.7
Other responses	5.3
Don't know	0.5
The situation in the country is worse	30.9%
Crime and violence are widespread	51.8
The economy is worse	33.8
Corruption is the same	3.3
Other responses	8.7
Don't know	0.2

Source: IUDOP (2002)

By December 2001, slightly more than half of Salvadorans believed that the situation in the country was better than when the peace accords were signed, while 14.6 percent felt that it was the same, and 31 percent believed that it was worse off. This means that, in contrast to their positive evaluation of the impact of the peace agreement *per se*, many Salvadorans had not observed significant, positive changes following implementation of the accords. Nearly half of its citizens felt that the country was now the same or worse than it was a decade ago.

Why this view of the situation in the country? An initial explanation that informs the analysis of the current climate of disillusionment can be found in the reasons that citizens themselves give for their opinions. (See Table 2). For example, most of those who stated that the country was better off now, felt that because peace had been achieved and the armed conflict had ended, the country was better off. Other respondents in this group cited various reasons that are less shared, but still significant: 10 percent mentioned the economic situation; 9.1 percent cited respect for freedoms; a similar percentage mentioned a state of tranquility in the country; slightly less than 8 percent simply said that the country was better; and just over 5 percent cited the change toward a democratic system, among other reasons. In short, the end of the war was the main reason given by most of those who responded that the country was better off. However, people who stated that the country was the same or worse offered very similar reasons for their opinion. The three primary reasons given for their view were the lack of substantial change in the country, levels of crime and violence, and an immobilized economy. And finally, those who cited a deterioration in the national situation after the accords most frequently were concerned about higher levels of violence (cited by over half of respondents with a pessimistic view). This was followed by reasons relating to economic problems (economic decline, unemployment, poverty, and inflation), and various other reasons that do not exceed 15 percent. In sum, the country is worse off now, according to some citizens, because there is more violence in the form of crime, and because the national economy has deteriorated in every way.

The December 2001 survey revealed that over half of citizens regarded the economic situation as the country's main problem, while nearly one third cited crime as a problem. This trend, as will be seen below, has not changed substantially since the accords were signed.

This means that if the country needs to change direction, as more than 70 percent of the population has indicated over the last five years, it is because many people believe that the country's root problems have not been solved to the desired extent, in that the accords have not necessarily translated into improved social conditions in the country. A significant segment of citizens feels that the country is better off because the war ended, but that it goes no farther than that. For others, however, the country is not better off because, despite the end of the war, violence continues to breed insecurity, and economic stability has not brought the promised benefits that most citizens expected.

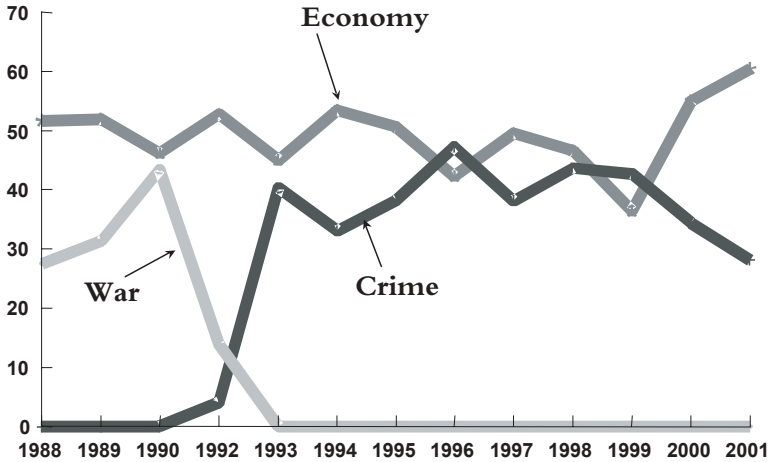
It is therefore no coincidence that the primary reasons underlying criticism of the current state of the country and the need for change are, simultaneously, the main problems facing the nation. Public opinion seems to be saying that if the country is not doing well, it is because of the failure to address these underlying problems.

THE EVOLUTION OF PUBLIC OPINION OVER TEN YEARS

The tenth anniversary of the signing of the peace accords took place in a climate of public consensus that violence and the economy constitute the most significant difficulties facing Salvadoran society today. Recognition of these problems, however, is not new or even recent. It is not the case that, after ten years, citizens suddenly discovered that crime and economic problems plague the country. These problems existed when the accords were signed (see Figure 2). At the end of 2001, then, Salvadorans were merely echoing the same longstanding concerns.

A look at Figure 2 may help clarify this. Prior to the Chapultepec Accord, the main problems cited by citizens were the economy (poverty, unemployment, inflation, economic injustice, etc.) and the war—usually in the form of political violence. The accords had the immediate effect of ending the war; public concern over the war and political violence disappeared outright beginning in 1993. Nonetheless, even as the war receded from people's minds, it was replaced immediately by anxiety over another brand of violence: crime. Since 1993, crime has been vying for space in the public debate with the other principal national problem that, judging from public opinion, could not be resolved by peace: the economy. Since 1993, the economy and crime have taken turns dominating national public

Figure 2. The Main Problems Since 1988, According to Salvadoran Public Opinion



Source: Prepared by author based on IUDOP reports.

debate in a somber interchange: Salvadorans are preoccupied with one or the other problem, and there is no room for anything else.⁴

According to the data, economic issues have been the predominant public concern, so much so that, by the end of the decade, the economy would seem to have established itself as the national problem most frequently noted by Salvadorans. On the tenth anniversary of the accords, survey findings show that Salvadorans are more concerned than ever about the economy, including if compared with opinions during the war. Not only did peace fail to bring economic prosperity, it also became the backdrop for a deteriorating economic situation. Moreover, while political violence disappeared with the signing of the peace accords, it was immediately replaced by criminal or social violence, which appears to have had the same impact on citizens: a feeling of insecurity, and threatened physical integrity and survival. As a result, many Salvadorans ended up feeling that despite the war's end, they were just as insecure, if not more so, than they were during the worst years of the armed conflict.⁵ The end of the war failed to bring about the long-desired tranquility.

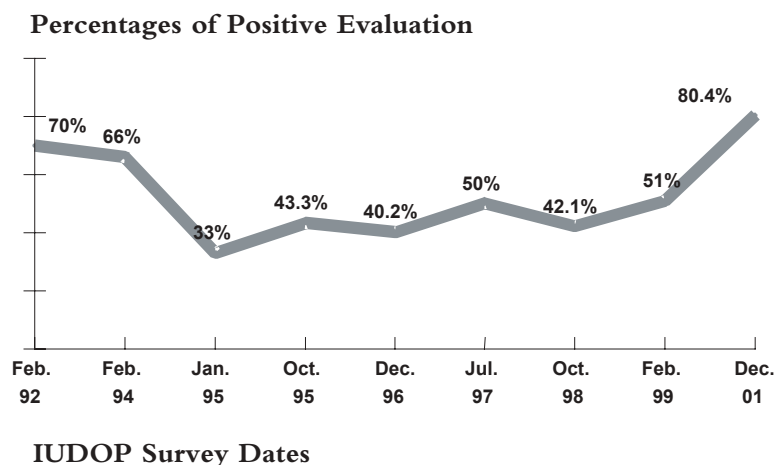
This is the context for opinions about the situation in the country with regards to the peace accords, which helps explain the prevailing climate of socio-political disillusionment among most Salvadoran citizens.

We have already seen that the vast majority of citizens view the peace pact as good in and of itself, regardless of the prevailing situation in the country. Opinions diverge, however, when it comes to assessing the situation in function of the accords. It is worth noting that the December 2001 evaluation of the peace accords is the most positive to date, even if it lacks the euphoria of ten years ago. Figure 3 shows a positive trend in public opinion regarding the accords. As can be observed, the view of the accords has not been consistent over time. The trends show that the overwhelming support of the first two years gave way to a crisis of disapproval and apathy. By 1995—just three years after they were signed—only one third of Salvadorans had a positive opinion of the accords. Since then, public opinion gradually has improved, fluctuating between 40 and 50 percent over the years, before reaching its current, unprecedented approval rate (80 percent) which, beneath the surface, is totally devoid of enthusiasm. This is to say that the peace pact's current approval levels differ qualitatively from the approval levels expressed by a population satisfied and basking in the glow of the war's end. By the end of 2001, citizens concurred more than ever that the peace pact was positive. Nonetheless, it is quite likely that this is only possible because they have relinquished any expectations above and beyond the achievement of ending the war. This is the only way to explain the inconsistency between the current opinion of the accords and that of the country that has emerged as a result.

These are the expectations that long dominated the public view of the peace accords. As previously noted, when the peace pact was signed people rightly viewed it as an opportunity to build a new society. In addition to the cease-fire, the agreement encompassed issues from political liberties to economic development with equity. Translated into public expectations, this meant, if not economic prosperity, at least the implementation of measures that created conditions for equal opportunity. In a more concrete sense, expectations revolved around poverty reduction, job creation for the majorities, controlling the cost of living, and social compensation programs for the neediest. One can agree or disagree with the validity of these expectations, but the fact remains that many citizens understood the treaty's potential in this way, and harbored these expectations to varying degrees.⁶

Figure 3. Positive Opinion of the Peace Accord, Measured on Different Dates

Based on positive responses to two questions: “Do you think that the peace accords have had more successes or more failures?” and “Do you think that the peace accords have been good or bad for the country?”



Source: Developed by the author based on IUDOP reports.

In January 1995, when President Calderón Sol announced a new package of economic measures, including potential increases in the Value Added Tax [*Impuesto al Valor Agregado* (IVA)] and the decision to proceed with the privatization of state-owned enterprises, he entered into a sensitive area of political decisions that most citizens felt took a different course than they had expected. The news of an IVA increase, expanded privatization policies, and a scaled down government through job elimination, was precisely what many Salvadorans did not want to hear in the economic sphere. The sense that spread through broad sectors of the population was not only that the government was not doing what it had promised or what was expected in the economic sphere; worse yet, it was doing just the opposite.

Most citizens, who already had criticized the previous administration's economic orientation, viewed the new measures as a negation of the

social and economic objectives set forth in the peace accords. In addition to criticizing the government, these people decided that the peace pact had produced more failures than successes.

In fact, the abrupt and unanticipated decline in positive opinions of the accords coincided with the announcement of the new economic package. A significant segment of public opinion saw the potential for building a different kind of society begin to recede. For example, a survey of citizens' views on the economic package presented by the second ARENA administration showed that nearly 62 percent of Salvadorans believed that it would only benefit the richest sectors of the country (IUDOP, 1995).⁷ For most Salvadorans then, the measures advocated by the Calderón government were more of the same—more of the past than of the long-awaited future.

The optimistic view of the economic situation in the country, the view that had changed so dramatically due solely to the announcement and signing of the peace pact, gradually returned to levels registered prior to the signing of the pact in Mexico. As shown in Figure 4, at the end of 1996, the percentage of people who believed that the situation in the country had deteriorated was much higher than the percentage registered before January 16, 1992. According to survey data, never before had citizens concurred so strongly that the country had deteriorated economically. The first four years following the signing of the accords showed a consistent increase in pessimism on this issue, which peaked just before the municipal and legislative elections of 1997. Interestingly, during that year, trends in public opinion concerning the national economy reversed and the prevailing opinion became, not that the economy was improving, but that it was unchanged.

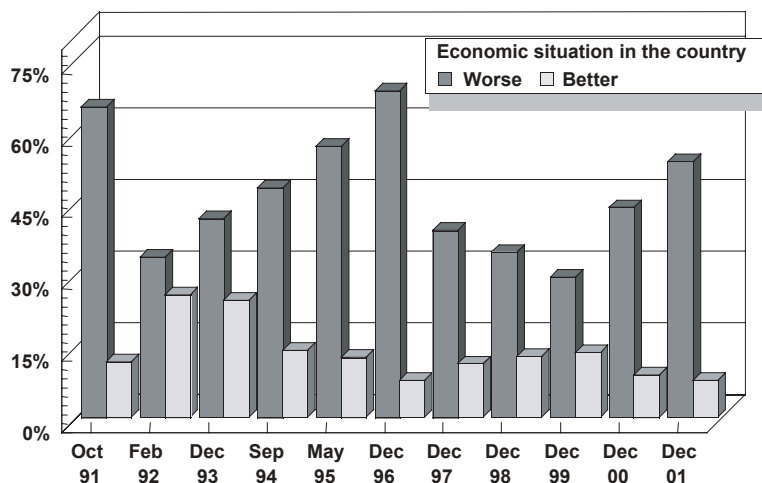
How to attribute the drastic change in the pessimistic outlook on the country's economy? There are two possible explanations. The first is that such a negative view already had reached its peak (slightly more than 60 percent). In other words, it had little room left to grow considering that there were other sectors of the population that held to their relatively more optimistic viewpoints. What happened, then, was that many people who had reported that the economy was deteriorating began to report that it had not changed (note that the percentage of people who felt that the economy was improving did not change significantly). It is not that these people had seen improvement, but rather that they no longer observed the same pace of economic deterioration. A second explanation

focuses on the elections as a potential catalyst of public expectations. It should be recalled that the main opposition party in those elections was the FMLN. And for the first time, it received enough votes to become a political force inside the assembly capable of counteracting, at least in theory, the weight of the executive branch in national decisions. Although the specific influence the elections may have had on public opinion is not clear, it may be that the message citizens heard was that it was possible to stop certain central government policies, and that this contributed to the relative decrease in pessimistic views expressed by many citizens.

