OVERVIEW OF U.S. POLICY TOWARD LATIN AMERICA

HEARING

BEFORE THE

SUBCOMMITTEE ON
THE WESTERN HEMISPHERE

OF THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

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OVERVIEW OF U.S. POLICY TOWARD LATIN AMERICA

THURSDAY, MARCH 1, 2007

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE WESTERN HEMISPHERE,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:20 a.m., in room 2172, Rayburn House Office Building, Hon. Eliot L. Engel (chairman of the subcommittee) presiding.

Mr. ENGEL. Good morning. A quorum being present, the Subcommittee on the Western Hemisphere of the Foreign Affairs Committee will come to order.

I ask unanimous consent that all members' and witnesses' opening statements be included in the record, and, without objection, so ordered.

I ask unanimous consent that all articles, exhibits, and extraneous or tabular material to be referred to by members or witnesses be included in the record, and, without objection, so ordered.

I ask unanimous consent that any member who may attend today's hearing be considered a member of the subcommittee for purposes of receiving testimony and questioning witnesses after subcommittee members have been given the opportunity to do so, and, without objection, so ordered.

Colleagues and friends, I am pleased to welcome you to the first hearing of the Western Hemisphere Subcommittee of the Foreign Affairs Committee, and my first hearing as subcommittee chairman.

I first want to recognize my colleague and friend and our subcommittee's ranking member, Mr. Burton. We have worked closely over the years, and particularly over the last year, when I served as ranking member, and Mr. Burton was chairman. We have had a seamless transition, and I look forward to continuing our excellent, bipartisan relationship on this subcommittee. I have long believed that foreign policy should be bipartisan, and I am pleased to have an excellent relationship with Mr. Burton and know that it will continue.

I want to, before we begin, introduce some of the staff on the subcommittee. My longtime chief of staff has moved to staff director on the subcommittee, and I want to acknowledge him and acknowledge all of the good work that he has done, and we also will have other staff on the subcommittee, and I want to thank them and acknowledge the good work that they have done so far and the work that they will continue to do: Jason Steinbaum, the new staff

director; Eric Jacobstein, the professional staff; and the staff associate, Erin Diamond. So I look forward to working with all of you.

I want to also acknowledge the vice chair of our committee and my good friend and colleague from New York, Gregory Meeks.

Today's hearing will provide an overview of United States policy toward Latin America and developments in the hemisphere. We are particularly fortunate to have Assistant Secretary of State for Western Hemisphere Affairs Tom Shannon with us this morning.

Universally, everyone I speak with in both the United States and Latin America has nothing but the highest praise for Mr. Shannon. I have followed his work for many years, and I must say that I concur. Mr. Shannon, you are a first-rate diplomat, and although it sometimes appears that Democrats and Republicans do not agree very much in Congress, I believe we can all agree on your tremendous skills as our chief diplomat for hemispheric affairs.

This morning's hearing, and it was timed accordingly, is particularly timely, in light of President Bush's March 8th-to-the-14th trip to Brazil, Mexico, Colombia, Guatemala, and Uruguay. I applaud the President on making this trip to the region, and I hope it is a sign of things to come in the remaining 2 years of the Bush administration.

Ranking Member Burton and I, along with members of the subcommittee, are pleased to be sending a joint letter to President Bush today applauding his upcoming visit to the region and encouraging him to more intensively focus on the Western Hemisphere during the rest of his presidency. In the letter, we explain that, with anti-Americanism on the rise in our own neighborhood here in the Western Hemisphere, positive engagement with Latin America can play a pivotal role in promoting a shared hemispheric agenda.

We also argue that poverty and inequality are at the core of many political developments in the region. I firmly believe that working closely with our neighbors to combat poverty can serve the dual purpose of promoting development and reducing anti-American sentiments.

While I am hopeful that the President's upcoming trip will foreshadow increased engagement with the hemisphere; the administration must put its money where its mouth is. I am seriously concerned with reductions in assistance to the Western Hemisphere in the President's 2008 budget, including a $70 million reduction in developmental assistance and a $36 million reduction in funding for child survival and health programs.

I am pleased that Nicaragua, Honduras, and El Salvador have signed large compacts with the Millennium Challenge Corporation, but targeted assistance to these three CAFTA countries must not be a substitute for our traditional foreign aid and our engagement with other developing countries in the hemisphere.

I also continue to be concerned by the prohibitions on foreign aid that have been imposed on countries that have not signed article 98 agreements with the United States. This is a major issue for countries in the Western Hemisphere.

As you may know, last year, I, along with then-Chairman Burton, successfully led a bipartisan group of Foreign Affairs Committee members, urging Armed Services conferees to strike restric-

tions on international military education and training, which we know as "IMED funds," in the Defense Authorization Act. As you know, this section has become law.

I am also pleased by the President's recent waiver of article 98 restrictions on Economic Support Funds for 14 countries, including Bolivia, Costa Rica, Ecuador, Mexico, Paraguay, and Peru. But we are still unnecessarily tying our hands, as only Colombia and El Salvador receive foreign military financing in the President's 2008 budget.

As Secretary Rice once said, "We are," and I quote her, "cutting off our nose to spite our face."

I would like to quickly address some of the issues facing specific countries in the hemisphere. Firstly, I want to emphasize how pleased I am with President Bush's efforts to begin extensive cooperation on biofuels and alternative energy with Brazilian President Lula da Silva. Reducing our dependence on foreign oil has been a top priority for me in Congress, and I believe that we can learn a great deal from Brazil on this front.

Ethanol supplies 40 percent of the motor fuel used in Brazil, and, in 2005, over half of new cars sold in Brazil were flex-fuel cards, running on a mixture of ethanol and gasoline. As the sponsor of a major, bipartisan, alternative fuels bill in the House, I look forward to learning more about United States-Brazil cooperation in this area, and I am interested in working aggressively with all of you to learn from the Brazilian model here in the United States and share our expertise with other countries in the region.

Haiti is personally very important to me. With a strong mandate to govern, President René Preval is in a unique position to reduce poverty and rebuild Haiti's fragile democratic institutions. For the first time in years, there is a window of opportunity in Haiti and a bipartisan consensus here on Capitol Hill, but that window is small, and we must act quickly. I am pleased by the overall increase in foreign assistance to Haiti in the President's budget, particularly the $36 million increase in HIV/AIDS funding.

It is important that we let Haitians know that the United States will stand by them for the long haul this time. Sustained engagement with and assistance to Haiti are key, and as someone who proudly represents one of the largest Haitian communities in the United States, I am also interested in identifying ways that the tremendous talents of the Haitian diaspora residing in my district in Spring Valley, New York, and elsewhere can be tapped into so that they can contribute to Haiti's democratic path toward peace, prosperity, security, and stability.

Moving on to Colombia, I have been impressed by the impact that Plan Colombia has had in homicides, kidnappings, and massacres, particularly under President Uribe. But the current scandal, involving alleged ties between paramilitaries and Colombian lawmakers is of serious concern to me. The scandal points out significant corruption within Colombia, yet, at the same time, democracy is not always neat and tidy, and the fact that these lawmakers are being arrested shows that the rule of law is taking hold in the country.

As you know, many estimate that Colombia has the highest number of displaced persons in the world, after only Sudan. This prob-

lem is particularly severe among Afro-Colombians, and I hope that President Uribe and the Bush administration can concentrate on this during the next phase of Plan Colombia.

Venezuela is obviously a country that all of us are watching closely. President Hugo Chavez has a number of policies which are of concern to me and some rhetorical excesses which do not contribute to a positive bilateral relationship. He also has several policies about which I am less concerned.

As chairman, I would like to stay away from a confrontation with President Chavez, and I believe that Mr. Shannon is steering the right course with Venezuela in his steady diplomacy.

Likewise, we are all watching developments in Cuba very closely. With Fidel Castro's temporary, and likely permanent, departure from the Cuban political scene, the United States needs to be prepared for a post-Castro Cuba. We cannot, obviously, put off these considerations until the day after. I would like this subcommittee to be heavily involved with that.

And, finally, I want to touch on an issue that is problematic throughout the hemisphere: Impunity. The United States and international community need to work closely with our partners in Latin America, putting an end to impunity. The recent U.N. agreement with Guatemala to identify clandestine Guatemalan security groups and help dismantle them as a very positive step in the right direction. But the murder of three Salvadoran politicians last week, and then the murders in prison of four Guatemalan policemen linked to the crimes, are particularly troubling.

Likewise, gang violence in Central America continues to be extremely worrisome.

When we look at all of Latin America, and we see the disparity in terms of income, economic disparity, where a very, very small percentage of people at the top are doing extremely well and are extremely wealthy, and then the tremendous, overwhelming amounts of the population are living in absolutely unacceptable poverty, this is a powder keg, and this is certainly something that I think the United States cannot turn a blind eye to.

I realize that the dangers I have discussed are wide ranging, but I hope that we have a chance to focus on a number of them in today's overview hearing.

I want to acknowledge our majority members on the committee. I thank them all for coming, and I welcome Mr. Klein, Mr. Delahunt, Mr. Payne, Ms. Giffords, Mr. Sires, Ms. Sánchez, and Mr. Meeks on our side of the aisle. I know that Ranking Member Burton will mention his members as well.

So thank you very much, and I am now pleased to call on Ranking Member Burton for his opening statement.

[The prepared statement of Mr. Engel follows:]

PREPARED STATEMENT OF THE HONORABLE ELIOT L. ENGEL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK, AND CHAIRMAN, SUBCOMMITTEE ON THE WESTERN HEMISPHERE

Good morning. A quorum being present, the Subcommittee on the Western Hemisphere will come to order. I ask unanimous consent that all Members and witnesses' opening statements be included in the record, and without objection, so ordered.

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While I am hopeful that the President's upcoming trip will foreshadow increased engagement with the hemisphere, the Administration must put its money where its mouth is. I am seriously concerned with reductions in assistance to the Western Hemisphere in the President's 2008 budget including a $70 million reduction in development assistance and a $36 million reduction in funding for child survival and health programs. I am pleased that Nicaragua, Honduras and El Salvador have signed large compacts with the Millennium Challenge Corporation. But targeted assistance to these three CAFTA countries must not be a substitute for our traditional foreign aid and our engagement with other developing countries in the hemisphere.

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I would like to quickly address some of the issues facing specific countries in the hemisphere. First, I want to emphasize how pleased I am with President Bush's efforts to begin extensive cooperation on biofuels and alternative energy with Brazilian President Lula da Silva. Reducing our dependence on foreign oil has been a top priority for me in Congress and I believe that we can learn a great deal from Brazil on this front. Ethanol supplies 40% of the motor fuel used in Brazil and in 2005, over half of new cars sold in Brazil were flex-fuel, running on a mixture of ethanol and gasoline. As the sponsor of a major bipartisan alternative fuels bill in the House, I look forward to learning more about U.S.—Brazil cooperation in this area and am interested in working aggressively with you to learn from the Brazilian model here in the United States and share our expertise with other countries in the region.

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I realize that the issues I have discussed are wide-ranging but I hope that we have a chance to focus on a number of them in today's overview hearing.

Thank you very much. I am now pleased to call on Ranking Member Burton for his opening statement.

Mr. BURTON. Mr. Chairman, thank you for your kind remarks. We have worked well together in the past, and we even have friends together in New York. So I look forward to working with you. I wish we were in the majority, but, unfortunately, we are not, so we will have to rely on your leadership, and I am sure it will be very, very well.

I would like to introduce the people on my side of the aisle before I make my opening remarks.

Connie Mack is from Florida. He is a very congressman, and he has been very interested in Latin American affairs, in particular, the problems created in Venezuela, and he will talk about that.

Michael McCaul is not here with us today.

Mr. Fortuño is here with us, and, hopefully, he will be with us for a while before he becomes governor of Puerto Rico, and we have some staff people here that I would like to introduce.

Mark Walker is my chief of staff, and he is going to be head of the committee for the minority.

Kristen Jackson is also on my staff. She helps with my research.

Connie Mack has Frances Gibbs. Hold up your hand, Frances. Frances Gibbs works with him.

Ari Stein works with Mr. McCaul. Mr. McCaul is not here yet.

And Mr. Fortuño has Javier D. LeLuze.

Those are the people that will be working on our side of the aisle, and we look forward to working very closely with you in the majority.

I would like to submit my statement for the record and just kind of speak off the cuff for a minute, Mr. Chairman, if I might, so if I could put that in the record.

