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THE ROOT CAUSES OF CENTRAL AMERICAN MIGRATION: TOWARD A HOLISTIC APPROACH

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EXECUTIVE SUMMARY

Effective policy targeting the root causes of Central American migration requires a deep understanding of the complex reasons people migrate. Focusing on only the more visible drivers of migration is not only a waste of resources but a missed opportunity. For example, lack of economic opportunity is obviously a key driver in the northern countries of Central America. But policymakers must address the underlying reasons why investment doesn't flow into the region – weak rule of law and high levels of corruption, in particular. Without that, any gains in employment will be unsustainable.

It is also incumbent upon the governments of Central America to fully embrace their roles as leaders in the effort to tackle the root causes of migration; they are ultimately empowered to improve their citizens' living conditions. Mexico, the United States, and Canada should also embrace their roles as neighbors, partners, and collaborators to combat the most pervasive root causes of migration. It is important to acknowledge that a successful hemispheric collaboration targeting the root causes of migration will not result in zero migration. Rather, it will increase economic development and reduce forced displacement, allowing for normal, orderly migration.

KEY RECOMMENDATIONS

Digitization and digital technologies:

- The Central American governments, the private sector, and civil society should continue to work together to increase access to financial and government services.
- U.S. foreign assistance should strengthen the ability of the Central American press to use the available digital tools to provide appropriate oversight of government contracting procedures.
- The United States should offer the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA) countries a digital services memorandum of understanding (MOU) based on the United States-Mexico-Canada Agreement (USMCA).

Business climate:

- The governments of El Salvador, Guatemala, and Honduras should do the following:
 - Work together to address the governance issues that have halted the process to interconnect the power grids in the region known as SIEPAC.
 - Speed up ongoing investments in the necessary infrastructure and regulatory framework to attract and facilitate nearshoring investments.
 - Strengthen resettlement programs for returnees from the United States.
- The private sector in El Salvador, Guatemala, and Honduras should expand labor education to include gender-based violence information.

The government of the United States should do the following:

- Work closely with USMCA and DR-CAFTA partners to study the benefits of aligning the rules of origin in the two agreements for strategically selected sectors.
- Condition funding across all agencies on an objective ranking of the recipient government's commitment to policy reform and fighting corruption, similar to the model of the Millennium Challenge Corporation.
- Encourage firms to invest in the region only if the Central American governments actively work to reduce corruption and increase transparency.
- Expand the number of U.S. temporary visas available for workers from El Salvador, Guatemala, and Honduras and establish additional legal pathways for temporary workers.

While most of these recommendations are directed toward the public sector, it is important to keep in mind that a top-down or strong-arm approach to reform will not work. The challenges cannot be legislated or regulated away. Rather, successful policy will require close collaboration between governments, the private sector and civil society, both within the Central American region and with the United States, Canada, and Mexico. This will not be a quick fix, but it can be done with sustained focus and political will.

THE ROOT CAUSES OF CENTRAL AMERICAN MIGRATION: TOWARD A HOLISTIC APPROACH

Discussions analyzing the factors that drive many people in El Salvador, Guatemala, and Honduras to leave their countries and attempt to enter the United States have tended to begin and end with economic opportunity and public security. These are critically important, and it is true that if the citizens of these countries could count on good jobs and safe streets, they would feel less pressure to leave. However, both are driven by deep-seated dysfunctions caused by the countries' social and economic structure. Policies intended to mitigate these "push factors" must address the deeper dysfunctions to have sustained results.

There are, of course, also "pull factors" from the United States and other wealthy countries, such as family connections and economic opportunities, which attract migration from Central America. While strong migration motivators, pull factors are not in themselves policy or market distortions that need to be addressed. Rather, they are opportunities to help create the legal, orderly migration system required for any functioning migration management policy.

JOBS AND SECURITY: PROXIMATE CAUSES

The U.S. government has used foreign assistance to promote job creation and professionalize the justice systems in Northern Central America in an effort to improve economic and social conditions. Mechanisms like U.S. Agency for International Development (USAID) and U.S. International Development Finance Corporation (DFC) have encouraged the private sector, both U.S. and local, to invest in job-creating projects. Both claim to have mobilized significant investments and created tens of thousands of jobs. Private sector actors – both foreign and domestic, particularly companies already committed to the region – also invest in response to market conditions, creating new jobs each year. Even so, the economic data suggest negligible employment growth, and many young people graduate from school each year to face meager employment possibilities.