The first decade of peace drew to a close with a renewed pessimistic trend in economic opinion. In December 2001, Salvadorans once again were inclined to note the economic deterioration in the country. This is completely consistent with the predominance of the economic problem in public opinion. (See Figure 2, above).

Figure 4. Opinions of the Economic Situation of the Country Since 1991

“In your opinion, this year has the economic situation in the country improved, worsened, or remained unchanged?”



Source: Prepared by author based on IUDOP reports.

The economic issue is not the only one impacting Salvadorans' evaluation of the overall situation in the country ten years after the peace accords. The other part of the story reflected in public opinion is the other major unresolved national problem: criminality.

As described earlier, concerns over crime and social violence emerged hand in glove with peace, taking the war's place as one of the national challenges. The crime problem was identified immediately following the signing of the peace accords, and for many years the postwar period was associated directly with criminal violence. In a survey conducted in February 1993, one year after the signing of the accords, nearly nine out of ten citizens stated that crime had risen in the preceding year. In other words, the identification of crime as a new challenge was virtually unanimous. Many citizens began to think that crime constituted the greatest failure of the accords, an inherent negation of the pact's primary goal of bringing peace and tranquility to Salvadoran society. While it is true that the war and politically motivated violence ended, the eruption of criminality in society kept Salvadorans from experiencing the security they had hoped for.

Table 3. Opinion that crime is rising

"In your opinion, compared to last year, has crime increased, remained the same, or decreased?"

Survey Year	Percentage who feel that crime has increased
1993	88.6
1996	85.0
1997	63.4
1998	66.0
1999	52.3
2000	52.9
2001	42.3

Source: Prepared by author based on IUDOP reports.

Only after the announcement of Calderón Sol's economic policy did the economic issue clearly emerge as a fiasco for the transformative aspirations of the peace accords. By contrast, the crime issue was an obstacle to the experience of peace from the outset. The war in the mountains shifted to the streets and political violence metamorphosed into social violence.

The public view of the magnitude of the problem, however, has varied throughout the decade. Initial consultations reflected a generalized opinion that criminal violence was on the rise. Over time, and with more distance from the signing of the accords, citizens clearly no longer observed violence increasing at the same rate. This is consistent with victimization levels reported by these same citizens (see McElhinny and Cruz, 2002). Nonetheless, crime-induced feelings of insecurity have been entrenched in Salvadoran lifestyles and have permeated social relationships and the relationship between citizens and the government. Many believe that the objective of peace was only reached in political terms and that the war has shifted to the social arena, thereby making it impossible to experience any kind of genuine peace and tranquility. Under these circumstances, many Salvadorans not only are frustrated over the potential of the peace accords, but also have come to question the effectiveness and legitimacy of the supposed new order the accords ushered in.

To be more specific, Salvadorans have begun to question whether the democratic society that the accords attempted to build is really useful for living in peace and tranquility. They wonder whether, under certain circumstances, a societal model in which an authoritarian leadership imposes the prevailing order might not be more effective.

CURRENT DISILLUSIONMENT WITH THE ACCORDS

Ten years after the end of the war, public opinion of the peace accords probably is more circumspect and less colored by the soaring expectations of early in the decade. This is not to say that people's view of the current situation is not influenced by the hopes they had harbored regarding the transition made possible by the peace pact. For most Salvadorans, the importance of the peace agreement resided in its potential to change the social situation of the country. Translated into concrete actions, this meant solving the fundamental problems in the country, problems that precluded a life with dignity. Ten years after the

accords, Salvadorans are still making virtually the same demands of incoming governments (see Table 4).

In May 1999, just as the third ARENA administration took office, the main difference regarding public demands of the incoming government was that those surveyed demanded fighting crime, a concern that was non-existent before the war. Demands such as the eradication of poverty and job creation continued to figure in public opinion in varying degrees; the only issue that had disappeared was the need to deal with the economic crisis. Apart from this one issue, Salvadorans demanded the same of President Francisco Flores as they had of the Cristiani government: more security, elimination of poverty, and more jobs. It is probably the case that these types of demands will always be made of a new government; to be sure, the demand for poverty reduction, in a country where half of the population lives in poverty, is not going to disappear overnight. The fact is, however,

Table 4. Opinions over time about what the next government should do (in percentages)

Problems to be addressed by next government	Date of survey:		
	Nov 88	Feb 94	May 99
Eradicate poverty	30.2	9.9	20.7
End the war, political violence	27.1	5.0	0.0
Fight crime	0.0	15.7	44.7
Deal with the economic crisis	12.8	14.6	0.0
Create jobs	8.9	37.4	12.3
Improve public services	5.2	7.8	0.0
Strengthen democracy	3.1	2.0	—
Improve the situation in the country	0.0	6.7	1.3
Keep promises made	—	0.0	5.5
Other responses	5.0	1.3	8.4
Don't know	7.7	1.6	7.1

Source: Prepared by the author based on IUDOP reports.

that many people expected this from the peace accords and ten years later it has become evident that very little has been done in this regard.

Because of the accords' failure to usher in a period of peace and tranquility, economic prosperity and more equitable development, significant sectors of the population reached the conclusion that the country had not changed enough to be able to talk of a new society. Under these circumstances, the political system came to be seen as inefficient and nonfunctional, and interest in political participation gradually dissolved.

Citizens began to feel not only that they should not expect much of the peace accords, neither should they expect much of a political order—new or not—that was incapable of meeting the population's longstanding needs. From the economic standpoint, Salvadorans realized that the new system had no intention of changing how economic prosperity was understood, that instead it was seeking legitimacy and stability to further structural adjustment programs, an approach diametrically opposed to their interests and expectations. To the extent that the new order was incapable of guarding against crime-induced insecurity, citizens began to dissociate themselves from that order. This helps explain the level of institutional distrust in the country, the growing public detachment from political life, including electoral and party politics and, most importantly, the gradual rejection of democracy as the preferred political system (Maihold and Córdova Macías, 2001; Cruz, 2001; UNDP, 2001).

Three aspects of institutional trust illustrate the situation described above. First, confidence in government institutions erodes ever more with the passage of time. The UNDP Human Development Report 2001 describes how public confidence in national institutions declined over the five preceding years. Second, this distrust is even more pronounced in institutions most emblematic of government and politics: political parties, the Legislative Assembly, the Supreme Court of Justice, and the executive branch.⁸ And third, despite seemingly clean and free elections, public confidence in electoral processes has not changed significantly and, in fact, has gradually declined. The percentage of people with a high degree of confidence in elections dropped from 26 percent in the 1994 general elections to 16 percent in 2000.

Growing abstention from electoral participation since 1994 is the clearest indicator of public withdrawal from political participation. In the last presidential, legislative and municipal elections, the best estimates

indicate that no more than 34 percent of the population went to the polls (Cruz, 2001).⁹ This is particularly telling since several studies (Córdova, 2000; Seligson et al, 2000; Cruz, 1998) show that the main reasons for abstentionism are not technical in nature. Yet another indicator of public detachment from politics is the low level of civic involvement in organizations, with the exception of religious groups. Very few Salvadorans currently are involved in labor unions, political parties, community associations, service clubs, or even social movements. Most people, if they are involved in anything, are active in religious groups whose characteristics do not necessarily include democratic civic consciousness.

Indicators reflecting the difficulty of fostering values associated with a democratic political culture are inconclusive due to the absence of studies on this issue in the past. The University of Pittsburgh's series of studies on political culture shows progress in tolerant attitudes and widespread support of the system from 1991 to 1999 (see Seligson et al, 2000). At the same time, however, IUDOP's series of surveys found that such attitudes do not necessarily extend to the entire population and that most citizens probably have conflicting or mixed emotions about democracy (see IUDOP, 1998). Moreover, studies consistently show a decreasing preference for a democratic system over other types of political regimes, together with growing public indifference about the type of system that should be established in El Salvador. In a recent report, *Latinobarómetro* (2001), a polling firm that compares Latin Americans' political attitudes, described a significant drop in satisfaction with democracy in El Salvador and several other Latin American countries.

These indicators suggest that such problems are not unique to El Salvador. To varying degrees, most countries, including those with longstanding democratic traditions such as Costa Rica, are facing similar crises of political credibility, alienation from politics, and the decreasing likelihood that younger generations will have a comparable level of commitment to democracy. Thus, it could be argued that the Salvadoran crisis is within normal trends observed in other democracies. But what would distinguish El Salvador from other countries is that the crisis in attitudes has not occurred in a context of longstanding democratic stability. To the contrary, it has emerged in the context of a new political order that in theory would facilitate the types of changes that the population has been demanding for years. El Salvador, in fact, can be distinguished from other

countries, including places like Nicaragua and South Africa, where the transition immediately translated into high levels of political and electoral participation. In El Salvador, disillusionment with politics—and with democracy—has occurred in a moment of hope.

From the standpoint of classical political systems theory (Easton, 1992), all of this means that, in the people's view, the new political order that grew out of the peace accords has been incapable of processing the population's most basic needs. That political order has been unable to articulate integrative responses for the majorities, primarily the most impoverished and dispossessed. Virtually all the indicators of disillusionment described earlier—lack of confidence in institutions, abstention from electoral events, attitudes contrary to the democratic spirit—are encountered more frequently among traditionally more marginalized citizens in urgent need of effective responses to their plight. But due to their own social fragmentation, as well as the failure to extend the freedoms and political spaces that were won to sectors other than the elites who negotiated them, most Salvadorans have been unable to translate their longstanding needs and grievances into actual demands. As a result, the political system has not felt pressured to respond, and Salvadorans, in turn, have not felt connected to the system. Instead, they have done everything possible to ensure that the system's reactions and outputs—directed towards those traditionally in a position to exert pressure (the economic elites)—do not continue to exert a counterproductive influence on them. The logical consequence, then, has been flight, literal and figurative, and social indifference. And this explains the impulse to escape: migration abroad, religious experience, youth gangs, etc. These constitute parallel systems that do have the capacity to respond to people's needs, albeit in distorted ways at times (consider, for example, organized crime).

All of this clearly has an impact on the legitimacy of the system that emerged from the accords. As Lipset (1996) would say, there comes a time when people realize that the system is incapable of helping them; they reach a point at which they begin to ask themselves whether it is worthwhile to keep supporting that system. This is particularly critical in cases such as El Salvador where the new order is trying to demonstrate its ability to contend with the country's problems. In such cases, a crisis of effectiveness and legitimacy may lead to a new rupture, when

the support generated by the simple fear of returning to the previous regime runs out.¹⁰ Thus, it should come as no surprise that, when asked how they evaluate the current political system compared to that of ten years ago, most citizens give the former system a higher rating. (Cruz, 2001). It is not that all Salvadorans are willing to go backwards and embrace the regimes of the past. But there is a discernible trend among the poorest and most socially and economically deprived sectors, who would willingly discard some of the accords' achievements in the realm of political liberties in exchange for some response to their shared existential needs.

Although the current political system has not reached a point of no return, it is clear that the country is moving closer and closer to such a crisis. This will be true as long as the gap between political elites and citizens—the *demos*, as Artiga González (2002) would say—becomes ever wider. Nonetheless, a crisis will not actually erupt as long as the system is able to respond to the demands of those who traditionally have benefited from it, and as long as there are escape valves for the majorities whom the system fails. But there is no doubt that, over time, more and more people—including some elites—will join the ranks of the politically excluded and come to share in their perceptions and disappointments, even as mechanisms for escape become fewer and fewer.

Judging from what Salvadorans themselves have to say ten years after the signing of the peace accords, El Salvador is not living in peace despite the end of the war and some progress in the fight against crime. Social and economic equity has not improved despite—or, in fact, because of—structural adjustment programs. And reunification has not taken place despite the rhetoric about a new country. Instead, in some ways Salvadoran society is more fragmented now than before.

Turning a blind eye to these issues will not lead to an optimistic future. Rather, it will result in the impossibility of keeping alive the dream that Salvadorans once had of a democratic, peaceful, and just society.

NOTES

1. An earlier version of this paper was presented at the Wilson Center conference. It was also published in Spanish as "Los acuerdos de paz diez años después. Una mirada desde los ciudadanos," *Estudios Centroamericanos (ECA)*, No. 641-42, marzo-abril 2002, pp. 235-51.

2. Based on statements by Salvador Sánchez Cerén, Coordinator General of the FMLN, in an interview with a news radio station in the country.

3. It should be noted here that there are divergent opinions on compliance with the accords among signatories to the peace accords from the same side.

4. It should be pointed out, however, that views of the economic problem are much more complex than the crime problem. When citizens refer to the economy, they cite poverty, unemployment, inflation, or socio-economic injustice, and in more general terms, the economic crisis.

5. Statements by some citizens interviewed in the street are very revealing in this regard. They view the situation as worse than during the war, for the simple reason that during the war, political violence could be avoided as long as the citizen did not get involved in politics, while in the post-war period, criminal violence is impossible to prevent, since it can affect anyone regardless of ideological views or social background.