Mr. ENGEL. Without objection, so ordered.

Mr. BURTON. The Bush trip is a very, very important trip right now. I think President Bush realizes the gravity of the problems we face in Central and South America, and I am very happy that he is going down there and going to meet with a number of leaders.

President Lula of Brazil, as you said, Mr. Chairman, is going to be working with us on biofuels and alternative fuels, and we are very happy that that is a relationship that we hope will grow.

President Uribe in Colombia has been a good friend. He has worked very hard in fighting and combatting the drug problem down there, and I think we need to continue to do what we can to assist him in that endeavor, as well as working with him for economic growth in the region.

One of the things that is very disconcerting to me is we have talked about poverty in Latin America and what kind of an impact that has on the political structures down there. President Chavez has been, in my opinion, taking advantage of the poverty with the vast amounts of oil money that he is getting, and he is using that money to move many of those governments down there to the left, and I think that bodes very ill for the United States and for the region, long term.

It seems to me, we have to do something to eliminate poverty or minimize poverty down there, and one of the tools that could be utilized to do that is passing free trade agreements, which will create opportunities for employment for a lot of those people. If we do not, people like Chavez, who is getting $100 million a day, $65 million of it from us, will continue to use that money for the purposes that he thinks are important.

As you know, Mr. Chairman, he has been working with Fidel Castro, and Fidel Castro, back all the way since he took power, has been trying to move all of Latin America to the left, to the communist movement, direction. Che Guevara was killed down there trying to start revolutions, and now we have Chavez down there, who is like a blood brother to Castro with money, who is trying to do the same thing, and it is a real concern of mine, and I would like to say to Mr. Shannon and the State Department, who are going to be talking today, that we have not paid enough attention to Latin America.

It is really bad because Latin America is our front door. We have an immigration problem that has not receded a great deal, and we are trying to protect our borders while, at the same time, working with our Latin American and Central American neighbors. Unless we deal with the problems down in Central and South America, things are not going to get any better; they are going to get worse

because we have got people like Chavez down there, who is taking the bull by the horns and moving the entire subcontinent down there in South America to the left.

I know we have problems in the Middle East. I know the problems in the Middle East are very severe, and I know that they could lead to some major confrontation, in addition to the problems we have had in Iraq. But what worries me is Chavez is working with people like the leadership in Iran, and he is buying all kinds of war materials. He is getting submarines now and every kind of war material you can think of, as well as trying to subvert some of those democracies down there and move them into the leftist column.

So it seems to me that the United States of America, in addition to dealing with the problems in the Middle East, and I know that is a Herculean effort, we have to pay attention to Central and South America.

In my opinion, if we do not deal with the problems in Central and South America, in the not-too-distant future, we are going to have a major confrontation down there that will rival, or maybe even be a lot worse than, what we saw in the early eighties in El Salvador and in Nicaragua and elsewhere, and that is a problem that I do not think any of us wants to deal with.

The problems in the Middle East are very important, and we need to stabilize that region and help over there as much as possible, and I support the President's efforts in that regard, but Central and South America; we have not paid enough attention to them. If everything gets out of control down there, we are not only going to have wars; we are going to have massive immigration.

People in El Salvador and Nicaragua ran like hell to get out of that area when those wars were going on, and many of them are in the United States today and are very good citizens, but can you imagine what could happen if we had those kinds of wars throughout Central and South America? We would have massive flight from that area for people wanting to protect themselves, and, economically, it will be a hardship, not only on that region but on the United States of America, as well as a grave security threat.

So, in my opinion, and I am saying this for the State Department, and I hope you will comment on, Secretary Shannon. I am saying this to the administration as well. We need to direct a great deal more attention to Central and South America, as far as poverty is concerned and as far as national security is concerned, and I applaud the President for going down there to meet a lot of those leaders and talk about these problems of mutual concern right now. We need to put more resources down there.

Finally, let me just say to my colleagues on the other side of the aisle, for whom I have great respect and admiration, we really need to reevaluate our attitudes toward free trade agreements. One of the tools, as I said earlier, that will help reduce and maybe, long term, eliminate poverty is to create free trade zones down there so Americans can go in there and invest, and we could have a two-way street, as far as trade, which will create jobs.

I know there are labor problems here in the United States. I know the argument about jobs leaving this country, but it seems to me, from the standpoint of national security and economic secu-

rity for South and Central America, as well as the United States, we really need to reevaluate our position and push to pass some of these free trade agreements, which, I think, will help a great deal.

I have talked a long time, Mr. Chairman, but I think these are very important issues. I appreciate you being chairman, and I look forward to working with you, and I yield back my time.

[The prepared statement of Mr. Burton follows:]

PREPARED STATEMENT OF THE HONORABLE DAN BURTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

I would like to personally thank our two distinguished panels for being here today as we begin to delve into the United States' policy toward the diverse nations that make up Latin America, specifically with a keen interest in the current state of affairs and the President's upcoming trip to the region. It is my hope that we are able to determine specific goals for mutual successes with our Latin American counterparts.

Let me start by highlighting some of the successes we have already achieved, success that we must not lose sight of. First, the Security and Prosperity Partnership agreement of 2005 provided a blueprint to combine efforts on issues from common border-security strategies to enhanced infrastructures protection and the ability to combat transnational threats. By addressing common security and prosperity issues through this process, officials in the United States, Mexico and Canada have enhanced existing relationships, created new ones, and have strengthened the foundations for ongoing cooperation among our countries.

Recent talks between the United States and Brazil have initiated extensive cooperation on biofuels and alternative energy. This joint endeavor with Brazilian President Lula da Silva provides an avenue for improving many relations across the region. This is precisely the type of dialogue and partnership that can help to enhance U.S.—Latin American relations.

It is equally important to look to nations such as Colombia which encompass a myriad of challenges within its border, but has made great strides in stemming the growth and use of drugs while addressing other challenges that accompany such widespread illegal activity. As Plan Colombia enters Phase II we should applaud the major developments that have been accomplished and not downplay the significance of our ability to slowly shift resources from a military focus to more social and economic development within Colombia.

That said there is much room for improvement and cause for concern in Latin America. The shift away from democratic values in the region combined with close ties to rogue states such as Iran produces a deadly combination within our hemisphere.

The transfer of illicit drugs continue to make their way to the United States, providing a scary correlation to the flow of immigration and the concern of open access for terrorists. The Security and Prosperity Partnership begins to address this with Canada and Mexico, but we need to work with the nations in Latin America to establish secure borders and knowledge of who is entering and leaving a country.

The final area I would like to highlight is the business climate and the role of trade in Latin America. Economic prosperity is the only way impoverished countries can create the conditions to alleviate poverty, promote the rule of law and strengthen democratic and civil institutions, and thereby improve the lives of the millions who now live in poverty. The opening up of the economy through free trade agreements is one way to achieve economic prosperity. However, the recent trend of tightening the governmental reign over businesses through nationalizing key services is providing the opposite result. Unwillingness to recognize national debt further perpetuates the problem. The ensuing withdrawal of investors from across the world will have a lasting impact on individual countries as well as the region as a whole.

We have a tough agenda before us today. I look forward to hearing each of your perspectives on where we have been with a focus on where the President can be effective while in Latin America, and the best method by which U.S. policy makers should proceed from here.

Mr. ENGEL. Thank you, Mr. Burton.

I would now like to give other members an opportunity for 3 minutes to make an opening statement, but before I call on Mr. Meeks, I want to just say that we have not forgotten our friend to

the north, Canada, who is also in the Western Hemisphere, and we will be doing things with Canada as well.

And I would like to point out that, in December, in anticipation of my chairmanship, many of us on the committee visited both the Dominican Republic and Haiti, two countries that we feel are very, very important and need a lot of attention.

So now, opening statements for 3 minutes. The gentleman from New York, Mr. Meeks.

Mr. MEEKS. Thank you, Mr. Chairman, and I look forward to working with you and Ranking Member Burton, as well as Secretary Shannon, as we move forward.

Latin America, when we think of Latin America, we hear immigration, drug trafficking, paramilitaries, trade, and the rise of leftist rule and populism. That is what comes to mind for most people that I have talked to lately about Latin America.

There is talk about the impact of immigration here in the United States but not much talk about why citizens of our neighbors to the south want to leave their homes to come here, particularly from the White House. There is lots of talk about left-leaning governments but not as much talk about why they are leaning left.

Here, in Congress, there is contention over trade but not much talk about how preferences and bilateral agreements have been a positive step in our relationship with our allies. They can and have gone well beyond the realm of economic policy to be used to help development.

As El Salvador's President Saca noted recently, the first anniversary of the implementation of the United States CAFTA Agreement with his country is today, and during this year, El Salvador has increased by 20 percent all of its exports and the economy has doubled in size. Saca said, "There is no doubt that free trade has allowed this to become true."

My focus, as a Member of Congress that cares deeply about the poorest members of society in this hemisphere, is leveraging that kind of economic growth for the advancement of the poor. That is why I am pushing to see our trade agreements and the region coupled with more generous dollars for development and targeted capacity and infrastructure building. We did this in CAFTA by including $40 million that otherwise would not have been there.

The evidence shows that most marginalized citizens in Latin America have been largely neglected by their governments and our assistance. It is my objective to see that citizens like those in Haiti, the indigenous in Guatemala, the Afro-Latinos displaced in Colombia, and many others in the countries of South and Central America will have access to upward mobility through our attention to social, as well as economic, factors, using tools like development assistance and trade-capacity building for progress.

Latin America does not matter. Consciously, people do not give a damn about Latin America. That is the career advice that President Richard Nixon offered a young and impressionable Donald Rumsfeld. Richard Nixon's advice forecasted our nation's foreign policy perspective toward the region.

We have gone from aligning ourselves with dictatorial regimes, when it was convenient during the Cold War and the Central American wars of 1980, and allowing the CIA to manipulate the af-

fairs of South and Central American nations to ignoring the plight of the poor, and now we complain about leftist regimes while our Government puts most of its energy into fighting in Iraq.

I think the circumstances that surround the administration's announcement that the President will be embarking on his most extensive trip to Latin America ironically represents the apathetic approach of our policies toward the region. Why? Well, the President's trip coincides with the release of his 2008 budget, which slashes desperately needed development funds and anti-drug funds.

The President will essentially gallivant on a five-country tour with empty hands but lots of rhetoric, mostly about why Chavez is bad, Cuba needs a change, and democracy is the answer for progress. While our rhetoric goes up, our aid goes down. Venezuela's aid to its neighbors is going up, and Chavez's aid has a socially conscious aim.

But let me be clear. I do not agree with many of the antics and the divisive rhetoric of Chavez. However, we can criticize Chavez all we want, but what matters most to the poorest in the region, with the world's largest income inequities, is, who will bring their plight to light? Who will help?

Perhaps we can turn the page in our policies with the region. Rather than Nixon-like indifference toward Latin America, I would like to take the perspective of the "Good Neighbor Policy" of 1933, envisioned by President Franklin Roosevelt and his Secretary of State, Cordell Hull, when they labored to win Latin America goodwill by following a policy that included not only trade, but because the United States was in the midst of the Great Depression, and they hoped to increase trade with Latin America and spur economic recovery.

Let me conclude with this. The African-American author, James Baldwin, once said, "American history is longer, larger, more various, more beautiful, and more terrible than anything anyone has ever said about it." He also said, "Anyone who has ever struggled with poverty knows how extremely expensive it is to be poor."

As someone who knows personally the high price of poverty, I think it would be extremely costly and dangerous to our nation if we remain, through our policies, indifferent to the plight of the poor and the marginalized in Latin America.

Mr. ENGEL. I thank the gentleman. The gentleman from Florida, Mr. Mack.

Mr. MACK. Thank you, Mr. Chairman. I look forward to working with you. In the conversations that we have had, I know that your heart and mind are in the right places, and I appreciate that so much. Also, as I see my colleagues on the other side, we have also had the opportunity to talk about a lot of these issues and work together, and I look forward to continuing to do that on this committee and in other matters.

Mr. Shannon, I think you have heard already today from both sides that there is a feeling that we have not focused enough attention on Latin America. Some of the rhetoric, even though when we say we are not using rhetoric, we are, on both sides, most of it is true. That is the reality of it. My good friend just said that the President is going to go down and say Chavez is bad. Yes. Well, Chavez is bad.