By the same token, U.S. agencies, including USAID and the State Department's Bureau of International Narcotics and Law Enforcement Affairs, have provided hundreds of millions of dollars' worth of training and equipment to the region's governments. Thousands of police officers, judges, and other court officials have received training. Yet rates of impunity remain among the highest in the world.

Given these mixed results, it is worth asking: Why did the private sector not invest more before the U.S. government got involved? Why are the police and justice systems of the region inadequate? Jobs and security are proximate causes; we have to look deeper to find the "root causes."

POLICY DYSFUNCTION: INTERMEDIATE CAUSES

Why the private sector doesn't invest more and create more jobs is not difficult to understand: Corruption taints trade-related procedures like customs clearance. Transportation infrastructure is inadequate. Energy infrastructure fails to provide reliable power, and prices remain high in Northern Central America compared with Mexico. Education and training systems don't produce a workforce that can compete with those in Asia, let alone in the United States and Europe. Land titling and tenancy are unreliable. Health systems are underfunded. Permitting systems are slow, inefficient, and rife with corruption.

The weaknesses of the legal system are also well understood: Courts rely on an antiquated system of written briefs that hinder progress. Even in major cities, many court officials are unaware of relevant laws, often because digital systems to make texts available are inadequate. International agreements – like the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) – are supposed to have automatic force of law, but are often ignored in the absence of specific implementing legislation. Crime scene investigation and evidence chain of custody are spotty. Most crimes go unpunished, even as suspects can spend months in prison awaiting trial. Companies and wealthier individuals then opt for private security, which does not enhance the overall level of citizen security.

All of these factors raise the cost of doing business, which makes investment less profitable, dollar for dollar, than in other regions. They also raise the risk of living and working in the region. The result is to push Central Americans to seek a future elsewhere and to discourage investment and inhibit job creation.

But why do these policy dysfunctions persist? Why have 30 years of democracy failed to produce reforms that would overcome them, enable job creation, and ensure the citizenry's security?

CORRUPTION: THE ROOT CAUSE

Answering these “whys” demands that we ask who benefits from the persistence of these conditions, which in turn brings us to the actual root cause of migration: deeply vested domestic interests for whom the status quo is comfortable and change a threat. These interests defend their positions using tactics that would be familiar to Americans, including lobbying and political donations. However, in some cases, this defensive behavior also involves illicit payments to secure favorable legislative or regulatory outcomes, kickbacks in public contracting, even outright complicity in organized crime. In short, corruption.

Business and other civil society leaders often argue that they are among the first victims of corruption because they make illicit payments and provide other favors in response to demands from politicians or civil servants. Regardless of the truth of that argument, two rules of thumb do seem to apply: First, the larger the role of the government in the economy, the greater the opportunity for and incidence of corruption. And, second, limited democratic oversight, particularly due to a weakened press unable to hold leaders to account, tends to lead to greater levels of corruption.

Corruption in the Central American context is more fundamental than just officials lining their pockets, as ubiquitous as that is. Endemic corruption is about institutions – including public, social, and private institutions – that are pursuing hidden agendas rather than their stated goals. Are leaders making decisions in the national interest, or are they serving hidden interests? Are businesses investing in plants, equipment, and training to compete more effectively? Or are they spreading payments around to manipulate the business environment? Are unions seeking to ensure that wages grow with productivity? Or are they lining their leaders' pockets while their members remain at subsistence wages?

As long as these questions are widely shared among voters, business leaders, and citizens in general, politics will produce second-best outcomes, investment and job creation will be feeble, crime will be rampant, and poverty will be intractable. And people will move in search of a better life.

TOWARD A HOLISTIC STRATEGY

A successful strategy to set Central America on a self-sustaining path to prosperity and security must address each of these layers of causation.