6. While it may be that the accord was not very specific on economic and social issues, it did contemplate addressing these issues. The understanding was that failure to do so would undermine the effort to ensure a firm and lasting peace in a country with as many profound economic inequalities as El Salvador.

7. Four years before, in 1991, when President Alfredo Cristiani announced the privatization policy, a survey showed that 47 percent of citizens believed that it would only benefit the richest sectors (IUDOP, 1991). With regard to the new economic package proposed by Calderón Sol, Salvadorans were even more convinced that privatization would not be to their benefit.

8. In fact, the IUDOP survey conducted along with the evaluation of the peace accords showed that these institutions, together with the Attorney General's Office, were considered the least trustworthy in the country.

9. This estimate of electoral participation compares the number of votes registered to the estimated number of eligible voters.

10. This is the concept of legitimacy by default suggested by Linz and Stepan (1996).

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The central question I want to address is: What is being constructed in El Salvador? Is it what I have elsewhere labeled a “hybrid regime?”¹ Is it a *democradura*, that is, a “hard” democracy, or a *dictablanda*, a form of “soft” authoritarian rule?² Is it, perhaps, a full-blown, consolidated democracy?

How do we characterize the nature of the Salvadoran transition?

The type of transition matters a great deal. This may seem obvious to many people, but it goes against the arguments of some who claim that the type of transition from authoritarian rule has no lasting effects. Some scholars have maintained that it doesn’t matter how countries “transition” to another regime type because, after 10 or 15 years, the results tend to be similar. I do not believe this is correct; El Salvador illustrates why.

El Salvador, in my view, is a “war transition.” This term is intended to convey the idea that El Salvador was actually experiencing *two* simultaneous transitions.³ One transition involved the breakdown of an old form of authoritarian rule and the construction of “something else,” characterized at the very least as a form of electoralism, if not democracy.⁴ The second was a transition from war to peace. The key is that those transitions were completely inter-related, the transition from war to peace was brought about and made possible by the demise of El Salvador’s long history of military-dominated authoritarian rule.

The fact of the war transition leads us to the issues on the table, and it especially helps us to understand some of the public opinion data presented by Miguel Cruz.

First, the absolute concentration on the dismantling of a repressive security apparatus, which was the overriding focus of the peace agreements, had both positive and negative consequences. The emphasis on dismantling repressive forces and demilitarizing the country removed some of the key bastions of authoritarian rule, but it left a key problem of sequencing in El Salvador (and in other countries that experienced “war transitions.”) Because the resolution of the civil war required the reduction of the armed forces, the transformation of the police, etc., and because this occurred in the context of a ruined economy, easy

access to arms, and a habit of violence, the ability of the new regime to sustain order was compromised. It was unable to successfully incorporate the numbers of people who had no other skills except those related to being armed.

This problem of order characterizes all war transitions. Once armed forces on both sides are dismantled, the country confronts all kinds of armed bands and common crime that are not based on ideology.⁵ In El Salvador, I remember interviewing a small group of armed men who made their living robbing people near the Honduran border. Half of them were ex-police and the other half were ex-guerrillas. There was no ideology involved; these were all people who had no way to incorporate themselves into a declining economy, no way to use any skills except their skills with arms.

This is an absolutely central problem in the context of a war transition, and it is one that has not been solved. On the one hand, if repressive forces are not dismantled, there is no peace agreement. On the other hand, if they are dismantled prior to devising any way to incorporate people into another form of activity or employment, the result is clear: political violence becomes social violence. This is why levels of violence in El Salvador are so extraordinarily high.

This is not a new problem. If one looks, for example, at the demobilization efforts in the South of the United States after the Civil War, what one finds are the same high levels of social violence, the same problem of people using guns as a way of earning a livelihood. We simply do not know what to do about the sequencing problem, which arises over and over.

A second key issue in the democratization process —the problem of political parties—is also related to the specific kind of war transition that took place in El Salvador. Rubén Zamora mentioned the issue of parties, but I want to approach it in a slightly different way.

Because virtually everyone in El Salvador, from about 1988 to 1990, was focused on the problem of peace, it was literally impossible to get political leaders to concentrate on the nature of a future political party system. It was extremely difficult to foster a discussion regarding political party or electoral rules, or what an electoral tribunal should look like. What should the barriers to party entry be like? Should smaller parties participate? These questions seemed unimportant—at least to the left—when the central issue was trying to resolve the war.

The left, not only in El Salvador but in many other places, did not make discussions of democratic rules a priority during the Cold War. Indeed, it tended to assume that issues of social justice, human rights, land reform, and the like were more important. Thus, the actual nitty-gritty of and mechanisms for making a party system work were not given priority. But, as we know, the devil is in the details. Part of the war transition problem in El Salvador, then, is that there was not enough contestation and discussion of these issues in a broader sense. Questions of electoral reform, of the nature of the electoral tribunal, have been marked by the absence of such a discussion.

The unfamiliarity with electoral rules, paradoxically, was not as much of a problem for the authoritarian right. Because the project of the United States in El Salvador at the time was electoralist, and began with the insistence by the United States that elections take place as early as 1982, the right had to grapple with these questions earlier. The emphasis on elections was linked to U.S. aid to pursue the war, and notwithstanding the right's initial reluctance, elections became the name of the game.

What happened, ironically, was that the Salvadoran right, the ARENA party in particular, was able to modernize and transform itself into a political party ahead of the left. This was very important in terms of sequencing. There was a much greater effort by the right to form a modern party that would work in El Salvador because pursuit of the war in El Salvador depended on forming such a party and playing by different rules. This option was not available to the left, however, during the period of repression.

Thus, the right was far ahead of the left in party-building, including the conducting of campaigns and the modernization of the party apparatus. Together with the benefits of incumbency, this resulted in a significant political advantage. It did not have to happen this way, however. Some of the people on the right were unusually visionary in their understanding that democracy could be turned to their advantage, especially if they succeeded in constructing a modern political party with the backing of the United States.

For the left, the problem of sequencing arose not only because it was not able to participate or form parties at the same time that the right did, but also because the parties of the left continued longer on a war footing. Many of the struggles and divisions within the FMLN, for example, can be traced back to issues of the pursuit of the war and of the way the opposition formed in El Salvador, even prior to the war.

The type of war transition has very much shaped the nature of political parties in El Salvador, their different advantages and problems. Understanding the relationship between the war and party formation helps explain some of the extraordinary support ARENA enjoyed at the beginning of this process, as well its decline as the party has exercised power. But this same relationship also may help to explain the low opinion of political parties held by the public.

This low opinion is not unique to El Salvador, although the route that produced these attitudes is different. All over the world, including in the developed world and Latin America, when people are asked about what they think about political parties, they register a very low level of support. Parties and Congress are at the bottom of every single survey, and the Catholic Church and the army are at the top. This is true for every Latin American country except Costa Rica and Uruguay. El Salvador is not alone in this regard.

But the low opinion of parties has not translated into a low opinion of democracy, which is still understood as a conquest wrested from reluctant and repressive authoritarians. This is one of the key explanations for a unique set of paradoxes. In El Salvador, comparatively speaking, there is a fairly high level of support for democracy, among the highest in Latin America. The support may not be as high as in Uruguay or Costa Rica, but it is much higher than in places like Brazil, Paraguay, Venezuela, or Colombia.

The first paradox is that Salvadorans constantly rank the cleanliness and fairness of their elections as high when compared to other Latin American countries. But, at the same time, El Salvador also ranks extremely high in the number of people who abstain from elections. Clean elections, no voters. This might be explained by the extraordinarily low opinion of political parties, and the fact that political parties are not seen as efficacious. Indeed, it does not seem to matter to the average Salvadoran who rules at the national level, although it does seem to matter a great deal who rules at the municipal level. This may be why some of the most interesting and lively things about Salvadoran democracy are taking place not at the national but at the municipal level.

At the municipal level, for example, Salvadorans are willing to pay their taxes, because they believe that the municipality should have more resources to spend than the national government. The willingness to pay

taxes is based on the belief that their municipal level services have gotten better. This is a very interesting development that has not been replicated at the national level.

A second paradox in this war transition is related to the problem of inequality and democracy. Latin America is the most unequal region in the world by far. And El Salvador is one of the more unequal countries in Latin America. This means that we need to think about the relationship between constructing democracy and the type of inequality that characterizes this country.

We know that democracies are much less likely to survive when inequalities are not only high, but increasing. When inequalities are high and decreasing, the ability of democracy to sustain itself is much greater. In El Salvador, the period of trying to build democracy coincides with high (and increasing) inequalities. This is true across Latin America, but in El Salvador these problems are complicated by two additional factors: the need for post-war reconstruction as well as the especially recent (and continuing) rural origins of these inequalities.

This latter is especially important. As the data presented by Miguel Cruz indicates, opinion surveys reflect highly class-based, and especially rural, perceptions. What emerges in El Salvador is not evident in most other democracies (and this is the crux of the second paradox): the higher the income and educational level, the more people prefer authoritarian rule. In other countries, the correlation is usually the opposite, in that the greater support for authoritarian rule is found among people with lower levels of income and education.

Why is this important? If one assumes that democracies have difficulties taking root in a context of rapidly increasing inequalities, and if one thinks that inequalities need to be reduced over time for democracies to be consolidated, then it becomes very important to convince the affluent that the reduction of inequality is in their interest. They need to believe that their quality of life will be enhanced (through the reduction of crime and conflict, for example) if inequalities are reduced. This will require more social expenditure and more taxes, which in turn requires taxing the affluent. This has proved to be an especially intractable problem throughout Latin America, and especially in Central America (except Costa Rica).

If that is to happen, there has to be a process of compromise and discussion to convince those who have money to pay more. There have to be

agreements about the appropriate targeting of social expenditures as well. And finally, there have to be political parties that stand for this platform, that are committed to the reduction of poverty and inequality. The rationale is that not only will societies be more equitable, they will also be much less violent. The argument is based on the idea that the quality of life will be better for everybody if, in fact, greater equity is achieved.

Why has this not occurred in El Salvador? One explanation rests on the nature of class-based attitudes, in which the wealthiest would rather have a *mano dura* kind of political solution. An even more compelling explanation has to do with something that Miguel Cruz also mentioned: the ability to exit the country.

This ability to emigrate is absolutely essential to understanding what is happening in El Salvador. Albert O. Hirschman, the noted economist, wrote a wonderful book entitled *Exit, Voice and Loyalty*. To paraphrase his idea, an individual has three options inside a polity: one can be loyal to the regime; one can raise his or her voice and say, “I want to change the regime;” or one can leave. Many in El Salvador have opted to leave, something that has been very important in shaping the country and the kinds of issues we are exploring today.

The ability to exit has had a real cost for El Salvador, in that the most entrepreneurial among all groups, rich and poor, leave the country. These groups, therefore, are not as much involved in the reshaping of the country, in insisting that political parties be more representative, and in forging the kinds of social pacts, built on increased taxation and more equitable expenditures, that would set the country on a path of slowly reducing inequalities. Furthermore, while the remittances they loyally send help to keep the economy afloat, these monies return to El Salvador in individual and not social ways, making the construction of schools, health clinics and the like more difficult. Thus the human development upon which meaningful democracy rests continues to be put off into the future.

NOTES

1. See Terry Lynn Karl, “The Hybrid Regimes of Central America,” *Journal of Democracy*, Vol. 6, No. 3, July 1995, 72–86.

2. This terminology is from Guillermo O’Donnell and Philippe C. Schmitter, *Transitions from Authoritarian Rule: Tentative Conclusions about Uncertain Democracies* (Baltimore, MD: Johns Hopkins University Press, 1986).

3. See Terry Lynn Karl, Vincent Maphai and Rubén Zamora, “War Transitions: Ending Armed Conflict and Starting Democracy in ‘Uncivil’ Societies,” unpublished proposal, 1996. The same term is used by Karl and Zamora in a forthcoming work. See also Charles Call, “War Transitions and the New Civilian Security in Latin America,” *Comparative Politics*, Vol. 35, No. 1 (October 2002), pp. 1-20.

4. By “electoralist,” I mean that elections were central to the phenomenon of change in El Salvador, but other key elements of democracy were lacking. See Terry Lynn Karl, “Electoralism: Why Elections are not Democracy,” in Richard Rose (ed.), *The International Encyclopedia of Elections* (Washington, D.C.: Congressional Quarterly Books, 2000).

5. See Call, cited above.

PANEL DISCUSSION

Cristina Eguizábal, Ford Foundation: My question has to do with education in El Salvador. All the panelists have referred to socio-economic inequalities. At the same time, some have indicated that public funds allocated for education and health have increased in an important way. Have the indices for education, literacy, and public health improved, or has the situation deteriorated?

Ricardo Castaneda: Efforts are definitely being made to improve the indicators and to make health and education services more available. If I recall correctly, 2.7 percent of GNP is dedicated to education, which is 17.2 percent of the national budget. The figure has definitely increased, and the demand for education has also risen because people are eager for it. The Minister of Education has worked hard on this issue. As to health care, there is also a deficit, but the government is also concentrating its efforts there.

We have to accept that the building of a democratic system is an endless task, requiring daily efforts. No one is going to do this for El Salvador. We have to take hold of the country and really work for it.