So the reason the rhetoric stings is because it is real, and the reason that we are having the problems that we are in Latin America is because we have not focused on, and we have turned out attention away from, Latin America.

There are many challenges in our hemisphere, and you have heard many of them articulated today. I could sit here and go through a laundry list of things, not just in Venezuela but in all of Latin America. Some will want to point to successes. Some will want to point to failures. The reality is we need to have benchmarks to determine whether or not we are making progress in some of these efforts or if they are slipping.

I would suggest that if you look at some of the countries in Latin America, there are signs that our democracy building could be better and that there are signs that countries and people are having influence in Latin America, to the detriment of democracy and freedom.

I think we all can agree and believe that one of the things we need to do is to focus on the poverty, on the issues that are important to the people of Latin America, and also have a policy on what we are going to do about the governments in Latin America. We need to have more than one field of attack on the issue in Latin America.

There are a lot of passions up here, and certainly I am passionate about the issues in Venezuela and in Latin America.

I want to thank you ahead of time. We are going to have an opportunity to meet later today, and I look forward to that discussion. My comments this morning and my questions will be about what are we going to do for the future. I am excited that the President is going down, but I agree with Mr. Meeks that I want to see some results. I want to see some tangible things that we are doing. I do not want to talk any more about a policy that says we do not want to have a rhetorical war with Chavez. Well, of course, we do not.

I am not just listening to the words that Chavez speaks; I am watching the actions that Chavez takes. We need to be more aggressive, we need to pay more attention, and, most of all, we need to let the people of Latin America know that we support them and that we support the ideas of freedom and democracy because we know it will make their lives better. Thank you, Mr. Chairman. I look forward to working with the committee, and I look forward to your testimony.

Mr. BURTON. I thank you, Mr. Mack. We look forward to working with you as well.

The gentlewoman from California, Ms. Sánchez.

Ms. SÁNCHEZ. Thank you, Mr. Chairman, and I will try to be brief so that we can get to the actual testimony.

I just wanted to say that, since September 11th, the Bush administration and, quite frankly, Congress as well, has all but ignored Latin America. Aside from aggressively trying to push an expansion of that NAFTA trade model, it appears that Latin America has all but disappeared from the regional stage.

It has become painfully clear that public opinion of the United States has declined dramatically throughout Latin America, and I think that that is really a tragedy because the United States has been, and should continue to be, a positive partner with our neigh-

bors throughout the Western Hemisphere. If we are going to be serious about repairing our relationship in the region, however, we need to focus on the underlying problems of poverty, human rights abuses, and development. While I am pleased that President Bush is finally visiting the region, Congress also, I believe, needs to take a more active role.

Last November, I had the opportunity to travel to Colombia, and I saw firsthand many of the challenges that are facing our friends and allies in the region. So I want to see a renewed focus on responsible economic development, coupled with a strong commitment to promoting human rights, and I am pleased to be working with Chairman Engel, Ranking Member Burton, and my other colleagues on the subcommittee to focus on meeting these challenges. Thank you, Mr. Chairman, and I yield back.

Mr. ENGEL. I thank the gentlewoman.

It is my pleasure to call on the gentleman from Puerto Rico, Mr. Fortuño. I have told him that, besides himself and Mr. Serrano, I think I am number three in the amount of Puerto Ricans that I represent of all of the Members of the United States Congress. The gentleman from Puerto Rico.

Mr. FORTUÑO. Thank you. Thank you, Mr. Chairman. We are all proud of your representation of my colleagues. I want to thank you, Mr. Chairman and Ranking Member Burton, for holding this hearing. I am pleased to welcome Assistant Secretary Shannon as he presents an overview of U.S. policy in the region, and I also want to thank you for your service to our nation as well. Oftentimes, we fail to do that, and we should do that with everyone coming here.

As you mentioned, Mr. Chairman, I represent a Caribbean/United States territory with unique ties to the rest of Latin America. We are very close to where a lot of the action is, actually, less than an hour away from Venezuela, very close to Cuba and Central America, with close ties, economic and otherwise, to Central America and the region.

I share the comments that were made on both sides of the aisle regarding the need for greater focus on the area. When we talk about Latin America, we have to understand that these are our strongest allies and partners, in addition to being our next-door neighbors, and it is in our own interest to, indeed, do this.

If I may, I would strongly suggest that we base our relationship on respect, mutual respect, and a partnership on economic development and growth and on individual freedoms and human rights. If we do that, I believe we can forge the partnership that actually we all want to see happen.

Actually, I go back to the Alliance for Progress, and yesterday we were in a meeting with President Saca, and I mentioned that my uncle headed the Alliance for Progress under President Kennedy. I know that it was not just about financial assistance; it was about respect, mutual respect, that that alliance was forged. And I believe that working in a bipartisan way, we can, indeed, achieve those goals.

I have shared concerns about human rights in the area, having to do with Venezuela and otherwise, but I believe that if we can focus on the positive, we can achieve a lot more. Thank you again.

Mr. ENGEL. I thank the gentleman. Now, I will call on the gentleman from New Jersey, Mr. Sires.

Mr. SIRES. Thank you, Mr. Chairman. I could probably echo and repeat everything that was said here because I think, ever since I have been in high school, everybody has been telling me about the potential of Central and South America and the Caribbean, and here we are, in 2007, and everybody is talking about how this country never focuses on the region.

Just looking at the budget this year, with everything that is going on in the world, I see that there are cuts in some of the most important things to this area. We have cuts in child survival and health programs. We are looking to cut $5 million in assistance to Bolivia.

I am very concerned that the policy of this country is creating a void, and it is creating a void where it gives opportunities to other people to come in and fill that void. You have Chavez, you have Iran now in the region, and I am deeply concerned that we are missing the boat in more than one way.

But I am going to just end here because I want to ask you a question when we get to your statements. Really, I do not know. It just seems that, for years and for years, people just have ignored this region, and it is the closest to us, and we should be closer to them. So thank you, Mr. Chairman, for the opportunity to say a few words.

Mr. ENGEL. I thank the gentleman. The gentlewoman from Arizona, Ms. Giffords.

Ms. GIFFORDS. Thank you, Mr. Chairman. First of all, I would like to congratulate you for becoming the chairman of this committee and also for Ranking Member Burton, who, I understand, just stepped out of the room. Being from southern Arizona and having lived and worked in Latin America, I certainly never believed that I would end up serving in Congress and serving on the Western Hemisphere Subcommittee. It is a real honor, and it is a real pleasure to be here today.

Briefly, because we are here to hear from Secretary Shannon, my big concern is that this administration, this Congress, has largely ignored Latin America, largely ignored the fact that, with this new economy, there are going to be real winners and real losers, and if Latin America does not fall out on that end of the spectrum of being winners, it is going to have a very strong, direct impact on us in the United States.

I am on the front lines of an immigration crisis, and if we do not work with our colleagues in both Mexico, Central America, South America, we will continue to see a very large flow of immigrants that are seeking better prosperity, and we are on the front lines of that. So it is a real issue that affects my district, one of ten United States-Mexico border districts. It affects this Congress. It affects national security.

So, Mr. Chairman, again, thank you for having me serve on your committee. It is an honor to be here. Thank you.

Mr. ENGEL. Thank you, and I look forward to working with you. I know there are many, as you said, border issues, and we will be exploring every one of them. We welcome your input and perhaps

can come down to your district and deal with some of those very real issues in a field hearing in the future.

Now, the gentleman from New Jersey, actually, a classmate of mine coming to Congress 10 terms ago in the same year, Mr. Payne.

Mr. PAYNE. I do not know if that is bad or good. My colleagues over here who are saying, "I lost," sound like my opponent. But let me just congratulate my classmate, as he mentioned, Representative Engel, for becoming the chairman of this committee, and I have to commend him for the initiative that he has taken already.

As he indicated, we took a very important trip to the Dominican Republic and Haiti. We visited the sugar cane-producing areas in the D.R. and even reviewed some of the substandard working conditions. As a matter of fact, CNN went down to follow Chairman Engel, so I really commend him for taking the initiative, and I look forward to working with him.

Even though former Chairman Burton is out of the room, I will say nice things about him anyway. He is a decent person. We served together on a number of committees, and he was definitely committed. I have to give him credit. He has an open mind, and he would go to see by himself, and, in many instances, I am sure, to the chagrin of some of his colleagues on the other side, he had an open mind to Mr. Chavez, wanting to go to see what was going on. So I commend him for, at least, being curious and trying to be open minded.

We are certainly looking forward, and I will be as brief as I can, on this policy because I think that the U.S., as I mentioned to one of the former secretaries, Noriega, that we did not only have a bad policy, I told him at that time; we had no policy, in my opinion. And it makes no sense that our neighbors to the south, so important, so many people from Latin America and South America in our country, that we would ignore the hemisphere. It, to me, like I said, makes no sense.

So, as we know, next Thursday, President Bush will embark on a week-long trip to Latin America. His visit is the first trip to the region since becoming President, so I think that really says something about where this hemisphere was on the agenda. So, hopefully, though, we can catch up. The neglect of Latin America has cost us important allies in recent years and months. The popular opinion of the United States in Latin America is waning, going down, and resentment against the United States is growing.

As we reflect on the current, volatile, political situations throughout Latin America, it is important that we examine the reasons why large swaths of the population in this hemisphere have thrown their support behind populist leaders, such as President Hugo Chavez of Venezuela and Evo Morales of Bolivia.

Let us start by effectively addressing poverty and inequality, as Congressman Meeks mentioned, two enemies of democracy which have grown exponentially in recent decades. I think that the Inter-American Development Bank's debt cancellation of five Latin American countries is a step in the right direction—Bolivia, Guyana, Haiti, Honduras, and Nicaragua—which is a step that we should really try to capitalize on. Let us make sure that our policies help ensure prosperity and justice for everyone and demand

more accountability on the part of governments whom we are sending aid to.

I visited Colombia last month, the largest recipient of United States aid, and I know that Congressman Meeks and Delahunt have been frequent travelers to the area and are concerned about that area, but as I discovered, as we know, African-Colombians comprise roughly 25, in some estimates, up to 40 percent of the population, but they live in persistent fear of guerrillas and paramilitary violence.

They get it from both sides. They are displaced. They are without adequate protection from the government. The army does not get in to protect them, and they endure substandard living conditions: No running water, no electricity, no decent schools, and no jobs. So there has to be attention, as we do Plan Colombia, $400 million, that this population not be marginalized.

Let me conclude that in Brazil, another home of the largest population of African people outside the continent of Africa, about 75 million people, from African descent, which ties the population of the United States, as a matter of fact, racial disparity still marginalizes the Afro-Brazilian population.

I have to say that we have a great U.S. Ambassador, Ambassador Sobel, who recently went to Brazil, and I think that he has a creativeness, and I hope that his policies will catch on.

So our policies must ensure that special attention be given to the historically marginalized and disenfranchised ethnic groups within the region.

Finally, recently, I traveled to St. Croix for the Summit on HIV and AIDS. The economic impact of AIDS is severe. It has silently plagued this part of the world, the second largest incidence of HIV and AIDS, right in our hemisphere, and nothing is being said about it.

So, as co-chair of the bipartisan, Congressional Caribbean Caucus, co-chaired by Representative Weller, we will be following up on this situation. The impact of the pandemic throughout the Caribbean is devastating, and we must find ways to address it.

Mr. Chairman, I really look forward to with you in this term.

Mr. ENGEL. Thank you, and now the gentleman from Massachusetts, Mr. Delahunt. He is extremely knowledgeable about the Western Hemisphere. Mr. Delahunt.

Mr. DELAHUNT. Yes. Thank you, Mr. Chairman, and it is very good to see you sitting where you are, and it is very good to see Mr. Burton sitting where he is sitting.

Mr. ENGEL. What does that mean?

Mr. DELAHUNT. Let me echo the kudos that have been visited upon the Secretary. I have appeared with him in different venues, speaking to the issues that this particular subcommittee is concerned about. I know he understands the issues, and I think that he shares a vision that we all can embrace, both Republicans and Democrats, in terms of our Latin American policy.

As an aside, Mr. Shannon, let me particularly compliment you on the rhetoric that has emanated from the Department of State regarding issues in Latin America. It has been measured, it has been respectful, and I think it is extremely important and, hopefully,

will bear fruit in terms of our bilateral relationships with every country in South America.