Addressing the proximate causes

Job creation and access to justice are the key to short-term success in reducing migration, and the programs in place are succeeding in a narrow programmatic sense. These programs would have much broader impact if they were accompanied by more ambitious policy interventions:

Regional economic integration: The economies of Central America are modest by global standards and, due to their small populations, always will be. Attracting investment at the scale needed to provide meaningful job opportunities will require a resumption of the Central American economic integration process:

- The governments of El Salvador, Guatemala, and Honduras should build on the advances of recent years to consolidate the free movement of goods among their countries.
- The governments of El Salvador, Guatemala, and Honduras have already approved visa-free travel for their nationals; this freedom of movement should also allow nationals to work throughout the zone.
- The regional electrical interconnection SIEPAC represents a high point of Central America's longstanding economic integration strategy. The parties should work together to address the governance issues that have brought the process to a halt, modernize the underlying agreements as necessary, and enable the government of Guatemala to reverse its decision to leave the regional electrical market integration mechanism.

Relocate supply chains to the region: The movement of global supply chains out of China is a window of opportunity for Central America that is rapidly closing.

- The governments of El Salvador, Guatemala, and Honduras, with support from USMCA partners, should speed up ongoing investments in the necessary infrastructure and regulatory framework to

attract and facilitate nearshoring investments (making supply chains more resilient by moving them and investment closer to the United States).

- The United States, working closely with USMCA and DR-CAFTA partners, should study the potential benefits of aligning the rules of origin in USMCA and DR-CAFTA in strategically selected sectors so that inputs made in Central America can flow into USMCA's supply chain without penalty.
- DR-CAFTA countries' access to the benefits of alignment should be conditioned on policy reform in Central America.

Addressing the intermediate causes

The region receives extensive financial flows of foreign assistance, investment, and remittances from the United States and other countries. Together, these flows represent an underutilized opportunity that could be used to encourage the Central American governments to make more ambitious policy reforms.

U.S. and other bilateral assistance:

- U.S. agencies should follow the model of the Millennium Challenge Corporation (MCC), whose funding is subject to an objective test of the recipient government's commitment to policy reform and fighting corruption.
- Disbursal of U.S. funds used to encourage firms to invest in the region should be conditioned on a dialogue with the Central American governments and meaningful progress by the government in addressing the underlying policy dysfunctions.

Remittances and migration:

- The United States, working with Central American diaspora leaders in the United States and the Central American governments, should establish a "remittance bond" to provide individuals an opportunity to channel a portion of their payments to their home country into productive investment in Central America. The resulting pool of funds could be managed by a binational board of officials and civil society stakeholders, and agreed investments would flow only as policy reforms are made.
- Returnees from the United States are in many cases an invaluable human resource. The governments of El Salvador, Guatemala, and Honduras should strengthen resettlement programs to tap in to the entrepreneurial and other skills these people acquired in the United States.

Gender-based violence:

- The countries of El Salvador, Honduras, and Guatemala experience some of the highest rates of gender-based violence (GBV) in the world, with 95% of crimes against women and girls going unpunished. As a driver of out-migration and a barrier to economic development, GBV is a critical challenge that will require a whole of community response, including the public sector, private sector, and civil society.
- The private sector should embrace the role it plays in communities – a safer community is a more prosperous community – and expand labor education to include GBV.

- The private sector can also raise awareness and support secure reporting mechanisms to create a community-wide effort to reduce GBV and put employers on the side of the region's families.

Addressing the root causes

Corruption is a complex phenomenon now deeply ingrained in Central Americans' lives and business culture. Rooting it out will be a long-term process, and the success or failure largely rests in the hands of Central Americans themselves. A firm commitment by Central Americans and their governments to fight corruption would include several action areas:

Addressing the crisis of democracy: The civil conflicts that tore at the societies of Northern Central America in the 1980s came to an end over 30 years ago, yet many people feel that democracy has failed to deliver.

- Institutions should be reformed as needed, including strengthening institutional processes that ensure transparency and accountability.
- Ultimately, consolidating public institutions that can carry out their mission transparently and with public support is the key to confidence in the future, investment, job creation, and defense of human rights.