El Salvador is overpopulated, but there is no policy on population. Perhaps it is being addressed through the national plan, but the truth is that not much is being done. The issue can only be addressed through education, family planning, and having a policy on population. El Salvador simply cannot hold that many people, and people are leaving because there is no possibility of having a future if they remain in the country.

Notably, when the middle class leaves, it does not send money back to El Salvador. The people who send money home are the campesinos, and they are the ones that remain connected with the country. I hope that this will remain true in the future. If you go to the airport, for instance, who are the people who travel now on all these flights that are full? The people are from the countryside, the campesinos. And remittances are also directed to the countryside. If you travel to the rural areas, you see that there is a degree of prosperity, which depends on the people who have emigrated but remain connected. The government itself is trying to remain connected with the Salvadorans who move abroad.

The problems of a compact, fragile country like El Salvador are immense. There are deficiencies that we have to overcome, but there is hope. Young people who did not live through the war do not take for granted the achievements of the implementation of a democratic system. And I think they would be willing to fight for it if somebody were to take that achievement away from them.

We have to make greater efforts, in education and other areas, and we have to pay for them. People who want to live in El Salvador have to pay more taxes. If we want to have improved public safety, in order not to be afraid that we will be kidnapped, we have to pay for it. No one is going to help us fully deploy a national civilian police. These are challenges for Salvadorans.

Rubén Zamora: Over the last last ten years, what we have seen in terms of expenditures on education is first, a tendency to decrease public expenditure, a tendency left over from the period of the war. Then, approximately at the time of the second ARENA government, that tendency was reversed. In the last five years or six years, public expenditures on education have tended to increase.

During the war, and even at the beginning of the peace process, school enrollment and attendance rates had been dropping. This tendency has also been reversed, and there is a reduction in the number of children who are not in school.

In addition, since the end of the war, there has been practically an explosion in the number of students enrolled in higher education. El Salvador now is first in the world in terms of the number of universities per capita. Most of those universities exist in name only, but they confer degrees and the number of Salvadorans with university degrees has increased dramatically. Throughout the country, this development corresponds to a social phenomenon of the last 20 years, which has witnessed the growth of the middle class. The middle class has grown more rapidly over the last 20 years than any other group in El Salvador. But at the same time, the middle class is the sector of society that has been most impoverished, relatively speaking, over this same time period. This is a very dangerous phenomenon when assessing the possibilities for a return to authoritarian rule, because an impoverished middle class can very easily turn toward an authoritarian solution.

At the same time that the numbers of people with access to education have increased, the quality of education has not improved, and this problem is widespread. The only measure of the quality of education is a special test given to all secondary level students who finish school. Test results show very poor results, and 2001 has been the worst year.

An additional problem regarding education is that the differential between San Salvador, the capital, and the rest of the country is also increasing. That is, greater social differentiation is being reflected in educational levels. Current theory would have it that to fight poverty, you have to invest in education. This assertion is true, but in El Salvador we have the opposite effect: more and more has been invested in education and yet poverty is not being reduced. Social differentiation is increasing even as levels of education improve. This is a very serious problem.

Unidentified Speaker, SHARE Foundation: I agree with all of you that in the last ten years there has been an increase, possibly, in democracy. But certainly there has also been a tremendous increase in the gap between the rich and the poor. Of those living in poverty, the poorest are in the rural sector. You explained that the ARENA party has been in power since the peace accords. They have adopted the neo-liberal model and have abandoned, as far as I can tell, the agricultural sector, although it accounts for a large percentage of output. What is the solution, and how can the country grow in the absence of some kind of policy that attends to the rural sector?

Terry Karl: I want to address some of the political ramifications of that decision, because the abandonment of the agricultural sector is, in part, what some people argue to have been one of the structural conditions that permitted the peace agreements to go forward. That is, the agricultural sector underwent a transformation, moving away from traditional exports such as coffee and cotton and focusing instead of a class of exports we could call “yuppie vegetables,” specialty products such as strawberries. The agrarian transformation, along with the rise of the maquiladoras, contributed to the structural changes that permitted a peace agreement to be signed. This means that one would expect that expenditures would change as well, and be more directed towards urban areas, as they have been elsewhere in Latin America.

However, what has not changed so much in the countryside, from the perspective of thinking about democracy, are the kinds of clientilistic relationships described by Rubén Zamora. What is interesting as well as hopeful in the Salvadoran case is the juxtaposition of two different models in the rural areas. One model is the old patron-client model that exists throughout the country. In villages in El Salvador, one can see that there is a democratic apparatus. But what really matters is what your *patrón* says. He or she is the person who is most important to you, the person who resolves your problems, who solves all kinds of things, and makes clear whether you can or cannot get certain things from public services.

But there is another model, which is based on activating and organizing citizens, particularly in terms of their own municipal and local governments. This more participatory model has been promoted by many of the external donor and funding agencies working in El Salvador.

Thus, at the rural level are two competing models of social and political relations. I would be interested in knowing whether others have seen any differences. Are patron-client relations breaking down in rural areas? This would most likely be a slow breakdown, because change can take generations.

Rubén Zamora: I agree with Terry Karl that the traditional clientilistic model is on the decline.

An important factor for understanding the economic and social consequences of the agrarian situation is the agrarian reform that took place in El Salvador at the beginning of the 1980s. The reform had a lot to do with breaking the traditional relationship between patron and client, because the largest estates were destroyed by the agrarian reform.

Regarding the situation of civil society organizations, at the political level, the problem is that political parties, which are used to the traditional clientilist type of relationship, are transferring that relationship to the new organizations of civil society. The parties are trying to develop a different kind of clientilistic relationship, not between two individuals, but rather, between the party and the local organization. In a similar fashion, there is a new form of patrimonial relationship. The old patrimonial politics practiced by the military regime were mostly based on a personalistic relationship. This type of patrimonialist political behavior is

now characteristic of the relationship between the state and the modernizing groups of the private sector. The link now is less individual and more evident in terms of groups.

The relationship is very complex. In El Salvador I think we can talk about a “neoclientelist” politics that the ARENA party is very adept and successful at practicing. The National Conciliation Party (PCN) and even the Christian Democratic Party (PDC), meanwhile, practice a more traditional type of clientelist politics.

Miguel Cruz: I agree with Rubén Zamora regarding political participation in urban areas. However, in rural areas, I think there is still the same model that existed fifty years ago. In fact, participation is significantly lower in rural areas. The highest level of participation is concentrated in urban areas, where it is divided between what Rubén has described, and, to a lesser degree, a more civic type of participation by the middle class.

Oscar Menjívar, Organization of American States: Miguel Cruz’s presentation leaves the impression that people are increasingly disillusioned with politics, that they are distancing themselves from politics and from participation. However, relative to the number of voters, the number of valid votes in the elections from 1994 to 2001 is quite stable: between one million one hundred thousand and one million two hundred thousand votes throughout this period (since the population has not grown that much). The same is true of the percentages. There is a slight variation in that people vote more in presidential elections and somewhat less in elections for municipal officials and deputies. But the fact is that the figure is quite firm, in contrast to other Latin American countries where this same disillusionment actually is reflected in a significant decline in voting. How can this phenomenon be explained?

Gabriel Siri, World Bank: As a result of the end of the war and the accords, there has been an enormous surge in dialogue in the country, internal dialogue, and none of the panelists has mentioned this, perhaps because it is so obvious. It can be seen at all levels and throughout the media, particularly in the resurgence of television and the emergence of a free press. This has changed the face of the country in many ways and has

created new alliances. The phenomenon is also very much in keeping with the Salvadoran temperament, which is why it is not as evident in other Central American countries.

Miguel Cruz: First, according to my information, electoral participation has decreased. We are talking about the participation of approximately 45 percent of the country's total population in the 1994 election. The problem is that data from the Supreme Electoral Tribunal are usually based on registered voters. But a registered voter is one thing—not all Salvadorans are registered and there have been serious problems with cleaning up the voting registries—and the population of voting age in the country is another. Therefore, approximately 45 percent of the population of voting age participated in 1994. This figure ranged from 33 percent to 35 percent in the last elections.

I agree with Gabriel Siri that there has been a substantial change in the area of dialogue and debate, and it is tangible, even when one visits neighboring countries. The point, though, is that from the standpoint of the average citizen, this issue is secondary. People value the issue of political freedoms up to a point. But when we ask people, “which is more important to you, political freedoms, democratic stability, and economic growth, or socio-economic justice and public security?” clearly their first response is always socio-economic justice and public security. So it is true that there has been a substantial change, but I did not emphasize it because people give priority to the other two issues.

Terry Karl: The increase in dialogue is a very significant development in the building of democracy in El Salvador. Of particular note is the extent of investigative journalism in the country, which is simply much greater than in the rest of the region.

In addition, in comparison to not only the Central American region but all of Latin America, the degree of corruption in El Salvador is remarkably low. Even though it has begun to appear as a problem, it is nowhere near the problem that exists in many other countries of the region.

Another important aspect of the development of a democracy is that support for the system has grown over time, and measures of tolerance—how much people are willing to tolerate different opinions, ideas, and ways of doing things—are also growing.

The biggest threat to this positive scenario is violence. There is no question that in areas where violence is very high and where individuals feel threatened, the willingness to permit or tolerate different ideas decreases. There may also be a decrease in the willingness to have a dialogue, to have differences, or even to have a democracy. More and more people say, “we need a *mano dura*,” a strong-hand government. This for me is the biggest challenge for El Salvador, in terms of moving from the type of hybrid regime it currently has, towards a fuller and deeper democratic polity.

PART II

THE EVOLUTION OF THE SALVADORAN ECONOMY: ECONOMIC AND SOCIAL POLICY

I would like to begin by responding to a comment that Terry Karl made. To paraphrase, she said, 'It would appear that in El Salvador, either we are loyal, or we criticize and yell, or we emigrate.' I strongly believe that there is a fourth option, which is to build the country together. This has been the responsibility of the Commission for National Development.

The commission, of which I am a member, is made up of five citizens who do not represent any particular sector or political party. We are a group of five persons invited by former President Calderón Sol to develop a proposal for a project for nation building. I would like to explain how we conceived of this project. It is a project that enables us to move beyond a vision limited by the electoral terms of our politicians, which are three years for mayors, and five years for the executive branch.

In El Salvador, a very short-term, highly sectoral vision, one that does not encompass the entire national territory, has always prevailed. Our vision, which is shared by many citizens who have been involved in this participatory process, is that we can agree upon and construct a development proposal together.

The second reflection I would like to make has to do with the purpose of the peace accords. Ten years ago, the peace accords were signed by two very small sectors. True, the war ended, but now we are in the process of a transition to democracy, and it is not so easy to identify the key actors in this process of democracy building. Article 85 of the Salvadoran Constitution establishes that political parties are the only vehicle for acceding to elected positions. Rubén Zamora's statement that the great deficiency of democracy is the failure by political parties to modernize is true. For this reason, political party reform in the country is a pressing issue for two working groups (*mesas*) of citizens from around the country: the *mesa* on modernization of the state, and that on political-electoral reform. If we fail to genuinely and effectively transform the role of political parties in the country, our democracy will be in jeopardy. The process of democratic construction is also in danger because we are losing credibility.

I would like to recall that there have been previous attempts to reach agreements and to fully integrate El Salvador. For example, the peace accords proposed a forum for consensus building on economic and social issues. This forum, in which representatives from the government, the private sector and organized labor participated, produced a Labor Code, and then became the Supreme Labor Council (*Consejo Superior de Trabajo*). It is important to note that the Supreme Labor Council was unable to address all of the issues it needed to take up. Political forces had not yet evolved enough to be able to propose, defend, and advocate proposals.

Another initiative during the Calderón Sol administration, the San Andrés accord, sought an agreement among members of certain political parties. Also during the Calderón Sol administration, the National Commission for Education, Science and Development (*Comisión Nacional de Educación, Ciencia y Desarrollo*), on which I served, was established. Twelve people with different experiences, visions, and ideas worked together to develop a common proposal for educational reform in El Salvador.

The third experience, which I will discuss today, began with a very small group of only five persons. In five years, this group succeeded in bringing together nearly 8,000 persons in an effort to develop a shared vision of the country. We need to continue in this effort, because the process of nation building does not depend on the will of politicians. If the effort of nation building is left to the will of the politicians, there will be little hope for making much progress.

What is the reality in the country? As citizens we are skeptical, distrustful, and very conformist. I learned, through the citizen consultation process carried out over nearly two and a half years, that Salvadoran citizens have little civic knowledge and little information about the organization of the state and its institutional framework. More important, there is little information about how to take advantage of political spaces to demand that political officials genuinely represent the interests of the citizens.

This initiative for a plan for the nation, which is not a national plan in the traditional sense, is a countrywide blueprint for how we can reach substantive agreements that will transcend a politician's electoral term. In a practical sense, it has been an opportunity for citizen consultation and participation in which numerous "expert" citizens have participated in order to develop a common vision for the country.

The commission discussed many issues and strategies. It decided, for purposes of social and political integration, to opt for a proposal that would temporarily put aside the most critical issues. This method made it possible to reach agreements on concrete matters so as to unify interests and resources. This is the proposal that we have before us today.