Having said that, to pick up on an observation by Don Payne, I think it is important to understand, and I think there is a consensus, that the greatest enemies of democracy are not individuals or individual nation-states but, rather, poverty, lack of hope, profound disparity and inequality of income and wealth. While we can share those values, I think it is incumbent upon both the administration and this Congress to not simply talk the talk but walk the walk.

When I reflect and think that the country of Egypt receives in excess of $2 billion of assistance from this country, and yet the entire continent of South America receives somewhat in excess of $1 billion, it tells me that we are not walking the walk, and that has to be addressed. We have got to get serious about that commitment. We cannot just simply rely on rhetoric that sounds good at subcommittee hearings.

Myself and the Chair of the committee, Mr. Meeks, Mr. Sires, and others are working on legislation now that reflects the proposal that was passed out of this committee last year, under the leadership of the then-chair, Mr. Burton, that reflected a Herculean effort by now Senator Bob Menendez, the so-called Social Investment and Economic Development Fund for the Americas.

I think that that passage, and the support by the administration of that particular proposal, is absolutely essential, and we hope to file that bill, and I am sure we can secure support from our Republican colleagues in the near future. We are simply waiting to receive a final version from Senator Menendez, and we would hope that you would take the message back to the administration that this is a proposal that this subcommittee and that this Congress is very interested in, and we hope that we can count on your support for its passage. With that, Mr. Chairman, I yield back.

Mr. ENGEL. Thank you. The gentlemen from Florida, Mr. Klein. I know he wanted very much to get on the subcommittee, and we are happy to have you here.

Mr. KLEIN. Thank you, Mr. Chairman, and welcome, Mr. Secretary, and I look forward to working with all of the colleagues on this committee.

Many of you have expressed the fact that we all live in communities that are impacted, of course—all of us in the United States are impacted by activities that happen in our hemisphere.

Those of us who live in Florida, and South Florida, in particular, have the uniqueness also, as many of you do, of having a higher level of families, business interests, reaction when things do not go well in South America, and, historically, when the ups and downs, the various movements of governments, take place in Central and South America, there is a great deal of immigration, a great deal of humanitarian need, and a great deal of interest from the communities in Florida, as is there in your communities as well.

So this is something that I would certainly echo, without restating what everybody said, that there needs to be a much higher level of interest.

One specific example, I think, of the reason that Mr. Chavez and the Iranian Government have been able to attempt and, in some

cases, make some inroads is because, of course, of the fact that there is a receptive environment, and it has been expressed by a number of people today that, whether it is humanitarian, whether it is jobs, whether it is quality of life, Mr. Chavez's populist statements, his views, his actions, his money have all had at least some reception in some of these communities in Latin America.

I think we heard, in another committee meeting yesterday, that there was a 1-day conference on Latin America hosted by the Iranian Government, which was attended by representatives of Argentina, Colombia, Venezuela, Cuba, Brazil, Uruguay, Italy, and Russia. Obviously, the Iranian Government is, as we already know, also trying to extend its influence and probably many of its anti-American beliefs and values and encouragement into our back yard as well.

So I think that we all recognize, and it has been stated today, that there is a problem. There has probably not been the level of effort and support, and it is not just money. We probably need to spend a lot more money, but it is what we do with the money. What is the outcome? What is the measurement? It is about quality of life. It is about—I do not want to use the term "winning hearts and minds," but, in a sense, you understand what I am saying when I say that.

It is about convincing people in these countries that what we are suggesting to them, in terms of way of life, is in their best interest, not because we are telling them, but we are showing them that the way we live our life in the United States can be shared with them, those values, those qualities, those job opportunities, and it works in a hemispheric way.

So I think it is something that we need to take very, very seriously. We cannot be neutral. We cannot be passive. We need to be aggressive because there are other interests out there right now that are being very aggressive in trying to convert people living in those countries to a different line of thinking, which is extremely adverse to the United States' interests, and we cannot be casual about that.

So, in your comments, if you could address what you believe the State Department's view and reaction and interests and strategy is, in dealing with the Iranian influence, and how you see that playing out as well.

Mr. Chairman, I look forward to working with all of the members of this committee in really pronouncing a much more active role that our Government can take in building relationships with our friends in Latin America.

Mr. ENGEL. I thank the gentleman.

Well, now, Secretary Shannon, it is an honor to have you, and it is an honor, I guess, for you to appear at our first meeting, but part of what goes along, the baggage that goes along, is that everyone is enthused, and we want to all make opening statements, so we apologize for you having to listen to us, and now we want to listen to you, and we are all ears, so you have the floor, Mr. Secretary.

STATEMENT OF THE HONORABLE THOMAS A. SHANNON, JR., ASSISTANT SECRETARY, BUREAU OF WESTERN HEMISPHERE AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. SHANNON. Mr. Chairman, thank you very much, and Mr. Burton, Mr. Meeks, Mr. Mack, and Mr. Fortuño, Ms. Sánchez, Mr. Sires, Ms. Giffords, Mr. Payne, Mr. Delahunt, Mr. Klein. I am honored to be here, and I can tell you, I enjoyed listening to the statements.

I appreciate the interest, I appreciate the presence, and I look forward to the questions and the give and take because, from our point of view, we have worked hard, and I know that you all have worked hard, and you staffs have worked hard, to try to make our policy in the region as bipartisan as possible. Because we recognize that when we work together, we work better, and the degree to which we are clear in terms of what our goals are, we are clear in terms of what our policy levers and devices are, and we are clear on how we use them which is vital to our success in the region.

I appreciate the fact that all of you have echoed a desire to be more engaged in the region, to be more involved in searching for solutions to problems in the region, and recognition that what we are facing in the region is, to a certain extent, a challenge for democracy.

I have submitted a written statement, which I will not run through in great detail, but there are some highlights that I would like to point at as I prepare for your questions, and these points are fairly straightforward.

The first is, from our point of view, the Americas, and this is how we refer to our region, as "the Americas," because today it includes Canada, especially within the Bureau of the Western Hemisphere Affairs, but in the Americas, we believe that we are really on the cutting edge of transformational political and economic change in the world today.

This is a region that has completed the first and most dramatic stage of political change. It has moved largely from authoritarian governments to democratically-elected governments. It has moved from closed economies to open economies that rely on trade to link to globalized markets. But it is a region that now faces the next generation of transformational challenges, and, although not as dramatic as the first, in some way, these challenges are more persistent and more difficult to overcome, and that is really finding a way for democracy to be able to address the really dramatic social agenda that this region faces, especially in terms of poverty, inequality, and social exclusion.

Our engagement in the region, U.S. policy in the region, is designed to help our partners meet this challenge and to show, at the end of the day, that democracy can deliver the goods.

The focus of our policy is fourfold. First, to consolidate democracy and the democratic gains of the past; secondly, to promote prosperity and economic opportunity in the region; third, to invest in people because we recognize that economic opportunity without individual capacity to take advantage of that opportunity is meaningless to the vast numbers of the poor and vulnerable in Latin America and the Caribbean; and, finally, to protect the security of the democratic state.

In our diplomacy, and in our efforts to achieve these goals, we are guided by five principles. The first is that we have to maintain our political and commercial engagements in the region and that our engagement has to be sustained, and I believe one of the messages that I am getting from all of you is some doubt about whether that message or that engagement has been sustained. I hope that, in the course of this talk, I will be able to convince you that it has been but that the challenges are large.

The second principle is that we need to continue a positive agenda in the region, focused on helping our partners be successful. This is what our partners want from us. They recognize that we can help them achieve their goals, and those goals are largely positive.

Third, we need to articulate our policies in terms of economic and social development and well-being.

Fourth, we need to use multilateral institutions, regional trade agreements, and the summit process, the Summit of the Americas process, to promote integration and build social cohesion within the Americas.

And, finally, we need to develop strategic partnerships to promote our goals, and this has actually been one of our larger diplomatic efforts, not only strategic partnerships in the region, with key players in the region, but also strategic partnerships outside of the region, with countries that have real interests inside of the Americas.

Our foreign assistance budget is concentrated strategically to help us achieve our goals. I have heard here a real concern about the size of that budget. In the written statement, I highlighted four emblematic cases about how we have been focusing our assistance over time to areas where we think we can have the most impact.

The first of those was Colombia and the Andean countries, the second was Haiti, the third was Cuba, and the fourth was support for trade-capacity building in order to allow countries to take advantage of free trade agreements and take advantage of preferential access programs in order to make sure that the opportunity and prosperity that come from them actually moves quickly and easily through societies.

However, it is important to understand and recognize that our engagement in the region is larger than our foreign assistance budget. At the level of the State Department, there are several things that I would like to point out that indicate an increased engagement in the region.

First, we are moving additional positions to Embassies in the region under the Global Repositioning Program. I am sure you remember that Secretary Rice, having recognized that we were probably heavy in our Embassies in Europe and not having enough people on the ground elsewhere in the world, began a Global Repositioning Program, which, in the Bureau of the Western Hemisphere Affairs, will add 26 new overseas positions to our Embassies in places like Venezuela, Bolivia, Nicaragua, Brazil, Haiti, Guatemala, and Peru.

Also, we are in the process of creating six American Presence Posts in the region, which will allow us to enhance our outreach, especially to those towns and large cities in the region in which we

do not have consulates or consulate generals or Embassies but where we really need to have a presence.

Finally, in terms of the State Department, we are in the process of spending about $1.8 billion in construction and upgrading Embassies and consulates. This is a physical commitment to the region, as we enhance our ability to do our work in the region.

Finally, we are also in the process, within the Bureau of Western Hemisphere Affairs, of reorganizing our bureau in order to make it reflect better the realities and the challenges that we face today in the region.

But more broadly, our engagement, under the leadership of President Bush and Secretary Rice, from my point of view, has been significant, and it has been dramatic and, I think, shows that we have been far from absent from the regime.

Let me just cite a few indicators which, I think, underscore this. First, in terms of Presidential engagement and Presidential trips to the region, the trip the President will be making next week will be his eleventh trip in the Americas. Now, three of those eleven have been to Canada, but even if you discount those, he has traveled into the region eight times. This is more than any President in the history of the United States.

He has also visited more countries than any President. He has attended three Summits of the Americas, and he has hosted the OAS General Assembly in Florida. The last time the U.S. hosted an OAS General Assembly was under the Presidency of Jimmy Carter.

Just in the year 2006, the President had 19 bilateral meetings with regional leaders and one trilateral meeting in Cancun, Mexico, and he has had 34 head-of-state phone calls. That is more than one significant contact with a head of government per week. So, at least, in terms of the President's time, there has been significant engagement.

In terms of our assistance, it is also important to note that, under the leadership of President Bush, the United States has doubled annually its assistance to the region. Under the previous administration, we spent, on average, and this includes the $1.3 billion we put into Plan Colombia, about $800 million a year. Through 2007, we have spent, on average, about $1.5 billion to $1.6 billion. It does not compare, as Mr. Delahunt noted, to Egypt, but it is a significant increase over time.

Again, if you look at what the previous administration spent in 8 years, which is $7.4 billion, this administration spent in 5. It spent $7.6 billion in the region. So, effectively, each dollar we spend, from today onward, is extra money for the region.

Also, the administration, through the Millennium Challenge Account, has brought $850 million in new funding to the region, and this is only so far. We are in the process of negotiating Millennium Challenge compacts with several other countries in the region that could increase this amount.

In terms of the fight on HIV/AIDS, up to this point, we have spent about $142 million in addressing HIV/AIDS, and if you look at the 2007 and 2008 budget requests, this will increase this amount to a total of about $335 million.

If you look at the Peace Corps, this administration has increased Peace Corps spending in the region by about 30 percent on an annual basis, and this translates, on average, to about 600 more volunteers in the field each year.

In regard to free trade agreements and preferential access agreements, we have concluded and signed free trade agreements with countries that represent about two-thirds of the GDP of the hemisphere, and, through preferential access agreements, effectively, about 85 percent of all goods coming from the regime enter the United States duty free. In dollar terms, this has nearly doubled in terms of what was entering the United States in 2001.

Job creation figures are hard to address. We believe that the Andean Trade Preferences Act and the extension, the Andean Trade Preference and Drug Eradication Act, have created about 1 million jobs in the Andes. That is a significant impact, economically and socially.

Also, as you know, there is a huge flow of remittances from the United States into the region, and it increases dramatically each year. The last estimate put it at about $45 billion a year flowing from the United States into Mexico, the Caribbean, and South America.