Building respect for public institutions:

- The Central American governments should expand resources and services in underserved areas. This necessitates working with willing partners and evaluating whether current laws hinder or facilitate those partnerships.
 - The United States can support this effort with technical assistance and capacity building for local institutions.
 - Local civil society and media organizations – with support from international groups funded in part by foreign assistance – can support this effort by making necessary data accessible.
- In some cases, rights that are provided in law or regulation are not respected. Minimum wage laws, for example, are often not enforced, and public health and pension systems tend to be underfunded.
 - These conditions contribute to the sense that democracy has failed to deliver.

Some of the forces driving corruption in Central America are outgrowths of global phenomena – narcotics trafficking, mass migration, outside actors like Russia, Iran, and China – that are beyond the Central Americans' control. The United States can and should help in a number of ways:

Digitization: The Central American governments, private sector, and civil society have worked together effectively to broaden deployment of digital technologies for access to financial and government services, which is a proven way to curtail opportunities for corruption.

- U.S. foreign assistance should strengthen the ability of the Central American press to use available digital tools to provide appropriate oversight of government contracting procedures.

- The United States should offer the DR-CAFTA countries a digital services MOU based on USMCA to lock in the progress made and provide an incentive to pursue a sustained policy reform agenda.

Nearshoring: Over the long term, the opportunity for Central America to join North America's supply chains will be a cornerstone of Central America's ability to compete and thrive in the global marketplace.

- The United States, Canada, and Mexico should invite the leaders of El Salvador, Guatemala, and Honduras to join the annual North American Leaders Summits. This invitation should be conditioned on adherence to norms of transparency, the rule of law and human rights, and sanctity of contract.
- Ultimately, El Salvador, Guatemala, and Honduras should be invited to join USMCA.

Migration: Migration becomes a challenge to public order when forced migration and displacement fuel irregular and uncontrolled movement.

- The recent carve-out of temporary work visas to the United States for El Salvador, Guatemala, and Honduras is an important first step, though the number of visas available should be expanded.
- In addition, the U.S. Congress should establish additional legal pathways for Central Americans to work in the United States for part of the year to promote a circular movement.
- Central America, which has been a source of migrants, is increasingly a transit area for migrants from other regions on the way to the United States. As the mass migration in the hemisphere proceeds and the United States continues to tighten its southern border, Central America is likely to become a de facto destination area. The United States should provide capacity building to the Central American authorities as they think through how this process has unfolded for Mexico and the implications for Central America.

Counternarcotics and organized crime: The United States bears a special responsibility for these challenges to order in Central America, both because it is the largest market for illicit drugs and because of the unintended consequences of past U.S. policies in the region.

- A de facto rethinking of the 50-year-old "war on drugs" is underway, and the United States should exercise leadership in maintaining a focus on finding ways to reduce the power of organized crime.
- Central American governments, including El Salvador and Honduras, which have taken extraordinary steps to reduce gang violence, should partner with the United States to restore civil liberties while sustaining reduced crime rates and increasing citizen security.
 - Restoring civil liberties and trust in the criminal justice system requires prosecuting abuses that might have harmed innocent civilians during the gang crackdowns.
- As those convicted of serious crimes complete their sentences, whether in the region or in the United States, the United States should work with Central American authorities to establish rehabilitation programs to open a pathway to a dignified life in society.
 - More generally, as programming succeeds in curtailing organized crime, the United States should work with Central American authorities to ensure that alternative economic activities are available to those formerly targeted by gangs for recruitment.

CONCLUSION

The governance challenge facing Central America has its roots in decades – if not centuries – of history and will not be resolved in one or two Central American – or, for that matter, U.S. – electoral cycles. Most of the actions we suggest in this paper will be taken, or not, by Central Americans themselves, and doing so will be politically and financially costly. The role of the United States will be to remain engaged with government, private sector, and civil society actors in El Salvador, Guatemala, and Honduras to reassure them that patient, consistent action over time will move the region’s challenges toward resolution. In doing so, the United States must take care to secure strong bipartisan support and choose our Central American partners wisely. Together, the United States and Central America can, if we keep our eyes on the long-term goal, move toward a Central American region that is free, prosperous, and at peace.



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