Over the past ten years, we have come to recognize that each Salvadoran abroad is extremely important to the country. The many Salvadorans abroad are the country's main export product, and the family remittances they have sent have kept the economy afloat. Significantly, 30 percent of family remittances go to the eastern part of the country. There, not a single Salvadoran does not have a relative or friend that is living outside the country.

Trade has certainly opened up. Certain rules of the game have changed for the better. There has been macroeconomic stability. Foreign debt has also increased, which is positive in the sense that it reflects the credibility that our economy enjoys internationally. There also have been significant economic losses due to natural phenomena. Over the past twenty years, the country has lost around four billion dollars, not counting the losses we sustained due to the armed conflict. The two earthquakes of 2001 alone entailed a loss of two billion dollars.

At the same time, important political and social gains have been achieved. First, there is pluralism in party politics, and that is certainly important. Second, we also enjoy an open press that provides a forum for different people to express opinions, proposals, and criticisms. This is a very important victory. Third, there have been substantial improvements in access to education, but not as much as we would like. The performance indicators for pre-school education, primary education, and particularly higher education have improved. We are not satisfied but we also cannot ignore these improvements. Institutional reforms are underway and some institutions have been privatized. There are initiatives to improve the labor market, particularly in the public sector, as well as proposals for health sector reform.

What are the remaining problems to be solved? We have not yet found a way to solve the problems of economic, social, geographic, and cultural marginalization and exclusion. The entire annual budget could be financed with what is produced in the two departments of San Salvador and La Libertad. Nearly 70 percent of the country's pro-

ductive base is situated in La Libertad and San Salvador, and 40 percent of public investment is concentrated in greater San Salvador.

This disparity creates problems of trust and identity. People living in the northern part of the country, where the majority of the people in poverty reside, regard emigration to the North as virtually the only way to generate concrete opportunities for advancement. Furthermore, there is a lack of judicial and citizen security, and problems with the quality of human resource development. Ten years after the signing of the peace accords, knowledge about the country's resources and their potential for national development is still lacking. El Salvador's integration at the national, regional, and international levels is not resolved. The earthquake demonstrated the vulnerability of the transport system. This is a problem that must be addressed in order to improve the security situation. Such characteristics have reduced incentives for attracting private investment. We have tried, but cannot reach levels comparable to our neighbor, Costa Rica.

There is still a need to modernize the business sector. It is essential that we produce more and better businessmen and women, and reform public spending and investment structures. Significant fiscal initiatives are needed, and we certainly must make concerted efforts toward the centralization and transparency of public spending. Human capital and resources are being lost due to the lack of opportunities. Highly qualified people emigrate, and unemployment remains a problem. It is extremely important to focus on modernizing the state and on achieving the indicators for sustained and balanced growth.

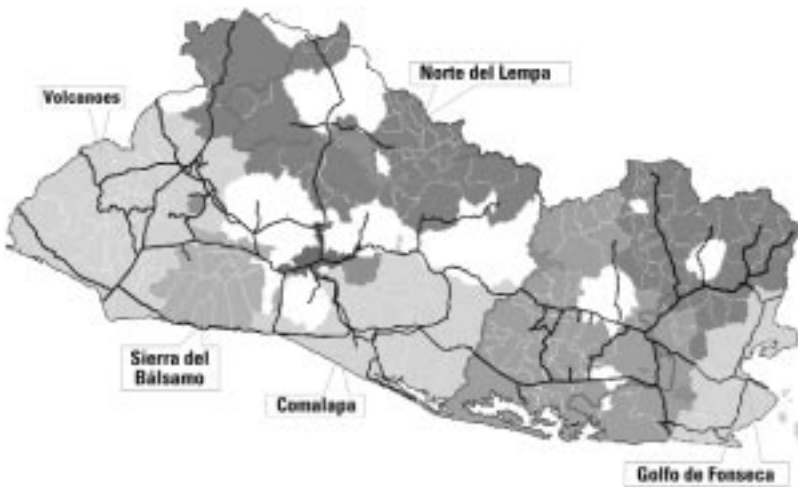
What are the initiatives that we have pursued over the past five years to address these issues? The planning effort has been based on a broad, open, and pluralistic process of citizen consultations that began in 1996 with the founding of the National Commission for Development. The commission's objective is to develop a pluralistic, shared vision for the development of the nation.

We will be hard pressed to develop our country if we fail to recognize the current opportunities and resources that exist within the 20,000 square kilometers that make up its territory. We seek to generate proposals from the bottom up, to support regional development, to restructure the productive base, to decentralize, and to integrate with Central America. It is a process that fosters organization on the part of the citizens and agreements between different actors and sectors. Although political

forces signed the peace accords, building a bridge or assigning resources for the construction of a major highway does not depend only on the decisions of politicians in the Legislative Assembly, but also on mayors and the local business community.

The initiative also seeks to contribute to the integration of Salvadoran society, so as to inspire enthusiasm and social energy. It will be hard for our country to develop if we regard it only as a place from which to emigrate and if we do not find the resources within our own territory.

Map 1. Recommended Regional Divisions of El Salvador



Our development proposal has three broad focal points: regional development and decentralization, expansion and reconstruction of the country's productive base, and Central American integration. The territory has been examined from the standpoint of population, geography, and political-administrative organization. For each of its regions and micro-regions, we have tried to assess vocational possibilities, resources, the levels necessary for their connectivity and the appropriate degree of risk management. As Map 1 demonstrates, we have proposed six regions, including the San Salvador metropolitan area. Each region has a specific development proposal. The approach serves as an outline for the territo-

rial departments and the participating municipalities. It seeks to build a regional vision based on a concrete and specific proposal.

Development efforts are concentrated in five main areas. First, we want to ensure that the Gulf of Fonseca (see Map 2) becomes the Central American bridge for international trade. This will be accomplished with the construction of the Port of Cutuco through a loan of 100 million dollars from the Japanese government. Second is the area of the Lempa River, the country's most important river that is shared with Guatemala and Honduras and serves to generate electricity and water. Third, the Comalapa area, with its international airport and good system of infrastructure, will be used for the construction of industrial, agro-industrial, and export services corridors. Fourth, the region of the volcanoes, which connects to Guatemala and the Mayan Route, can be developed for eco-tourism. Last, further development of the Balsam range as a productive corridor for industry and coffee is planned.

Map 2. Gulf of Fonseca



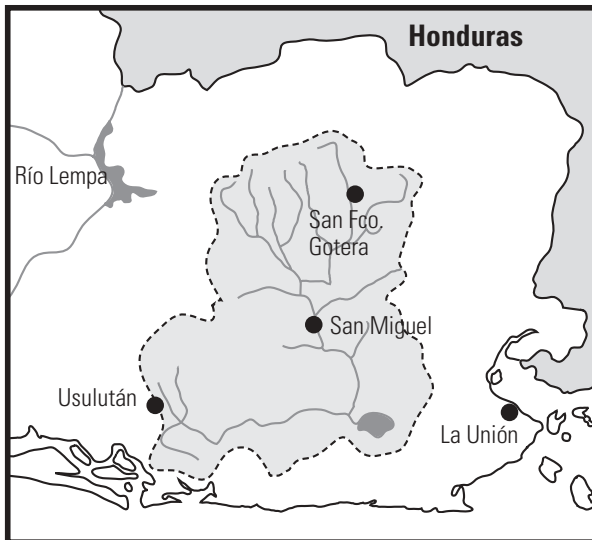
In terms of municipal relationships, where obviously it is easier to reach basic agreements, we have organized “local partnerships” (“*mancomunidades*”) to facilitate local decision-making regarding development.

The bridges and roadways that have been constructed know no political orientation. We have reached agreements among local leaders from different areas on specific proposals, such as the Translongitudinal [north-south] highway and the Port of Cutuco.

What is our strategy for the plan to take off? First, we will construct the Port of Cutuco, which will require the creation of a port city and a policy framework for the effective integration with neighboring countries. Second, the purpose of the Northern Longitudinal Highway is to construct or rehabilitate 337 kilometers in the poorest area of the country, in order to reinvigorate productive activities and to complement the Pan American and Southern Highways. This is the idea around which we have organized business people, cattle ranchers, fishermen, and mayors (see Map 3).

In this manner, we see ourselves integrating more fully with Central America. Within this space for integration, and with greater links through information and opportunities, we will be able to take advantage of the opportunities presented by the Plan Puebla-Panama and other free trade agreements.

Map 3. Mouth of the San Miguel River and Port of Cutuco



I will address the economic and reform programs pursued by El Salvador in the 1990s, and the results of these reforms. In terms of economic reform, it is important to emphasize that El Salvador is one of the countries where an attempt was made to implement the Washington Consensus a bit more to the letter. Economic policies centered on monetary measures to control inflation through the adoption of a restrictive monetary policy and a fixed exchange rate system. These reforms culminated in 2000 with the passage of the Monetary Integration Law, which cleared the way to dollarize the economy.

In fiscal matters, the tax system was streamlined. El Salvador previously had approximately 30 different types of taxes, many of them characterized by high administrative costs and minimal collection rates. The reform, therefore, focused on making tax revenues dependent on three basic taxes: the Value Added Tax (IVA), the income tax, and taxes on imports.

Another important component of the economic reforms was the policy of the “three D’s,” as it has been dubbed throughout Latin America. The “three D’s” are destatization, deregulation, and trade de-protection. Destatization or privatization has occurred in different economic sectors including financial services, the banking system, pension funds, electricity distribution, and telecommunications services.

In terms of deregulation, the most notable reform was the elimination of a huge number of price controls that were in place during the 1980s. Over the last several years, approximately 300 price controls were eliminated, including controls over interest rates.

Last, the country clearly made progress in three areas of trade liberalization. El Salvador enacted unilateral and multilateral tariff reductions, through joining first the GATT and later the World Trade Organization. Reactivation of the Central American Common Market was pursued. Free trade agreements with Mexico, the Dominican Republic, Chile and, most recently, Panama were signed. In the future, El Salvador expects to negotiate free trade agreements with Canada and the United States.

The economic reforms in El Salvador essentially were very similar to what is currently known as the “Ten Commandments of Washington.” Of

these ten measures (see below), El Salvador only diverged from the Washington Consensus in its management of exchange rate policy. The Washington Consensus advocated adoption of a competitive, market-driven exchange rate system. In contrast, El Salvador feared that a market-driven exchange rate, in the context of the substantial increase in remittances following the signing of the peace accords and the substantial financial assistance received for reconstruction, would lead to an increasing overvaluation of the exchange rate and, in turn, an acceleration of economic de-industrialization.

Figure 1. The “Ten-Commandments” of the Washington Consensus

1. Fiscal discipline.
2. Public spending to target social needs.
3. Tax reform oriented toward broadening the tax base rather than increasing the tax rate or its progressiveness.
4. Positive interest rates determined by the market.
5. Trade liberalization and export promotion.
6. Competitive, market driven exchange rate.
7. Foreign investment without barriers or conditions.
8. Privatization of state enterprises.
9. Highly deregulated economic activity.
10. Strengthened protections for property rights.

Source: John Williams, 1990

In the social arena, policies basically focused on what has been referred to as the “peace dividend.” The end of the war produced a special moment or opportunity for social spending in El Salvador that is typical of countries emerging from an armed conflict. For example, health and education spending rose from approximately 3 percent of national income at the end of the 1980s to approximately 4.5 percent in recent years. Another important reform was the creation of the Social Investment Fund (*Fondo de Inversión Social*) and its subsequent transformation into the

Social Investment Fund for Local Development (*Fondo de Inversión Social para el Desarrollo Local*).

Further advances were achieved through a program known as EDUCO (*Educación con Participación de la Comunidad*, or Education with Community Participation), which provided for decentralization in education. Another advance involved the creation of the Local Development Fund for municipalities (*Fondo de Desarrollo Local*, FODES), and the assignment of 6 percent of the national budget to it; this without a doubt substantially increased the investment capacity of local governments.

Other programs that may have had somewhat less impact were the “Healthy Schools” program and the Basic System for Integral Health (*Sistema Básico de Salud Integral*, SIBASI), both sponsored by the Ministry of Health. Housing initiatives essentially focused on granting direct subsidies through an institution called FONAVIPO (serving the informal sector), and indirect or cross subsidies through the Social Fund for Housing (*Fondo Social para la Vivienda*), serving the formal sector.

What have been the main accomplishments of these economic and social reforms? The first notable achievement is that the negative growth rate of the 1980s, in which the economy declined approximately 2.5 percent annually, was reversed. In the 1990s, the economy grew at a rate of approximately 4.5 percent per year, and the population grew at a rate of 2.1 percent annually. This meant that per capita income grew by 2.4 percent annually.

Moreover, inflation was reduced from an average 24.5 percent in the 1980s to 2.5 percent from 1999–2001. Exports grew substantially, principally in the maquila industry. The financial system also has become the largest in Central America, such that 35 cents of every dollar issued in credits in Central America comes from Salvadoran banks or their affiliates. Also during the 1990s, the fiscal accounts and external debt were kept under relative control. As we will see, however, this will be a problem in the future.