One of the initiatives this administration has undertaken is to reduce the transfer costs of remittances. When this administration came into office, the transfer costs were around 15 percent of all of the money moving into the hemisphere.

We, working with the Treasury, working with the Federal Reserve, working with the Inter-American Development Bank, and banking systems and financial systems in the region, and working through the Summit of the Americas process, have been able to reduce transfer costs to about 5.6 percent.

What this means in real terms is about 5 billion extra dollars a year are flowing to those recipients of remittances and are not being captured by agencies that transfer the money. This comes out to about $300 per recipient family per year, and, again, that is a significant amount of money and, I believe, a significant accomplishment.

Finally, in terms of debt relief, through the Highly Indebted Poor Countries Initiative, through the G–8 Debt Relief Initiative, which was a U.S. initiative, and then through our efforts to import the G–8 Debt Initiative into the Inter-American Development Bank, which was an initiative of President Bush's at the Summit of the Americas meeting in Margo Plata, we are poised, effectively, to forgive, over time, about $17.3 billion in debt of the poorest countries in the region.

Again, this comes out, on average, to about $550 per person in those poorest countries. When you consider that in those countries, average health care is about $50 per person, we really are creating a financial space that these governments will be able to take advantage of.

Again, I am going to stop my statement here. I recognize there are questions. I recognize Mr. Klein, in particular, would like me to address Iran. I am happy to do all of this in response to your questions.

I believe that the President's trip to the region gives us a great opportunity to say, yet again, how we have engaged in the region, to underscore our commitment to the region, and to listen and hear from the region what the region would like to see from us because, ultimately, as we engage in the region, as we push an agenda which is democratic, which is about building economic hope and prosperity, we believe that, through this positive engagement, we can help the region address some of the tremendous social problems it faces.

Mr. Chairman, thank you very much for this opportunity, and I look forward to your questions.

[The prepared statement of Mr. Shannon follows:]

PREPARED STATEMENT OF THE HONORABLE THOMAS A. SHANNON, JR., ASSISTANT SECRETARY, BUREAU OF WESTERN HEMISPHERE AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to discuss the Administration's foreign assistance priorities for the Western Hemisphere and our overall vision for the region. The opportunity to meet with you is especially welcome coming only one week before the President's five-country swing through South America, Central America, and Mexico.

The Americas are on the cutting edge of transformational political and economic change in the world. Unlike other regions, the Americas have already completed, with one exception, the first and most dramatic stage of such change: moving from authoritarian regimes to democratically-elected governments, and from centrally controlled, closed economies to open, trading economies that link to global markets.

Today, the thirty-four democratic states of our hemisphere face the next generation of transformational challenges: how to build enduring democracies and market-based economies that can address a regional social agenda dominated by poverty, inequality, and social exclusion.

The Americas, through the Summit process, the institutions of the Inter-America system, and the Inter-American Democratic Charter, have committed themselves to addressing their fundamental social and economic development challenges through democratic means. In the clearest terms, the Americas have asked this question: Can democracy deliver the goods? Can democracy provide the benefits and services required by its poorest and most vulnerable citizens while protecting the rights and liberties of all its citizens?

By answering this question affirmatively, the Americas have expanded our understanding of citizenship and democratic participation beyond voting and political activity to include participation in the economic and social life of our nations. It is no longer enough for our citizens to have a voice in determining our national destinies. They also need to have access to the economic opportunity, the individual capacity-building, and the security to become agents of their own personal destiny. In short, democracy in the Americas becomes the means by which individual freedom and human dignity is asserted and made manifest.

This understanding of democracy has created what President Bush has called a "revolution in expectations." In a speech he gave in Brasilia, Brazil, in November 2005, the President asserted, "In free societies, citizens will rightly insist that people should not go hungry, that every child deserves the opportunity for a decent education, and that hard work and initiative should be rewarded. And with each new generation that grows up in freedom and democracy, these expectations rise—and the demands for accountability grow. Either democracies will meet these legitimate demands, or we will yield the future to the enemies of freedom."

Meeting these "legitimate demands" has presented a challenge to many national governments. Weak institutions in some countries, and the political difficulty of effecting the microeconomic and national changes necessary to extend the benefits of democracy and free markets to all people, has generated impatience and frustrations. It has also created an opportunity for the emergence of a competing vision of development in the Americas. This competing vision harkens back to earlier development models in the Americas, and is based upon centralized, commodity-based economies, authoritarian political leadership, and the assertion that the demands of social justice and the intent of the majority trump respect for individual rights and

liberties. This vision did not succeed in the past, and we do not believe it will succeed today.

As these differing visions compete for influence in the Americas, it is important to remember two things: First, these visions will compete on political terrain, within democratic processes and institutions, and the victor will be determined by results and not by ideology or rhetoric. Second, although this competition will express itself in some countries through political dispute and conflict, it is an expression of a more fundamental struggle: how to address poverty, inequality, and social exclusion. In this regard, we should not underestimate the volatility created by growing social resentment and bitterness among the poorest and most vulnerable sectors of the Americas.

The United States is committed to helping our partners in the Americas successfully take the next step in this hemispheric process of transformational change. Our policy engagement, our diplomacy, and our foreign assistance is aimed at drawing the link between democracy and development, and showing that democracy can deliver the goods. Our activities in the region focus on the following:

Consolidating Democracy and Promoting Prosperity: U.S. policy offers a positive vision based on the benefits of representative democracy, economic integration, and faith in the transformative power of freedom in individual lives. The United States recognizes that the inequality of income and wealth that characterize much of the region make it difficult for democracy to thrive. Sustainable economic growth and political stability are only possible if governments provide access to the political system, economic opportunity, and social justice to all citizens, especially the poor and marginalized. We will continue to lead hemispheric efforts to catalyze private sector investments, reduce the cost of doing business, and expand access to microcredit.

Investing in People: Our policy aims at inclusion. All citizens, not just elites, should benefit from the opportunities of democracy. For citizens to realize their full potential in freedom requires deepening investments in health care, education, and rural development. We will help to combat illiteracy and improve the quality of and access to education; strengthen health systems to treat and prevent infectious diseases, including HIV/AIDS, and improve maternal and child health.

Protecting the Democratic State: In recent years, the United States and our regional partners have fundamentally transformed the security agenda of the Americas and forged a consensus on the vital link between security and prosperity. Today's challenge is confronting nontraditional, multidimensional threats such as organized crime, terrorism, gangs, natural disasters, and pandemics. By protecting the people of the Americas from those who operate outside the law, we strengthen democracy, promote social justice, and make prosperity more likely.

As we work toward these goals, our diplomacy will be guided by the following principles:

- Maintain our political and commercial engagement in the region;
- Continue a positive agenda focused on engaging our hemispheric partners to support their efforts to consolidate gains;
- Articulate our policies in terms of development and economic well-being;
- Use multilateral institutions, regional trade agreements, and the Summit process to promote integration, and build cohesion
- Develop strategic partnerships to promote our goals in the hemisphere.

To accomplish our goals, and underscore that we remain an indispensable partner to countries intent on being successful, we have established foreign assistance priorities that are reflected in our budget request. Emblematic of those priorities are the following:

- *Colombia.* A successful Colombia will change the face of South America. The U.S. has committed over $5 billion since 2000 to support Colombia's comprehensive approach to fighting the intertwined threats of narcotics and terrorism and improving the lives of the Colombian people. Colombia itself has paid the majority of the costs and continues to increase its defense and social spending. Challenges remain, but under President Uribe's leadership, Colombia is a success story for transformational diplomacy. For the first time in over a generation, Colombians can envisage the possibility of real peace, and the Colombian government is poised to make it a reality. We have developed a plan for U.S. support of Colombia's consolidation strategy to lock in this progress and take advantage of Colombia's new realities. The Colombian strategy puts increased emphasis on consolidating state presence through access to social services and on development through sustainable growth and

trade. Our success will depend on maintaining U.S. assistance while we equip Colombia to assume responsibility for programs we are now funding.

- *Haiti.* Haiti just completed local elections, finishing a year long cycle of voting that has put in place democratically-elected leaders at all levels of government for the first time in a decade. We now face an implementation challenge as we seek to build a stable state and create conditions for economic growth. The U.S. is Haiti's largest donor, providing over $600 million between 2004 and 2006. The President has requested $223 million for Haiti for FY2008. U. S. assistance will strengthen governance and the rule of law, improve security, foster economic growth and address humanitarian needs. WHA will engage with international partners to secure their long-term commitment and robust support for Haiti, including through the UN Stabilization Mission in Haiti (MINUSTAH). Fourteen Western Hemisphere contributors provide approximately half of MINUSTAH's strength.

  Together, Colombia and Haiti account for 56% of our FY2008 budget request, or $813 million. When combined with other priority Andean countries, Bolivia, Ecuador, and Peru, these five countries account for 72% of our budget request. This represents an important shift in funding over the last 15 years. The same five countries accounted for only 20% of our FY1992 foreign assistance budget, and only 62% of our FY2006 bilateral allocations. We will continue to target our assistance strategically to areas where it will have the greatest transformational impact.
- *Cuba.* The U.S. Commission for Assistance to a Free Cuba detailed in July 2006 steps for the USG to increase the flow of information to the Cuban people, to step up enforcement of economic sanctions, and to increase support to civil society and the opposition through $80 million in assistance programs in FY2007 and FY2008. We believe that this assistance can be a catalyst for democratic change in Cuba. We are prepared to increase diplomatic outreach and have prioritized $45 million for our efforts in Cuba in our FY2008 budget request.
- *FTAs.* We have already completed free trade agreements that cover two-thirds of the hemisphere's GDP and are working to sustain forward momentum on trade by empowering the private sector to take full advantage of the existing FTAs, link U.S. and other development assistance to building capacity for free trade, and highlight the benefits of free trade for workers and the environment. We have signed our trade promotion agreement with Peru and announced our intention to sign the trade promotion agreement with Colombia. We plan to continue discussions with Panama. We also need to help FTA partners like the Dominican Republic and Costa Rica conclude the final steps toward bringing CAFTA into force in those countries. We prioritized $40 million in regional funds for labor and environment capacity building in the CAFTA–DR countries.

Overall assistance levels to the region have nearly doubled since the start of this Administration, rising from $862 million in FY2001 to a FY2008 request of $1.47 billion. Funding from the Millennium Challenge Account will continue to complement other USG assistance programs for years to come as the Millennium Challenge Corporation (MCC) provides a total of $866 million in Compacts to Nicaragua, Honduras, and El Salvador, and builds upon a Threshold Country Program in Paraguay. We expect MCC projects, which aim to reduce poverty through sustained economic growth, to magnify the impact of our foreign assistance programs. This mutual reinforcement will pave the way for future growth opportunity.

The President's vision for this hemisphere is rooted in partnership. Next week I will accompany the President on his eleventh trip in the Americas with stops in Brazil, Colombia, Guatemala, Mexico, and Uruguay. The President's visits will reaffirm his commitment to furthering political, economic, and social advancement in these countries and will strengthen his relationship with the democratically-elected leaders of these nations. Together, with these partners and the visionary leadership of the OAS and the IDB, we will link democracy with development, generate broad-based growth through freer trade and sound economic policies, invest in the well-being of people from all walks of life, and make democracy serve every citizen more effectively and justly.

Mr. ENGEL. Thank you very much, Mr. Secretary. As I said in my opening statement, I think that your coming here, just before the President leaves for the region, gives us an excellent opportunity to exchange views, and I hope that, after the President's

trip, we can continue our discussions about what he observed and what the administration intends to do.

At our February 7th full committee budget hearing with Secretary Rice, I expressed to her my concern with overall reductions in development assistance to Latin America and the Caribbean. I pointed out that, while I am pleased that Nicaragua, Honduras, and El Salvador will receive large disbursements from the Millennium Challenge Corporation, I am concerned that overall development assistance for the region is down over $70 million from Fiscal Year 2006, and child health and survival funding is down $36 million.

She responded, and I quote her, "Aid to Latin America has risen dramatically since the start of this administration. It's gone from $862 million in 2001 to $1.4 billion in 2008."

In your testimony today, you recognized that the three MCC compacts make up $866 million of that total. The Secretary said, again, on February 7th, "We have been shifting some of our focus from service delivery and health and basic education in places where we think that it is well advanced and perhaps where host countries have resources of their own to spend."

