

Viewpoints

El Salvador makes sharp pro-US pivot under new president

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JULY 31, 2019

Emerging Markets

El Salvador makes sharp pro-US pivot under new president



Emerging Markets Debt Team
Eaton Vance Management

Boston: El Salvador's \$1.1 billion bond issuance on Tuesday comes against the backdrop of a significant positive political shift, with the election of President Nayib Bukele last February. Bukele, who ran as a political outsider and capitalized on anti-corruption sentiments, has prioritized improved relations with the U.S. and tackling crime. His victory was initially met with uncertainty, as Bukele was relatively unknown and came into power without any concrete support in the National Assembly.

Bukele is very young, a former mayor of the capital with both business experience and social media savvy. His pro-U.S., pro-capitalism leanings are a major change from his predecessor, Salvador Sanchez Ceren of the left-wing, ex-guerrilla FMLN Party. Under Ceren's administration, business investment and confidence had ground to a halt.

Bukele's moves to change the political environment cannot be understated - the country depends on the U.S. for aid, remittances and investment. In a significant symbolic move, Bukele's first public speech as president was in English at the Heritage Foundation in Washington, D.C.

In May, the U.S. (through the Overseas Private Investment Corp., or OPIC) announced a \$350 million loan to help build a new LNG power plant. Bukele's cabinet appointments have also been a pleasant surprise, such as his reappointment of respected finance minister Nelson Fuentes.

The local business community, which for years invested billions in Central America outside of El Salvador, has responded to this political change by announcing billions of new investment onshore, and a lot of those projects have already broken ground.

While tackling crime is a nearly impossible goal, the administration has already brought down homicide rates and announced a new, more forward-thinking policy to address gang activity.

The emerging markets debt team met with Salvadoran government officials last week during the country's first road show in nine years. The team was impressed with their plans and

"El Salvador still has numerous issues, but we feel it could very well be seen as one of the best places for investment in Central America in a few years."

determination for reform. In the words of one official at a recent forum (translated from Spanish): "We have moved from a pro-Chavista government to a pro-investment government."

Bottom line: El Salvador still has numerous issues including weak growth, poor security and worsening fiscal accounts. But we think Bukele has a chance to set the country on the right course - it could very well be seen as one of the best places for investment in Central America in a few years.

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Publication details: Wednesday, July 31, 2019 2:30 PM

Page ID: 29434 - <https://www.evmanagement.com/viewpoints.php>