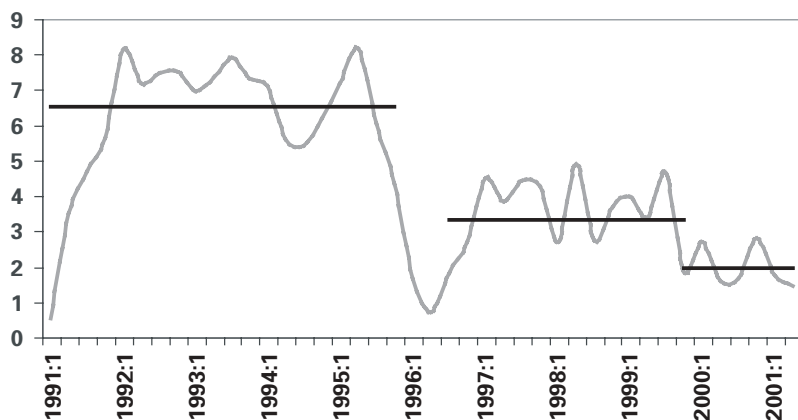
In the social arena, the adult illiteracy rate dropped from 30 percent in the early 1990s to 17 percent in 2000. The average length of schooling has increased by more than one year. Perhaps the most significant achievement has been that poverty levels dropped from 65.7 percent in 1991 to 47.5 percent in 1999 (a drop of 18.2 percentage points). Of course, poverty again rose by an estimated 3.7 percent, as 225,000 people fell instantly into

poverty as a result of the 2001 earthquakes. The infant mortality rate has dropped from 41 per 1,000 live births in the five-year period from 1988–1993, to 35 per 1,000 for the five-year period from 1993–1998. Access to potable water has risen from 54.1 percent to 66 percent of the population. Forty-five thousand housing units have reduced the housing deficit. Moreover, using the human development index developed by the United Nations Development Program (UNDP), the country moved up eleven positions in the ten-year period from 1990 to 2000. Out of 174 countries that are permanently monitored, El Salvador moved from position 115 in 1990 to position 104 in 2000.

Nonetheless, a close reading of the very same UNDP Human Development Report for El Salvador reveals that, despite significant progress in the economic and social spheres, important divisions and challenges persist in the country. There are five main types of divisions or gaps. These include divisions regarding the vision of the future, followed by splits along economic, social, territorial and gender lines.

According to the UNDP Human Development Report on El Salvador, despite the peace accords, the principal economic, political, and social forces in the country still have substantial differences over the desired socioeconomic and political order. These divisions are compounded by the absence of institutionalized mechanisms for resolving differences. As the UNDP report points out, the political forces in control of the core government institutions frequently act above or outside the

Graph 1. Quarterly Rates of Growth for El Salvador, 1991–2001

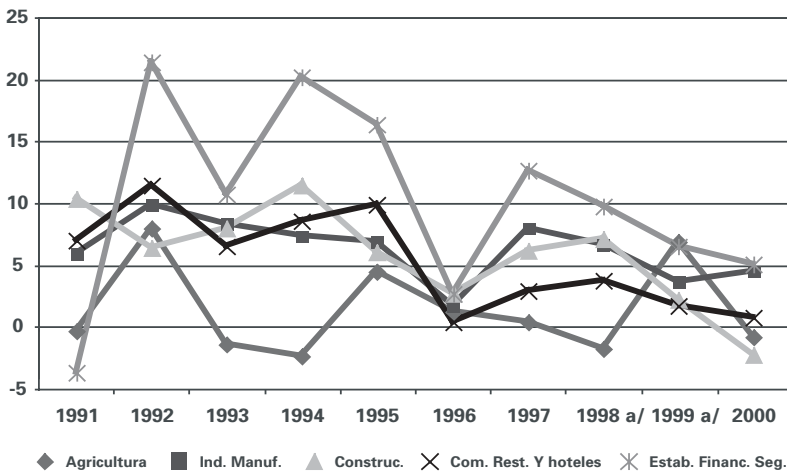


established legal order. The main opposition forces in one way or another seem to propose changes to the rules of the game that likewise give rise to institutional uncertainty.

As regards economic divisions, there are four basic problems. First, despite strong economic growth in the first half of the 1990s, expansion slowed down considerably in the second part of the last decade. This slowdown was aggravated by the fact that economic growth was quite uneven throughout the 1990s. Second, there continues to be a serious and persistent income distribution problem. While the main indicators of inequality do not reflect a deterioration of the problem, neither do they reflect any significant improvement. Third, although El Salvador has been a leader in achieving certain economic freedoms, the country is not competitive. Fourth, the country is heading towards a situation of fiscal unsustainability, despite having managed its public finances responsibly.

Graph 1 illustrates how the Salvadoran economy has grown under the last three administrations. Growth was highest, at 6 percent, under the Cristiani administration. It was approximately 3 percent during the Calderón Sol administration, and has been 2 percent during the Flores administration.

Graph 2. Annual Rates of Growth (GDP) by Sector, 1991-2001



It is also possible to see how different economic sectors have grown, and what stands out is that the financial and insurance sector has shown the highest growth (see Graph 2). The manufacturing sector also has

grown, but primarily due to the dynamic maquila industry. Another important figure is that the agriculture and livestock sectors have shown negative growth rates in five out of the ten years studied.

In terms of income distribution, El Salvador is among the top 20 percent of countries with the highest levels of income inequality (see Table 1). The poorest 20 percent earn only 3 percent of the national income, while the richest 20 percent account for 55.5 percent. In other words, the average income of the richest 20 percent is more than 18 times higher than that of the poorest 20 percent. In highly developed countries, this same ratio is slightly less than six times.

Table 1. Income Distribution by Quintiles, El Salvador

Quintil	% del ingreso
1	3.0
2	7.6
3	12.7
4	21.2
5	55.5
	100.0

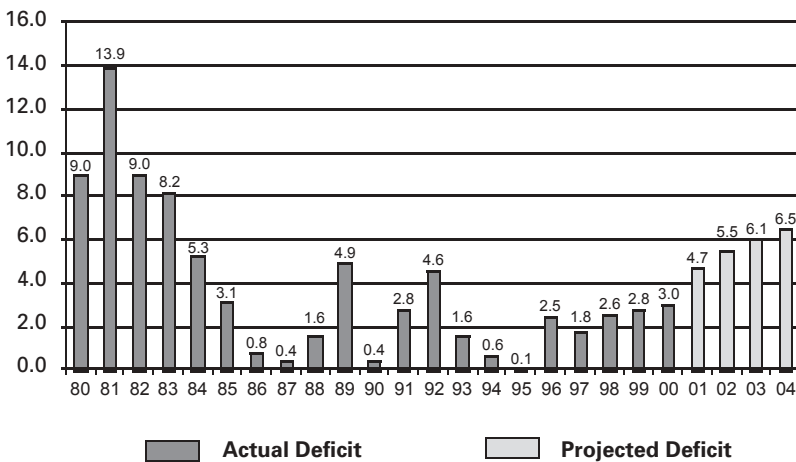
Another important area concerns economic competitiveness. Despite significant progress in opening up its economy and in liberalizing its markets, El Salvador has great difficulty being competitive. This problem is so severe that the 2000 Global Competitiveness Report ranked El Salvador 51st among the 59 countries studied. The country has fallen four positions in the last two years. Figure 2 highlights the main deficiencies affecting the competitiveness of the Salvadoran economy.

The fiscal situation in recent years has deteriorated, to the point that it constitutes a serious challenge to the last two years of the Flores administration. Current projections post-earthquake are that the country could well fall into a situation of fiscal deficit equivalent to 6.5 percent of GDP by the end of the Flores administration. This is closely linked to the fiscal effects from privatizing the pension system (see Graph 3).

Figure 2. Major Points from the 2000 Global Competitiveness Report for El Salvador (51st out of 59 countries)

- Deficiencies in basic infrastructure.
- Low levels of human development.
- Low investment and savings rates.
- Poor capacity for innovation.
- Scarcity of capital and qualified human resources.
- Lack of clear rules of the game.

Graph 3. El Salvador's Fiscal Deficit, Actual and Projected (% of GDP)



In terms of the social gaps, despite a significant reduction in poverty during the 1990s, nearly half of the population still lives below the poverty line. Following the earthquakes in January and February of 2001, that figure is more than 50 percent. The average length of schooling was only five years; over 45 percent of the population had no running water in their homes, and the housing shortage affected 40 percent of the total population. The poorest households continued to be the largest and the least educated (see Table 2).

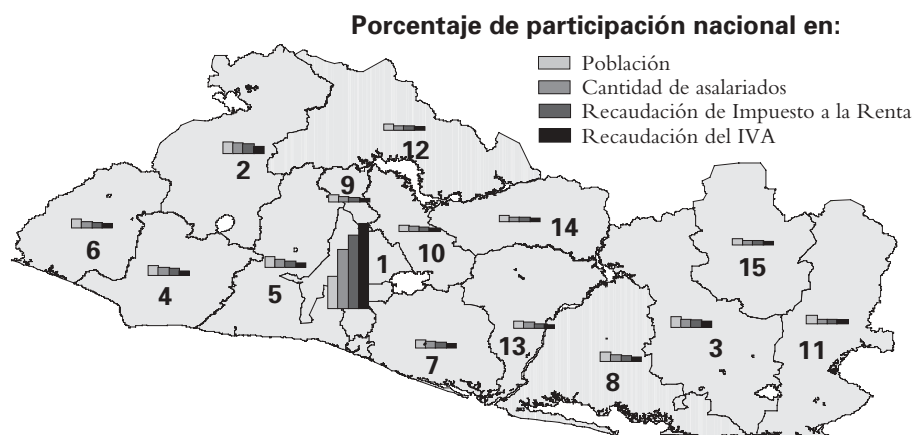
Tables 2 and 3. The Profile of Poverty in El Salvador, Education and the Urban/Rural Divisions

Quintil	Escolaridad
1	3.54
2	3.65
3	4.12
4	4.62
5	5.08
6	5.33
7	5.95
8	6.39
9	6.71
10	6.89

Diferencias Urbano-Rurales en el IPH 2000

	Urbano	Rural
Población que no sobrevivirá hasta 40 años (%)	8.5	13.1
Analfabetismo adulto (%)	11.7	32.4
Niños menores de cinco años con peso insuficiente(%)	8.4	14.1
Población sin acceso a agua potable (%)	14.9	65.4
Población sin acceso a servicios de salud (%)	14.5	38.9
IPH	11.2	31.9

These figures demonstrate how both extreme and relative poverty is distributed between urban and rural areas in El Salvador. An important statistic is that in rural areas extreme poverty is nearly three times higher than in urban areas. Family size is also substantially higher in the lowest income brackets and schooling declines proportionately to the family's income.

Map 1. Levels of Economic Activity, By Region

Region	Pob.	Asalar.	Contrib. %	
			Renta	IVA
1. AMSS	30.8	59.2	68.0	86.8
2. Santa Ana	8.8	7.6	7.3	4.5
3. San Miguel	7.7	4.8	4.0	2.7
4. Sonsonate	7.1	5.1	4.1	1.5
5. La Libertad Sin AMSS	7.5	4.7	3.2	1.3
6. Ahuachapán	5.1	2.8	2.3	1.0
7. La Paz	4.7	2.9	1.8	0.7
8. Usulután	5.6	2.8	2.1	0.5
9. San Salvador sin AMSS	3.6	2.1	1.3	0.2
10. Cuscatlán	3.3	2.2	1.5	0.2
11. La Unión	4.7	1.0	0.8	0.2
12. Chalatenango	3.2	1.4	1.0	0.1
13. San Vicente	2.6	1.7	1.2	0.1
14. Cabañas	2.5	0.9	0.7	0.1
15. Morazán	2.8	0.8	0.7	0.1
Total	100.0	100.0	100.0	100.0

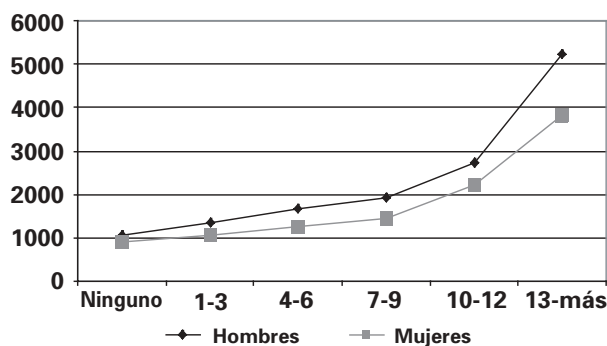
Another important point highlighted by Sandra Barraza is that the territorial gap occurs not only between urban and rural areas but also between different departments of the country (see Table 3). A series of social indicators demonstrate how El Salvador is comprised of two different worlds: one urban and the other rural. The greatest contrast can be seen in the figures on adult illiteracy and in the percentage of the population lacking access to potable water. In urban areas, only 14.9 percent of the population lacks access to potable water, compared to 65.4 percent of the rural population.

Map 1 illustrates the fact that the San Salvador metropolitan area accounts for nearly two-thirds of economic activity in the country. That is, the metropolitan area, which holds approximately 31 percent of the country's total population, accounts for nearly 60 percent of the salaried population. In addition, it generates 68 percent of the income tax revenues, and more than 85 percent of the revenues from value added taxes.