I would argue that many of the cuts are taking place in countries in our hemisphere with massive needs in health, education, and other development-related areas. How do you explain the administration's extensive cuts in development assistance and child health and survival funding in the 2008 budget?

I want to also tack onto that a country that some of us have mentioned, and that is Bolivia. It is the poorest country in South America, and yet the President proposes to cut assistance to Bolivia by $20 million in the 2008 budget.

How does the administration plan to sustain its level of influence there with a cut, and do you believe that preemptively downgrading our relationship with President Morales will signal to him our lack of interest in engaging with his government? There is a lot of talk about Morales being the next Chavez and that perhaps we will have difficulty with him, but if we want to try to avoid that difficulty, how do we justify cutting his country in aid?

Mr. SHANNON. Bolivia, of course, falls within the larger Andean Counterdrug Initiative, and as we worked through the budget requests, we faced a variety of challenges. One was a directive from the Congress to take soft side money, counternarcotics soft side money, spent in ACI and put it into Economic Support Fund categories.

One of the challenges we face is that when you move money out of a specific spending vehicle, like the Andean Counterdrug Initiative, and you move it into a more global vehicle, like Economic Support Funds, the competition for the money grows, and suddenly you are competing not only within the Andean Counterdrug Initiative pot, but you are competing against priorities elsewhere in the world, all of which we are familiar with.

In that regard, we made a determination that, given the challenge we face in the region, and given the important partnership that we have established with President Uribe and with Colombia, and looking toward the consolidation, a plan that President Uribe was going to present as a follow-on to Plan Colombia, we needed

to be in a position to fully fund Colombia, and that required cuts elsewhere within the Andean Counterdrug Initiative.

In that regard, we worked very hard to preserve as well as we could our assistance to Bolivia, and although there has been a decline in the assistance, the important part is that we remain engaged in Bolivia and that the assistance that Bolivia is receiving remains significant. I believe it is over $100 million, about $111 million, if I remember correctly, in the 2008 request.

Our Director for Foreign Assistance, Ambassador Tobias, is traveling in the Andes right now. He started in Ecuador. He is moving to Peru. I believe he is in Peru today, and then he will be in Bolivia. He is having an opportunity to meet with the Presidents of these three countries and other important ministers to address these funding priorities.

In regards to Development Assistance, the Secretary said it much better than I could. Obviously, again, we face significant challenges as we attempt to work through our budget process, and, in a perfect world, we would like to have more funding available to us for Development Assistance. I would note, however, that even with the cuts you noted, our Development Assistance levels still remain high historically, and compared especially to Development Assistance funding in the previous administration, I believe they are at or above those levels.

Mr. ENGEL. Let me just say, you have heard the concerns of about all of us on both sides of the aisle, and we understand that when you are doing a budget, there are pulls and tugs, and in a wonderful world, we would have unlimited sources of money, and we do not.

But I think what we are really all saying is that what worries us is budgets show priorities, and the fact that we have got to make these cuts, we are worried that the administration does not really still accept the fact that this hemisphere should be a priority, and we just want to say that we think it should be more of a priority than reflected in the budget.

I want to ask you one other question. We have a couple of votes, I understand, two votes, and what I will do is let Mr. Burton ask a question, and then I think we will recess and come back immediately after the vote. There are just two votes.

I mentioned in my statement the article 98 problems, and I will be reintroducing legislation this year to strike all of the sanctions against countries which have not signed an article 98 agreement. Does the administration plan to work with Congress in removing Economic Support Fund and foreign military financing restrictions in the coming year, and is the administration ready to support legislation to eliminate these self-defeating sanctions? Mr. Burton and I worked in tandem in the last Congress on this. Secretary Rice has agreed that this is something that needs to be changed. What is the administration going to do?

Mr. SHANNON. Again, thank you very much. Obviously, the restrictions coming out of article 98 on ESF, MFF, IMET, and transfer of excess DoD equipment in the region has been worrisome for us. Secretary Rice, as you noted, has expressed this on several occasions, both in the Congress and publicly, and our larger concern has always been that the armed forces in Latin America are in a

moment of transition as they look for and understand the new security dynamic in the region and that the security dynamic we face is no longer one of state-on-state violence but one of transnational actors, whether they be drug traffickers and organized crime or terrorists or environmental natural disasters and pandemics.

In this regard, the kind of dramatic transformation that has been taking place within the U.S. military is of real interest and value in the region, and the degree to which we can share that, the degree to which, through our IMET programs, we can engage the officer corps of our partner countries, the degree to which, through our FMF programs, we can work directly on equipment sales are all very important to us in our diplomacy and in our transformational diplomacy agenda.

So it is our hope that we will be able to expand that engagement, recognizing that the article 98 issues are still important issues for us, and we still are working with our partners in the region to look for ways to promote the goals of article 98.

Mr. ENGEL. Thank you. Mr. Burton.

Mr. BURTON. Since we have limited time, I am just going to ask you one question, or two questions together, and then I will submit questions for the record.

First of all, one of the things that has concerned me and, I think, others is Mr. Chavez down there has poured an awful lot of money into the electoral process in a number of countries—Bolivia, Nicaragua, and others—and the United States—I just do not know how to say this—it does not seem that we have taken as much of an interest in those countries in the electoral process as Chavez has. As a result, they have governments that are sympathetic to him and Fidel Castro and are moving to the left.

I would like to know, in the future, what we are going to be doing to make sure that the influence of Mr. Chavez and the communist leftist movement down there does not start winning all of these elections, or winning a number of these elections, which could lead to real disaster down the road. That is the first thing.

The second thing is, and you can answer them both at once, where you see trade preferences, a number of these countries down there are not going to get their free trade agreements approved by the Congress this year, and I do not know if you have been working with Charlie Rangel and some of the other people in the Congress, but I would like to know what the prospects are for trade preferences being extended because if those trade preferences are not extended, and there is no free trade agreements, I think it is going to cause economic hardship down there in a lot of those countries, which could lead to the kind of problems that we do not want to see.

So if you could answer those two questions, I would appreciate it.

Mr. SHANNON. Again, thank you very much, sir. They are both very good questions and important issues.

Regarding elections, we actually have been working very closely, not only with the OAS in terms of electoral monitoring but also with other institutions that do electoral monitoring, in order to make sure that as elections do take place in the region, there is

regional focus on the elections, that they have in place the means and the mechanisms to monitor the elections——

Mr. BURTON. Let me just interrupt. This is real important.

Mr. SHANNON. Yes. Sure.

Mr. BURTON. Chavez bought fertilizer and sent it in there. He bought helicopters and sent them into Nicaragua. He bought trucks. He poured all kinds of money into Nicaragua.

What I am asking is, in addition to making sure that there are fair elections and free elections, the influence that he buys with these things creates a leftist movement as far as the voting trends. What are we going to do to deal with that?

Mr. SHANNON. Again, an excellent point. I guess the immediate response would be that, with all of that assistance, Daniel Ortega still received fewer votes, in terms of percentage, than he had received in any previous election. So although Mr. Chavez attempted to buy influence, in terms of votes, he did not succeed. What allowed Mr. Ortega to win the election was changes to the electoral law that had taken place several years before, which were really the result of a pact between Mr. Ortega and Mr. Aleman.

In fact, I think what we found in the region is that, without a doubt, Mr. Chavez has a lot of money; without a doubt, he has ambitions; and, without a doubt, those ambitions extend to trying to play an influential role in elections. But what we, at least, have seen through the region is a real resistance among voters to this kind of external participation in elections, and, in fact, where he has been the most aggressive, such as in Peru, he has failed.

Obviously, one of the things we need to do is highlight this kind of behavior when we see it, and there are a variety of ways to do it. One is by ourselves, which we can do and have done. Another way of doing it is multilaterally through institutions like the OAS and other electoral observation institutions, and, again, that is something that we need to do.

This is an issue that we have tracked closely. It is an issue that we do concern ourselves with, but, at the same time, we have found, in our dealings in the hemisphere, that people care about democracy. They care about their institutions, and they do what they can, through their votes and other mechanisms, to protect them. In that regard, the degree to which we are able to highlight this kind of intervention, it tends to backfire.

I am sorry, sir. What was your second question?

Mr. BURTON. Regarding free trade agreements and trade preferences.

Mr. SHANNON. As you will recall, at the end of the last Congress, Secretary Rice did send a letter requesting extension of the Andean Trade Preference and Drug Eradication Act, preferential access for Ecuador, Bolivia, Peru, and Colombia, because of concerns about the pace of movement of free trade agreements in the Congress, but also in recognition that countries like Bolivia and Ecuador had not negotiated free trade agreements and probably were not going to be able to negotiate them in the short term.

This is something that we hope, through our U.S. Trade Representative and others, to have an important discussion with all of you and other Members of the Congress because, ultimately, we recognize our goal is free trade agreements. Our goal is the eco-

nomic opportunity that is created by those free trade agreements. But, at the same time, we recognize that several of the countries in the region are not in a political position to achieve those free trade agreements, and that the preferential access agreements are important to them in terms of job creation.

I noted that, by our estimates, the goods coming into the United States, because of these preferential access agreements, probably have created about 1 million jobs in the Andes. These are jobs that are vitally important to the social well-being and stability of the Andes. So we look forward to having this conversation with you.

Mr. ENGEL. Mr. Secretary, we have two votes. I am going to recess the committee probably for about 20 minutes, and immediately after the second vote, we will be right back, and we will pick up where we left off.

Mr. SHANNON. Thank you.

Mr. ENGEL. We will recess for about 20 minutes.

[Whereupon, at 11:40 a.m., the subcommittee was recessed.]

Mr. ENGEL. The subcommittee will come to order, and I thank the Secretary for being patient with us, but we should have a lot of time now. I do not think there are votes for another few hours, so we should have plenty of time for the rest of the hearing. I want to recognize the fact that Mr. Mack is now sitting right to my left, and I want to call on the vice chair of our subcommittee for his questions. Mr. Meeks.

Mr. MEEKS. Thank you, Mr. Chairman. Again, Mr. Secretary, great having you. Let me see if I can get my few questions in real quick.

My first question will be towards—I made my statement about CAFTA and what was happening with the CAFTA countries, et cetera, and we were very successful in getting some $40 million in trade assistance or trade-capacity dollars. I know you have been following through with what is happening with the Millennium Challenge Account.

We have been having some difficulty because, as I said, I am focused on trying to help the poor, and following, I have been trying to find out in some of the CAFTA countries where the money is going and whether or not it is getting into the hands to help those individuals with trade capacity. I asked Secretary Rice the same question when she was here. She indicated that someone would get back to me, and I have yet to hear from anyone.

So I was wondering whether or not you had any insight as to where the trade-capacity dollars were going with reference to the Central American countries and whether or not you could tell me that because I think the chairman—we would be very interested on this committee to go down and see how that is working in those countries. So that is my first question. Let me try to get that in real quick.

Then, secondly, my question, of course, would be about the plight of the African Colombians, in particular, those who have been displaced. They have lost their land, et cetera, and there has been a law on the books in regards to having them have title to their land and coming back to their land. I voted for Plan Colombia and probably would vote for it again. I know you have even made a state-

ment that the second phase of Plan Colombia needs to be more social in nature.

So I am wondering, where are we headed in that path, in dealing with the whole Plan Colombia. Also, President Uribe has had Plan Pacifico, which was specifically for the areas of Chimichaqua, Tumaco, Facatativa, Galet, and all of these areas, you know, where African Colombians are on the coast and whether or not some Plan Colombia money can be dedicated to Plan Pacifico, and we can work something out with them so that they can put some money in so that we can really see a difference in the lives of those individuals.

My last question would be just something to give us an update, you know. We have got some folks in New York City and Mexico who are very concerned about the death of Brad Will and that there has been no communication as far as the investigation is concerned, and I was wondering if you can bring us an update as to whether or not we can get a real investigation in regards to the murder of Brad Will in Mexico.

Mr. SHANNON. Thank you very much. In regard to Mr. Will, I did have the opportunity to speak to some of the people here who are interested in that investigation and received information from them. I did not have kind of the latest update to be able to give them, in terms of the investigation, but I did commit to find out about that and communicate directly with them, and I am happy to share that information with you also once we have it.