The last gap to be mentioned involves gender, where substantial differences between men and women emerge in terms of human development, and especially if one contrasts El Salvador with the 174 countries monitored in the UNDP Human Development Report. Women in El Salvador ranked 20 slots lower than men in terms of the human development index (HDI).

Moreover, women's per capita income has been substantially lower than men's in both urban and rural areas. Women's salaries have been on average 28 percent lower than men's. There are also significant salary discrepancies depending on one's level of education. Paradoxically, these discrepancies were greater as women's educational level increased (see Graph 4).

Graph 4. Gender Differences in Income By Level of Education in El Salvador



JOSÉ ROBERTO LÓPEZ-CÁLIX

I would like to offer a very long-run perspective on El Salvador's economy and the challenges it faces. I will address four topics. The first topic is the puzzle of Salvadoran growth. The second is the relationship between growth and poverty. The third is the comparison between the Guatemalan and Salvadoran peace accords and their relevance. Then, I will offer a few ideas on why international investors do not see El Salvador as "another Argentina," despite the dollarization of its economy. Finally, I will mention a few critical development challenges.

My long-run perspective on Salvadoran growth is based on an interesting study done by my World Bank colleague Humberto López, "The Economic and Social Costs of Armed Conflict in El Salvador." The study looks at the rates of world growth, the actual Salvadoran levels of growth, and a corrected Salvadoran level of growth assuming that the war had not occurred. The study adjusted for the effects of the war on El Salvador's economic output and calculated Salvadoran growth under this scenario.

López's study shows the clear fall in output between 1979 and 1980. This is clearly the effect on growth of the Salvadoran conflict. Even more interesting is that the level of growth remained stable throughout the war years of the 1980s. Once the 1992 peace agreement was signed, growth recovered and rebounded to more or less pre-war rates, while closely following the world growth pattern.

In the 1960s, El Salvador grew at slightly above world growth rates. For several decades, growth fell below world rates. Then in the 1990s, El Salvador's growth rose above the world rates. These patterns show that Salvadoran growth has been close to the U.S. and world levels. This is especially relevant because 50 percent of El Salvador's trade is directed to the U.S.

Another interesting issue relates to the impact of natural disasters, such as the earthquakes in El Salvador in 1963, 1986, and 2001, on the growth rate. The impact is hard to analyze, but the conclusion is that the effects of these earthquakes upon El Salvador's growth have been almost irrelevant. In the end, the net effect of natural disasters upon growth rates has been relatively slight, or positive in some cases, given that reconstruction efforts provide some support for public investment.

El Salvador's growth rate has tended to follow the same trend as other Central American countries. Over the long run, there are very moderate rates of growth in Central America. There has been no sustained deviation from this trend, although Costa Rica might have been an exception at times when large Intel (the local Microsoft subsidiary) investments occurred. Even with higher growth over two to four years, Costa Rica returned to average, moderate rates of growth. These moderate rates of growth are clearly a small country problem, and need to be addressed for a Central American miracle to occur.

Regarding the connection between growth and poverty, the peace accords produced positive growth and a declining trend in poverty rates. Based upon a household head count, the poverty rate decreased from 60 percent to 40 percent of households (projected for 2000.) This declining trend is interesting because when you analyze the rate of poverty elasticity to income, it is higher than one. Therefore, it is clear that maintaining a positive growth rate is the most important factor to decreasing poverty.

Poverty rates did increase in 2001 due to the earthquakes. There is an ongoing debate about the actual degree of the rise of poverty. It might be between 2.5 and 3.5 percent. However, the absolute change does not matter. The bottom line is that if the recovery occurs as expected, then the poverty rates should continue to decline.

In terms of the economic output that has accompanied these changes, El Salvador had a two percent rate of growth last year while overall growth in Latin America was a mere 0.8 percent. El Salvador certainly performed better than the rest of Latin America. For 2002, El Salvador's growth is projected to be between 2.5 and 3.5 percent, while growth projections for Latin America are below 2 percent. Despite being in the middle of a reconstruction effort, El Salvador still has a better rate of growth, and is projected to continue to have a better rate of growth, than the rest of Latin America.

Also related to growth is the question of income inequality, which has been stable since 1995 despite the lower rates of growth that El Salvador has been having since the late 1990s. It appears that remittances have had some impact on income distribution and growth.

Let me now compare the economic components of the Guatemalan and Salvadoran peace accords. The main difference here is in the level of social spending. In the case of Guatemala, the peace accords included a fiscal pact

that established specific targets in social spending. Social spending was increased by 50 percent in real terms for education and health. Both government and civil society agreed upon this social spending commitment. As a result, there have been significant improvements in living conditions and income inequality in Guatemala since the 1996 peace accords were signed.

El Salvador took another path. The Salvadoran peace accords did not include the kind of economic commitment found in the Guatemalan peace accords and this is clear by looking at the social conditions in El Salvador.

I would like to discuss dollarization, the economic situation in Argentina, and how risk is assessed in El Salvador, Argentina, and other countries that are known as good performers, like Mexico.

Based on risk spreads, El Salvador has the lowest spread in Latin America, at 350 points in 2001. This is much better than a good performer like Mexico at 374 points. Argentina's risk spread is significantly higher and Brazil's risk spread is 570 points. These variations give an idea of how investors perceive risk and why El Salvador does not need another IMF stand-by agreement. Investors rightly perceive that credibility is already an important part of El Salvador's economic program.

These above-mentioned risk spreads assimilate the fiscal push due to earthquake reconstruction. However, forecasts are not always accurate. For example, it appeared that fiscal deficits would be about 4.5 percent in 2001. This was a very positive forecast. The government, however, ended with a 3.6 percent fiscal deficit, including pensions. This reflects some impact from the government's decision to further restrain expenditure beyond what was planned at the beginning of the year.

More important, El Salvador's debt service is at 10 percent of exports. It is very low and declining, even when including the additional loans that the country assumed for its reconstruction efforts. El Salvador's current account deficit will be 4.3 percent of GDP, which is lower than the 4.7 percent previously forecasted. The country is not in bad shape, despite a shake-up of its economic fundamentals due to the need to finance the reconstruction effort. The government is very aware that the fundamentals need to be maintained in good standing and improved in the medium term.

I would like to end by discussing the long-term challenges for the economic and social agenda of El Salvador. First, regardless of the type of investment El Salvador attracts, a new concept of regional integration will be required. There is no way for economic development to expand

and deepen within such a small regional market. Therefore, Central America needs to prepare itself for regional integration by unifying the regulatory regimes, expanding its own internal markets, and finding new commercial partners abroad.

Violence is a second major challenge confronting El Salvador's economic growth. There is no way to attract foreign investment to El Salvador while it has four times the crime rate of an average Latin American country. Violence is an issue that must be dealt with effectively. Regardless of what El Salvador does on other fronts; violence must be addressed before substantial investment can be attracted.

The third big challenge for the Salvadoran state is promoting decentralization with citizen participation. Decentralization may take many forms, but if you really want to push for social investment in a sustainable way, people must participate at the local level. This ongoing debate was interrupted because the recent earthquakes required a strong and fast reaction from the central government. Nevertheless, the dialogue on decentralization is going to re-open soon and it is an extremely important topic for the political agenda.

The fourth challenge for El Salvador involves the productive use of remittances. El Salvador needs to find new ways to attract remittances as an *investment* source for the country. Remittances are not only about sending a few resources to family members living in El Salvador to meet current consumption needs. The mechanism in the future for repatriating capital inflows should be more sophisticated than the present mechanism. One innovative idea is to encourage the entry of foreign franchises, which can be expanded through Salvadoran organizations in the United States, to promote reinvestments in El Salvador by Salvadorans living abroad or returning to El Salvador. It is an appealing idea that is just being discussed.

The fifth challenge, already mentioned by Rubén Zamora, relates to how education in El Salvador will affect its economic prospects. There is no way to compete internationally if children do not get a quality education in El Salvador. There are many ideas, including a new concept by the Minister of Education to introduce minimum educational requirements. To this effect, the Ministry of Education conducted a valuable survey that showed that more resources and participation are not enough to improve the quality of education. The new program is a well-monitored exercise that should upgrade the quality of schools.

PANEL DISCUSSION

Vince McElhinny, Inter-Action: First, why do you think that El Salvador has not been able to achieve a fiscal pact that would raise tax revenues to a level that is greater than 10.5 percent of GDP? Second, I found the poverty statistics in the two presentations very interesting. If they are accurate, we must begin to tout the Salvadoran model as the most successful in all of Latin America. But when I visit the country, what I see with my own eyes is very different, and the two experiences are incompatible. I, too, have studied the household surveys and have encountered the same figures. How do we reconcile these two things? Finally, why do you think that the model has not been able to attract more direct foreign investment? Other than the violence and macro-economic weaknesses, are there other reasons for the failure to generate capital flows?

William Pleitéz: With regard to the first question, the obstacles to a fiscal responsibility pact are perhaps related to at least two phenomena. In the first place, the information on the subject—for example, the figures José Roberto López-Cálix mentioned—are different from the estimates of UNDP and FUSADES. There is no clear picture, and the government has not yet accepted that the country is heading for a situation of fiscal unsustainability. There has been no pact on fiscal sustainability, because the need for one has not been recognized.

In the second place, the importance of fiscal policy has not been incorporated into the government's vision of the future. Rather than a plan, we have a vision of the future that basically seeks to improve the conditions for accessing the principal international markets. There is an attempt by El Salvador to attract foreign direct investment, but the importance of fiscal policy for reducing production costs in the country has not been noted. For example, a study of the country's deficiencies in the areas of infrastructure and, most important, social spending levels, would encourage the possibility of a fiscal pact.

As regards poverty, there are two important factors. The reductions in poverty are not due solely to the economic reforms. Migration has had a lot to do with the decline. Migration actually attacks poverty from both

sides of the ledger: poor people leave and the remittances they send enable other family members (who would be poor if it were not for these remittances) to climb out of poverty.

There is also a problem with the methodology used to calculate income poverty in El Salvador. Something that is mentioned in the UNDP Human Development Report is precisely that between 1997 and 1999, the calculation of what constituted the income poverty line was lowered, according to the multi-purpose household survey. As a result, the cost of the basic food basket would have decreased and—according to the international method of calculating the poverty line at twice the cost of the basic food basket—this meant that the threshold of poverty was also lowered. This outcome, however, is somewhat debatable because during the same period, the consumer price index and the price of products comprising the basic food basket appeared to behave in the opposite manner.

It is quite surprising that even with the elimination of the value-added tax (VAT) for certain basic agricultural consumption products, in 2000 the income poverty line continued to diminish.

All of these considerations aside, it appears that overall there has been a significant decrease in income poverty in El Salvador. Even when other types of indicators are measured, such as human poverty, they also show an important improvement during the 1990s.

The third question about violence is directly related to El Salvador's potential for attracting foreign investment. There are concerns about production costs in the country and the lack of clear rules of the game that are also important to foreign investors.

In my presentation, I began precisely by highlighting the division that exists within society in terms of a vision for the future of the country. I emphasized this because a recent report reveals that most investors perceive a lack of clear rules of the game. As a result, the majority of foreign direct investment in El Salvador has been in the maquila industry, or as a result of the privatization of state enterprises.

Sandra Barraza: Regarding the poverty issue, there is an information problem in the country that has to do with reliable, comparable indicators. We do more or less well depending upon which statistical base and which indicators are used. The lack of consistency makes it difficult to follow the situation over time. This is a methodological problem that has to be resolved.

Poverty, the main problem in the country, has served as the rationale for a great deal of international assistance and numerous loans. Poverty in the country is concentrated in the northern zone and substantial financial resources have been invested there. However, the real problem has to do with the approach. We should focus less on reducing poverty levels and more on creating opportunities for people to produce wealth and to achieve a more equitable distribution of income. For this reason, we have said that in the northern zone, it is not enough to invest credits in sustainable agriculture or projects of that nature if connectivity is lacking. El Salvador has to begin by creating the infrastructure to invigorate the business capacity of the country.

Alberto Concha, Pan-American Health Organization: My question is for Sandra Barraza. I was unable to grasp from your presentation what the various components of violence are, or how they are to be addressed from the social standpoint. We all know that violence is the cause and consequence of problems; it is a vicious circle that strikes harshly against all of society. Miguel Cruz alluded to violence as one of the most prevalent problems identified by the Salvadoran population today. And yet I did not get this sense from your presentation, which contained many proposals. Can you respond?

Sandra Barraza: The country must meet four conditions to take off in economic terms. It needs environmental security, citizen security, quality in the development of human capital and resources, and a more serious effort on the fiscal side. The approach to violence has focused on analyzing its characteristics.

Since the signing of the peace accords, there continues to be a high level of social violence in the countryside. The authorities attempt to differentiate between the type of crime, the type of violence, and the context. Much effort has been made to create spaces for citizen participation in controlling violence. There are still questions about institutional credibility, which impacts on the willingness of citizens to report a crime and to approach the judicial system as a whole. Despite a huge budgetary effort over the last ten years to allocate more resources to the judicial system, there has been little progress in ensuring confidence in the legal system.