[The information referred to follows:]

WRITTEN RESPONSE RECEIVED FROM THE HONORABLE THOMAS A. SHANNON, JR., TO QUESTION ASKED DURING THE HEARING BY THE HONORABLE GREGORY W. MEEKS

The U.S. Embassy in Mexico City and the Department of State have been monitoring the situation in Oaxaca and the ongoing investigation into the death of Mr. Will since his tragic passing. Embassy officials have expressed the concerns and interests of the U.S. Government to the Mexican federal and Oaxacan state authorities, and offered assistance to ensure a complete investigation into Mr. Will's death. While it is the responsibility of Mexican authorities to mount the investigation of this crime, we will respond to any requests for U.S. Government support. It is my understanding that the investigation is proceeding, and that the family of Mr. Will has been in regular contact with the U.S. Embassy in Mexico as well as with the appropriate Mexican authorities. I have communicated this information to the group, "Friends of Brad Will," who had requested an update on the investigation as well.

Mr. SHANNON. In regard to trade-capacity building money, this obviously is an important issue for us, and the money going into Central America, the $40 million in trade-capacity building, is crucial, from our point of view, in terms of making sure that the kind of economic opportunity that is created through free trade is actually accessible to people and that people have both the capacity and the understanding and knowledge to be able to take advantage of it.

I am afraid I do not have a breakdown right now in terms of where that money has gone up to this point, but I can happily get it for you, and I can get it for you quickly. I can also invite you or your staff to travel to Central America, where we would love to have the opportunity to show you how that money will be used and what kind of impact we think it will have.

Mr. MEEKS. That is absolutely key to me because, you know, we are looking, and votes are hard to come with trade agreements, but I think if we can show that the trade-capacity dollars are going down to the people that we want them to benefit from it, that can help us along that path. So the sooner we can get that information, and the sooner that we possibly can get some members down there to see it, the better off we may be in the long run in trying to help those that are impoverished.

[The information referred to follows:]

WRITTEN RESPONSE RECEIVED FROM THE HONORABLE THOMAS A. SHANNON, JR., TO QUESTION ASKED DURING THE HEARING BY THE HONORABLE GREGORY W. MEEKS

In FY 2005, we obligated $19.84 million in support of CAFTA–DR implementation, specifically for labor and environment capacity building. Of that amount, $18.84 million was used to modernize the labor justice systems; strengthen ministry capacity to enforce labor laws, conduct inspections, and resolve labor disputes; and reduce discrimination against women and sexual harassment. These funds were also used to train judges and administrative personnel in labor laws and international labor standards, and to help national law schools train academics and update curricula. Training provided by this funding assisted labor ministry staff and instituted systems of management and accountability. Elimination of child labor activities were addressed in a separate portfolio of $34.3 million in the area and a regional $5 million project to combat commercial sexual exploitation, supported by the Department of Labor/Bureau of International Labor Affairs. We used $1 million to strengthen the environmental management regimes of our CAFTA–DR partners, as well as for the start-up operation of the public submission process under the CAFTA Environment Chapter.

The Department of State and USAID obligated $39.6 million in Development Assistance and Economic Support Funds in FY 2006 to support CAFTA–DR environment and labor capacity building activities ($21.1 million for labor and $18.5 million for environment)

Specifically, the $21.1 million in combined ESF and DA funding in support of labor capacity programs was used to (a) strengthen labor ministries through worker support centers and professionalizing labor inspectorates; (b) modernize labor justice; (c) eliminate gender and other types of discrimination through partnerships to strengthen the enforcement of labor law and promote competitiveness in the workplace; (d) strengthen benchmarking, verifying and monitoring progress; and (e) promote a culture of compliance with labor laws.

The $18.5 million in combined ESF and DA funding for environmental projects was used to promote (a) institutional strengthening for effective implementation and enforcement of environmental laws and enforcement capacity, (b) biodiversity and conservation, (c) market-based conservation, (d) improved private sector environmental performance, and (e) specific obligations of CAFTA–DR.

Mr. SHANNON. Happily. In regard to the follow-on to Plan Colombia, President Uribe's strategy for strengthening democracy and social development, as we engage with the Colombians, and as we look for where our funding priorities are going to be in order to help the Colombians, one of the things we are focusing on is making sure that we get services and benefits into rural areas, recognizing that, as the state expands its control of national territory, that the face of the state cannot just be the security services, that it has to include a justice, health, and education component to it also.

Obviously, we are very concerned and very interested in the well-being of Afro-Colombians, and especially those who live along the Pacific coast, and one of the things we propose to do with the money that we have requested in the 2008 budget, and one thing we are doing already, is to focus resources on the Pacific coast and to work with Afro-Colombians along the Pacific coast, recognizing that, in a fashion similar to indigenous peoples, they found them-

selves, in some ways, caught between sides and conflicts and have suffered deprivations which are quite worrisome.

So we want to make sure that, as the Government of Colombia moves forward with its consolidation strategy, that it has the capability to reach out to groups that have been historically marginalized or excluded and make sure that they are brought in and become part of the state.

Mr. ENGEL. Thank you. Mr. Mack.

Mr. MACK. Thank you, Mr. Chairman, and, again, thank you for being here and your testimony. As we sit here, I can tell this something you care deeply about, so please, with any of the questions, at least, that I may ask, know that it is with passion that I try to understand more of what we are doing.

We talk a lot about democracy building in Latin America. We also talk a lot about institutions that you point to that you can use as a measure of how democracy is doing within a country and what kind of impact, and is freedom alive and well? Obviously, I am very concerned about these issues when it comes to Venezuela.

So I will ask you an open-ended question, which is, what are we doing specifically on democracy building? There are so many questions that I have, and I will have an opportunity to talk with you later on that, so if you will talk about democracy building.

The second thing is, there is a lot of successes that we can point to in Latin America, but there are some signs, and whether or not they are a blip, historically, we will see whether or not they are a serious decline in democracy and freedom in Latin America.

One of such signs is that recently the Office of National Intelligence; there has been some talk about whether or not they are eliminating the Cuban-Venezuelan desk. If this is true, this is precisely the type of thing I think that we have talked about, with budgeting and other things, that point to an appearance that we are not as engaged, or do not have the appearance that we are engaged, in Latin America.

I know this is not directly with you, but I know you have a long history there, and maybe you can talk to that issue because perceptions do become reality in a lot of cases, and, right now, I am afraid that our perceptions that are out there are that we are moving backwards, not forwards.

Mr. SHANNON. Thank you very much. I cannot speak for the Director of National Intelligence. He will have to address directly the issue of what is happening with the large mission manager positions because I have actually heard conflicting views on what is happening regarding the mission manager positions.

But I can assure you that, in terms of the Department of State and in terms of the Bureau of Western Hemisphere Affairs, we are very much committed to building democracy. We are very committed to consolidating the gains of democracy and protecting them as we move forward in the hemisphere, recognizing that the challenge we face is whether or not we can build enduring democratic institutions and societies in the Americas, recognizing, again, that the largest challenge we face at this point is an economic and a social challenge, but also recognizing that that economic and social challenge is going to be played out in a political terrain in which institutions will be at play and, in some areas, at risk.

Therefore, it is our intent, through our Foreign Assistance program, through our diplomatic engagement, and especially through our engagement in multilateral institutions, to do all we can to make sure that civil societies are strong and that institutions have the capability and the stability in order to manage the tremendous social pressure that they find themselves under today. Some of this is work we can do bilaterally, but a lot of it has to be done multilaterally because what we need, effectively, is a hemispheric commitment to support these institutions.

Mr. MACK. My time is about up. Obviously, I agree with those.

Recently, when the Secretary of State was here, in her statement, she talked about the Office of the Director of Foreign Assistance and that there have been five categories—I believe it is five categories—that have been outlined, and basically I went to the restricted states, which is one of the categories which, I believe, is the top category as far as assistance, which means we feel like democracy and freedoms are sliding, there are human rights issues, and that we need to have a greater assistance in promising democratic reforms and supporting civil society.

Do you believe that Venezuela does fall into that category, and, if so, are we going to then see, under this new Office of the Director of Foreign Assistance, more resources, because it is not just money, but more resources put in toward Venezuela to try to bring this country back around?

Mr. SHANNON. As I mentioned, the Director of Foreign Assistance, Ambassador Randall Tobias, is traveling in the region now, and he and I have spoken about this on a variety of occasions. We recognize the democratic challenges that we face in some countries, Venezuela among them, and the importance of making sure that we have not just assistance but larger resources, as you note, placed against these challenges. This is something we are committed to. It is something we will do.

I am happy to talk with you and your staff at greater length about this, in terms of what we can do, recognizing, of course, that, as we do this, we need to make sure that we are operating in an environment that is larger than just us, that we are building partnerships with other people in the region who share our concerns, and, again, at the risk of repeating myself over and over again, working through multilateral institutions because one thing we have found is a willingness of some of these countries to use our assistance not only against us but also against those who receive it. And we want to make sure that as we engage in this kind of activity that there is a degree of transparency, that we can explain ourselves well, and that we make it very clear that we are not by ourselves, that there are others working with us.

Mr. ENGEL. Thank you. Before I call on the gentleman from New Jersey, I just want to tell him how happy I am to have him on the subcommittee and that I know he worked very hard to get to the subcommittee, so the gentleman from New Jersey.

Mr. SIRES. Thank you, Mr. Chairman. I am happy, and I am delighted that I am working with you and all of the members that are here.

Mr. Shannon, I talked a little bit before, when I first opened up, regarding the void that seems to be created when we reduce fund-

ing for some of these countries, like Bolivia, and some of the programs in Peru, and I see that we are looking at Nicaragua to cut $1 million, and Haiti.

I am concerned that the void, at a time like this, is going to be filled by Chavez, and it is going to be filled by Iran. Can you explain to me the thinking of this country, at a time when we seem to need that small amount of money there so they do not have an excuse to say, "See? We just do not care," because sometimes I find it bewildering? I have another question at the end. Can you just talk a little bit about that?

Mr. SHANNON. Happily. Unfortunately, I am not responsible for the entire State Department budget, but I have got a few slides up here that might be illustrative on the far, your left, my right, which is, effectively, our direct foreign assistance budgets over time.

You will see that, through the years that the Bush administration has been submitting budgets to the Congress, they have been at high levels, historically, and they have been at fairly consistent levels, and that even with the 2008 budget request of about $1.46 billion, it sits within a band considerably higher than previous years. And even under the development assistance side here, on your far right, our development assistance budgets, you will see there are a variety of components that make up that development assistance, also historically high but fairly consistent.

But in regard to the individual countries you mentioned, these are never easy decisions, unfortunately, because we are faced with competing priorities. When Secretary Rice and Ambassador Tobias began a process of rethinking and reforming our foreign assistance process, one of the things they required us to do was sit down and look at our priorities and try to determine where we needed to put our money.

What we ended up doing in the region, and, to a certain extent, it is expressed in this slide, is focus about 72 percent of our 2008 budget on these countries, on Colombia, Haiti, Peru, Ecuador, and Bolivia. What has happened over time is that more and more of our money has been concentrated there. You will see from that slide that, from 2006, we had 62 percent of our allocations there. We have now increased it to 72 percent, and, historically, if you were to move backwards, the concentration would be even more dramatic.

What we are really trying to do is make sure that we are getting as much bang for our buck as possible in the region, recognizing that, in the process and because there are competing priorities in the budget, and some of them are quite dramatic, the funding levels for some of the countries will vary, and there have been some cuts in the countries you mentioned.

I guess the most I can say, at this point, is that our funding levels in those countries still remain high historically but that our engagement is more than just our foreign direct assistance, especially in terms of preferential access programs with Bolivia, in regard to Nicaragua through the Central American Free Trade Agreement; through the Millennium Challenge Account, where we are putting an additional $175 million; through our debt relief initiatives, as I mentioned earlier, both through the G–8 Initiative and now through the Inter-American Development Bank Initiative.

We really have been able to provide financial assistance and resources that are not captured in the foreign assistance budget but which are real.

But I take your point. I understand it. I worry that, the degree to which it is perceived that we are stepping away, that others will step in.

Mr. SIRES. You know, sometimes perception is everything.

Mr. SHANNON. I understand.

Mr. SIRES. And the people stepping are using that as a wedge between this country and South America and the Western Hemisphere.

This is a sidebar. Have you heard anything about Cuba expelling reporters?

Mr. SHANNON. Yes.

Mr. SIRES. Could you tell me a little bit about that?

Mr. SHANNON. Well, my understanding is that Cuba——

Mr. SIRES. Cuba expelling reporters, like CNN reporters.