Unidentified Speaker: I have slight a doubt about some of the data presented by Mr. López-Cálix. When you were talking about the data on public debt, were you referring to external public debt or to total public debt?

José Roberto López-Cálix: I was referring to external public debt.

Unidentified Speaker: It is just external? It is very important to make the distinction between the two, since the total public debt has to be paid by the general populace. This creates a problem because all the debt is now in dollars.

José Roberto López-Cálix: You are correct. The short-term domestic debt is often paid to support the roll-over of existing debt and satisfy budget liquidity constraints. Whereas public domestic debt is paid in a less planned way than external debt, the latter is paid in a fixed number of payments that cannot be changed. External debt is usually owed to multilateral and bilateral donors, as well as to international financial institutions.

In El Salvador's case, however, the public domestic debt is not that significant. In absolute terms, it is about four to five percent of GDP. In comparing the components of total public debt (domestic and external debt), the domestic debt is much less than one-fifth the size of the external public debt. However, as I mentioned earlier, you can roll over part of it. So the net effect on your finances is completely different. You have to pay the external debt as scheduled, while the domestic debt can be rolled over.

More interesting is that the government is now trying to convert its expensive external debt from short- to long-term. Its external debt includes loans that were made by multilateral financial organizations. During a World Bank mission in January 2002, the government informed us that it was reviewing World Bank loans to see whether there was a way to restructure loan terms. I presume that the IDB will be approached along the same lines.

Because there are very low and very good rates in the market now, there must be a review of the terms of the country's loans. For example, a loan that was approved for El Salvador in December 2001 for a health project should have a 2.3 percent interest rate over 17 years until its maturity. There probably isn't a better rate available in the market.

Unidentified Speaker: I would like to know about El Salvador's access to bigger markets and the effect that this might have not only on growth, but also on inequality and the reduction of poverty. In a speech at the Organization of American States (OAS), President Bush offered the Central American countries the possibility to negotiate free trade agreements. In the negotiations that will take place, what could the Salvadorans ask of or negotiate with the United States, in order to help address the issues of inequality, as well as free trade and economic growth?

William Pleitéz: The government's agenda in international trade negotiations has been strongly influenced by its assumptions about the main obstacles to attracting foreign investment. For countries like El Salvador, there tend to be two predominant objectives in opening up the economy. The first objective is to improve market access conditions in order to promote potential export products. The second objective is to attract foreign investment as the fastest and most effective way to expand exports.

It appears that El Salvador is trying the latter path. Indeed, the idea is that through opening markets, El Salvador will be more attractive to foreign investors. The emphasis placed on risk ratings reflects that orientation.

Although El Salvador has signed four free trade agreements, they have been very short-lived, in effect only since 2001. The free trade agreement with the Dominican Republic is even more recent.

How is this opening toward international trade supposed to reduce inequality? It would be better to pose your question to a government official. Based on the notion that efforts must be focused on luring foreign investors, the basic idea is to combat inequalities by trying to be more successful at job creation. This, at least, is what can be deduced from the statements of the Minister of the Economy, who says every time that he signs a free trade agreement that, for example, the free trade agreement with Mexico would create 40,000 jobs; the Dominican agreement 20,000 jobs; and a future free trade agreement with the United States, 250,000 jobs.

Sandra Barraza: In order to take advantage of the opportunities from international free trade, we have to confront two issues. First, we must achieve a truly effective process of Central American integration. Countries with shared interests must take advantage of the opportunities

provided by a wider market. The second big challenge is to ensure the creation of more equitable conditions for development.

Given where the corporate base is concentrated in the country, it is understandable why everyone wants to leave the outlying departments for greater San Salvador. To take advantage of a general opening-up of trade policy as articulated by President Bush, El Salvador must create favorable conditions for improving the country's productive base, and make an enormous effort to educate people.

We must invest in improving the quality of education, even while recognizing the strides we have made in making it more relevant. For example, how can we take full advantage of the opportunities offered by a 100 million dollar investment in the Port of Cutuco if we lack the corporate and the social bases to invigorate the labor market?

Unidentified Speaker: This is directed to Sandra Barraza. Could you please elaborate on the *Plan de Nación*? In terms of participation, who is represented? How are different sectors represented and what are the visions of each of these sectors? Are these visions reflected in the Plan?

Sandra Barraza: An important characteristic of the plan is that it did not seek to have sectors represented. Previous initiatives that have attempted to carve out spaces that "represent such and such" have not been very successful. What the Commission has done, along the lines of the "Basis for the Nation Plan," is to sponsor three types of consultations. A consultation was held with 211 Salvadoran specialists, including Salvadorans working in international organizations in Washington. Nineteen roundtables were organized to discuss specific issues, ranging from a borderless society, poverty, judicial reform, decentralization, modernization of the state, agricultural and livestock development, to fiscal reforms. Specific proposals were offered on each of the 19 themes.

We gained a wealth of knowledge from the participants because of their training and experience. Each of the working groups was pluralistic in nature. There were people of the left and right, business people, academics, and government officials. We tried to create balanced, participatory groups.

The second method of dialogue was based on consultation throughout the country. We spoke with citizens from all 14 departments regarding their vision of the country and its fundamental problems. The seven

main challenges that we originally proposed were discussed, modified or broadened before concrete proposals for the country's development were presented.

The third method has been a form of inter-sectoral consultation. We called together churches, universities, professionals, and the business sector to discuss the 31 recommendations suggested by the commission in its "Basis for the Nation Plan." This represented a very important effort, in that experienced professionals, opinion-makers, and national experts contributed.

The commission translated the results of these consultations into a very concrete proposal, seeking to formulate a plan that will make a difference. During the various consultations, we observed that the problem confronting El Salvador is not one of resources—we have millions of resources—nor of proposals. Rather, the challenge is to make the power structure respond to the initiatives of citizens, experts and professionals. Changing this structure requires a lot of work, effort, and perseverance.

This is the general nature of the current efforts and the Nation Plan. We have reached agreements on such issues as loans and geographic priorities. We have learned an important lesson: we can reach agreement on concrete issues. When we spoke in the abstract, it was difficult to reach such agreement. After five years of work, we know that it is possible for Salvadorans to reach durable agreements, to generate enthusiasm and commitment. To change society requires both benefits and sacrifices to which we are not always disposed.

José Roberto López-Cálix: I'd like to close by adding a comment regarding prospects for the fiscal pact in El Salvador. In recent World Bank consultations for the Country Assistance Strategy, we adopted a consultative practice that was very valuable. Participants were divided by sectors, such as civil society representatives, mayors, legislators, media, and international representatives, etc. Then we held a round-table with the cabinet. A computerized device called Option Finder was used to publicly register votes on different topics by different sectors of civil society as well as officials. For example, people belonging to one specific group voted on a specific question. The Option Finder would show how the group voted, the group's strategic priorities and agenda. One of the questions regarding challenges concerned whether

or not there were conditions for a fiscal pact, and whether a fiscal pact was necessary for El Salvador. Eighty percent of the cabinet—more than in any other group surveyed—responded in the affirmative! I use this example to demonstrate that the need for fiscal responsibility or some kind of fiscal agreement is recognized by government officials, as well as by the private sector organization FUSADES. Other conditions for holding such a dialogue might still be missing, but the political opening is there. What remains to be seen is whether there will be political will for taking advantage of it and moving ahead.

Biographies of Participants

CYNTHIA ARNSON is deputy director of the Latin American Program of the Woodrow Wilson International Center for Scholars and director of its Project on Comparative Peace Processes in Latin America. She began travelling to El Salvador in the early 1980s as a consultant to Americas Watch, and from 1990–1994 served as associate director of Human Rights Watch/Americas, with responsibility for El Salvador, Nicaragua, and Colombia. She is the editor of *Comparative Peace Processes in Latin America* (Woodrow Wilson Center Press and Stanford University Press, 1999) and author of *Crossroads: Congress, the President, and Central America, 1976–1993* (2d ed., Penn State Press, 1993), among other works. She served as a senior foreign policy aide in the House of Representatives during the Carter and Reagan administrations and holds a Ph.D. in international relations from the Johns Hopkins University School of Advanced International Studies.

SANDRA BARRAZA is coordinator of the Comisión Nacional de Desarrollo, appointed by former President Armando Calderón Sol to devise and implement a national development plan. Previously, she coordinated the Commission on Education, Science and Development, charged with designing El Salvador's education reform policies. As a development consultant, she has produced numerous studies focusing on education, health, women's, small business, micro-enterprise, and youth issues for a broad range of national and international bodies, including the Ministry of Education, the Ministry of the Economy, the European Union, the World Bank, UNESCO, UNICEF, USAID, the Canadian government, and the Harvard Institute for International Development. Since 1998, she has been a columnist for the Salvadoran daily, *La Prensa Gráfica*, and appears regularly as a commentator on *Canal 12* television. Trained in sociology and business administration, she studied at Guatemala's Universidad del Valle and El Salvador's Universidad Centroamericana José Simeón Cañas.

RICARDO CASTANEDA is president of the Consejo Empresarial Salvadoreño para el Desarrollo Sostenible and is a founding partner of the law firm Casteneda, Gutiérrez & Asociados. From 1989 to 1999, he served as El Salvador's ambassador to the United Nations, where he participated, as a member of the government delegation, in the peace talks between the Government of El Salvador and the FMLN. Between 1981 and 1988, he served as director for El Salvador of the Central American Institute for Business Administration (INCAE), and was El Salvador's vice-minister of foreign affairs from 1972 to 1977. Trained at the University of El Salvador as well as at Harvard, Princeton, the University of Michigan, and the Hague, he obtained the degree of doctor in jurisprudence and social science at the University of El Salvador in 1968.

JOSÉ MIGUEL CRUZ has been director since 1994 of the Instituto Universitario de Opinión Pública of the Universidad Centroamericana José Simeón Cañas (UCA). As such, he has had primary responsibility for public opinion polls carried out by the UCA in the post-war period. Since 1995, he has also been a researcher at the Facultad Latinoamericana de Ciencias Sociales, Programa de El Salvador (FLACSO-El Salvador). He is a member of the editorial board of the UCA's prestigious journal, *Estudios Centroamericanos*, and has published frequently on questions of violent crime, elections, democracy, and political culture. He holds a degree in psychology from the UCA, where he has pursued graduate studies in political science, as well as psychiatry and community mental health at the University of El Salvador's School of Medicine.

TERRY KARL is director of the Center for Latin American Studies at Stanford University and a visiting professor at the European University Institute of the European Community in Florence, Italy. Previously, she taught at Harvard and the University of California (Berkeley and Santa Cruz), as well as at leading research institutes in Venezuela, South Africa, Spain, and Italy. Her books include *The Paradox of Plenty: Oil Booms and Petro-States* (University of California Press, 1998) and *The Limits of Competition* (MIT Press, 1996). She has also published widely in leading scholarly and foreign policy journals, including *Foreign Affairs*, *Comparative Politics*, and the *Latin American Research Review*. She holds a B.A., M.A., and Ph.D. from Stanford University.

JOSÉ ROBERTO LÓPEZ-CÁLIX is the senior economist at the World Bank in charge of the country assistance strategy for El Salvador. He has also coordinated World Bank technical support for the negotiation and implementation of the Guatemalan peace accords. As former coordinator of economic and social policy for Salvadoran President Alfredo Cristiani, he played a critical role in the design of El Salvador's reconstruction program and the economic reforms of the post-conflict period. Mr. López-Cáliz has also served as a consultant to the Inter-American Development Bank and USAID, and has published widely on questions of debt restructuring, structural reform, fiscal adjustment, migration and remittances, and poverty reduction. He holds a Ph.D. in economics from the University of Louvain, Belgium.

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WILLIAM PLEITÉZ is a senior economist for the United Nations Development Program in El Salvador, and coordinator of UNDP's landmark study *Informe sobre Desarrollo Humano, El Salvador 2001*. He is also director and president of the consulting firm Centroamérica Cinco, Consultores Internacionales and former president of the board of directors of the Salvadoran Association of Economics Professionals (COLPROCE). Over the last fifteen years, he has held senior executive and advisory positions in the Salvadoran Ministry of Agriculture, the Ministry of Economy, the Ministry of Planning, the Chamber of Construction Industries, and the Financial System Regulatory Agency (Superintendencia del Sistema Financiero). He has also taught economics at the Universidad Tecnológica and the Universidad Centroamericana José Simeón Cañas. He holds a

Ph.D. in economics from the University of Paris, and undergraduate and graduate degrees from the UCA and the University of Aix-Marseille.

RUBÉN ZAMORA has held numerous positions of political leadership in El Salvador. He served as minister of the presidency in 1979–1980, as vice-president of the National Assembly 1991–1994, as a member of the National Peace Commission 1991–1993, and as a deputy in the National Assembly 1997–2000. He is a founder and leader of the Centro Democrático Unido Party (formerly the Democratic Convergence) and was a presidential candidate in both of El Salvador's post-war elections in 1994 and 1999. Over the last several years, he has published widely on questions of the post-war development of political parties and the economy, democratic transitions and political culture, the National Assembly, and civic participation, among others. Before the war, he headed the political science department of the University of El Salvador. He has an M.A. in politics and government from the University of Essex, England, where he also pursued doctoral studies.

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