Mr. SHANNON. My understanding is that recently Cuba decided not to renew the visas for three reporters, I believe, one Mexican, and I am not sure if the other two are both from the United States or from other countries, but obviously unhappy with the kind of reporting that was done or some concern about their organizations.

Mr. SIRES. Thank you very much.

Mr. ENGEL. Mr. Payne.

Mr. PAYNE. Thank you very much. I have just a couple of points I want to make. I mentioned in my opening remarks that the President had not really been to South America, to Latin America, I said, and this was his first trip. Of course, in your remarks, you mentioned that he has been to Latin America eight times, and you are right. All eight, I believe, were in Mexico.

Mr. SHANNON. Not true. Not true.

Mr. PAYNE. I just did not want people to think I am some stupid guy from New Jersey. And he always did like Mexico, even before he became President. You remember, his initial plan was actually to bring everybody over without the border, as a matter of fact.

So I just wanted to make it clear, I was ready to fire my staffer, and she ran out and got the facts: Eight times in Mexico. So that is for the record. Okay?

Now, what I wanted to mention is that when the Security Council, the five permanent members we have, and there are 10 members that are, as you know, appointed for a period of time, a year, 2 years—I forget exactly—and they are categorized in regions, Venezuela came up as the candidate which we opposed, and rightfully so, I suppose.

Of course, I think that we made big mistakes, and part of my time is going to go before I really ask the question, but I think we have made big mistakes when we went in, even though we did not like Chavez, that our State Department officials recognized the government supposedly that took over from a coup d'etat, and then, one, the coup d'etat did not work, so it was embarrassing, but, secondly, for the United States of America, even in Africa, the Organization of African Unity, now the African Union, will not recognize a country in Africa that has taken over militarily. They just say, "No, we do not recognize it." In fact, you have got to change it. A

strong country like Nigeria that went into Sao Tomé e Principe, said, "You guys go back to the barracks and put that President back," even that far.

Here, we recognize a coup. Whether you hate the government or do not hate the government, when you start recognizing coups and make them official, that is absolutely—I am not saying that it survives whether Chavez would have loved America if that had not happened, but these are things that really exacerbate, I think, a situation that is bad, and I think that that was absolutely wrong.

The other thing was when the Security Council situation came up, we opposed Venezuela, but then we picked Guatemala as the group to represent the region. Now, the Caribbean countries are angry at Guatemala because of Chiquita Banana U.S. and Dole Productions, which went to the WTO and said that the Lome Treaty that Britain had with the Caribbean countries—Chiquita bananas are real pretty, and the Caribbean country bananas are not, but that is the only thing they had. And the Brits, in the Lome Treaty, said that we will take these bananas that are less perfect, but we know they had nothing else to go. The United States backs Chiquita, so Guatemala now has all of the banana trade, those countries that only had bananas had nothing, and now they have got drugs.

So they are angry at Guatemala, but then we take Guatemala as the country to push, which makes no sense because the Caribbeans said, "There is no way we can go with Guatemala." We end up with Panama finally. Why did not we go with Panama in the first place? I am not a diplomat. I am just a guy from Newark. I am just simply saying that some of the things tend not to make sense, so maybe if you could clarify that, just finally, on the still Haitians are being taken back off the high seas, and I do not think Cubans should be sent back either.

But I think that when we still have this disparity of Haitians that come over for the same reasons that Cubans come over—they do not like the government—they cannot get a job, whatever—they come and immigrate, there should be some consistency. I am not saying send Cubans back, but I am saying why do we continually still send Haitians back to Haiti? It is unfair, and it is unjust. I will not ask any other questions. I will stop there. Thank you.

Mr. SHANNON. Thank you very much, Mr. Payne. In regard to the President's trips to the region, he has been in Mexico five times and Canada three times, but, in his trips, he has also visited Peru, El Salvador, Chile, Colombia, Argentina, Brazil, and Panama, and, in the upcoming trip, he will be adding Uruguay and Guatemala to the list.

So, overall, in the hemisphere, I think he will have visited about 11 countries, which, again, is significant.

Your question on the U.N. Security Council votes is a very interesting one and a very useful one. The group of Latino Americana Caravegno, GRULAC, the Caribbean and Latin American group, which has two rotating seats on the Security Council, faced, as you know, recently a decision of who to put in the seat that was being vacated by Argentina. Originally, two countries had presented themselves as candidates: Guatemala and Ecuador. They presented themselves as candidates several years ago.

Ecuador dropped out of that race largely because of a belief that, given the kinds of political challenges they faced, they would not be able to make the diplomatic effort necessary to win that race. When Ecuador dropped out, Venezuela decided that it was going to put itself into the race.

So, effectively, it was Venezuela that came forward to challenge Guatemala. We did not choose Guatemala as a candidate. Guatemala had been a longstanding candidate.

The history of that competition between Guatemala and Venezuela is well known, and we would have preferred to have kept ourselves far away from it. Typically, we do not involve ourselves as regional groups attempt to determine who represents them. But following the speech that Mr. Chavez gave in the U.N., it became so evident what his intentions were, should he gain a seat on the Security Council, that we felt compelled to play a role, although it was not our goal to play any kind of public role.

Obviously, as you noted, Panama did emerge as a consensus candidate, even though Guatemala, through several weeks of voting, effectively won every ballot except for one that was tied. Again, at the end of the day, this was a GRULAC decision. It was GRULAC that had to come to terms with this conflict that did take place between these two countries during the voting, and it was GRULAC that had to find a mechanism to break the impasse and find a consensus candidate.

Ultimately, it was a process that GRULAC was able to end by itself. It dragged on for a long time, but I can assure you that we did not go into this process looking for a fight with anybody, and we would have quite happily left this, as would, I think, the rest of the world, to GRULAC to come to terms.

Mr. PAYNE. Anything on Haiti?

Mr. SHANNON. I am sorry. Yes. On Haiti, for us, one of the big problems we face, of course, is that, under the Cuban Adjustment Act and other pieces of legislation, Cuban immigrants to the United States who land in the United States do have special status that neither Haitians nor others enjoy.

I do not work for the Department of Homeland Security, obviously, but for those of us who deal with these issues, there are certain legal restrictions that we just have to abide by.

But that said, one of the reasons we have focused so much attention on Haiti and so many resources on Haiti, and we spent a lot of money on Haiti over the past couple of years and also a lot of time and effort trying to build in Haiti, first, through the Multinational Stabilization Force, and now through MINUSTAH and our engagement with President Preval, an environment in which Haitians will not have to take to the high seas, that they will not have to leave Haiti, because one thing that is evident, if one moves in Haitian communities in the United States or in Canada, is that these are incredibly capable people, and these are people who, when given a degree of personal security and economic opportunity, do very, very well.

One thing we would like to be able to do is build off the experience and the success of the diaspora in the United States and in Canada and bring some of that success back to Haiti and begin to

uncap the incredible potential that exists inside of Haiti and inside the Haitian people.

Mr. ENGEL. Thank you. Mr. Delahunt.

Mr. DELAHUNT. Thank you, Mr. Chairman.

Secretary Shannon, you indicate that historically this administration has maintained a high level of assistance in an historical context. I will accept that. I am not as conversant as I ought to be with past administrations and their efforts. But, at the same time, I would suggest that we have been historically inadequate, at least since the Alliance for Progress, in terms of the attention, and I think that is what we have to be focused on.

I would also, again, refer to Egypt. The amount of assistance that is provided that nation, with all due respect to Egypt, it has a poor human rights record. We talk about freedom of the press. We know that, at best, it is limited in Egypt. We hear evidence of torture, significant human rights abuses, et cetera, et cetera. And I know this is beyond your pay grade, and I am sure it is even beyond the Secretary's pay grade, but I think it is important that the President and the White House step back and examine what our priorities are.

When we are providing a level of assistance that is approximately that to an entire continent, what we are providing to Egypt, what kind of a statement does that make about what American priorities are? It just does not compute, Tom. It just simply does not compute, and we can stay here, and we can have charts, but if we step back and look at the entire picture, I think we are missing something because the rest of the world is not missing that. They are seeing that.

The polling data that we continue to see from respected polling organizations and all of the surveys indicate that we are in serious trouble in terms of how the rest of the world looks at us. We cannot ignore that. I am not even going to ask you to comment.

I think the question by our colleague from New Jersey was a good one, in terms of the Cuban Government's action regarding the lack of renewing of the visas. I do not know if it was an expulsion, but I think we can all say that it should be condemned.

But let me ask you this. How many reporters from Cuba, and we understand they are, obviously, state controlled, are currently here in Washington or elsewhere reporting on American activities?

Mr. SHANNON. That is a very good question. I do not know the answer to that, but I would be happy to get it for you.

[The information referred to follows:]

WRITTEN RESPONSE RECEIVED FROM THE HONORABLE THOMAS A. SHANNON, JR., TO QUESTION ASKED DURING THE HEARING BY THE HONORABLE BILL DELAHUNT, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF MASSACHUSETTS

We have issued visas for reporters from Cuban state-controlled media to come to the United States to cover activities such as United Nations proceedings as well as sporting events. In the past two years we have issued 19 "I" media visas to Cuban reporters and reporting trips have usually lasted from 1–4 weeks. There may also be other Cuban reporters who are dual nationals but who do not carry Cuban passports which would require visas.

Mr. DELAHUNT. Thank you. I think that your research will be quick, and I do not think you will find that there is a single reporter from any of the state-run media organs of Cuba, and this

goes to the issue of inconsistency. I condemn unequivocally the expulsion or the lack of respect for the free press by the Castro government. But what is the rest of the world saying when there is not a single credentialed Cuban reporter here in this country to take a look and to report back? That is just a question, I guess, that does not have to be answered.

And, again, the former chairman of this committee, my dear friend from Indiana, who is not here, expressed concern about the Venezuelan Government, the Chavez administration, efforts to influence elections in South America, and I think you responded well to his question. At the same time, can you unequivocally state, here today, that in the recent election in Nicaragua that the United States made no effort to influence the outcome of that election?

Mr. ENGEL. Is that the one question you want him to ask?

Mr. DELAHUNT. That is the one question that I would like him to ask.

Mr. SHANNON. Let me put it this way. We did not provide the helicopter to Mr. Montealegre. We did not provide directly to members of——

Mr. DELAHUNT. I think I understand your response, Mr. Secretary, but let me just simply say this. I thought that the administration actually exercised—it had to be for them—considerable restraint not involving itself in other elections. I think you failed in Nicaragua, unfortunately, and that there was an effort that was made. But what is good for Chavez ought to be good for the administration in terms of playing by the rules.

I would hope that no government in Latin America or in North America or in the hemisphere would make an effort, either overt or covert, to influence elections. Others have talked about Morales in Bolivia. I have a clear memory of a former U.S. ambassador making a comment regarding now-President Morales which appeared to have the same kind of effect that one would expect, and that was to increase the total vote for Evo Morales.

It is an issue that, I think, really needs to be addressed by every government, including Venezuela, including the United States, at an appropriate venue and forum, and I would suggest that that is the OAS.

Mr. ENGEL. Thank you. We have a second panel, but I know that there may be a burning question that someone might want to ask. I would just like to ask one, and that involves Haiti. We have mentioned Haiti quite a great deal.

Last year, Mr. Burton and I sent a letter to Secretary Rice recommending several policy actions related to the situation in Haiti. In the letter, we urged the State Department to provide 150 additional United States police for the U.N. police contingent within the United Nations stabilization mission in Haiti called MINUSTAH, and the State Department responded to our letter, saying that we currently provide 50 officers to MINUSTAH's police unit, and their response did not mention any plans to add any officers at all.

I would like to revisit the issue, and I want to ask you, is there any chance that the State Department would consider providing MINUSTAH with this additional support, possibly in the form of specialists who could provide technical assistance in areas key to Haiti's stabilization and security.

I also want to emphasize the importance of combatting drug trafficking in Haiti. In a recent speech to the Haitian Parliament and in discussions with us—Mr. Payne was there—in Port au Prince, President Preval called drug trafficking the main cause of instability. He said that failed efforts by the United States and other countries to stop the drug trade had made Haiti a victim. Those are his words.

Could you address President Preval's concerns and the administration's plans to deal with the drug issue in Haiti, as well as the MINUSTAH question?

Mr. SHANNON. Happily. In regard to additional police to MINUSTAH, I am happy to take that back and see what more we can do. I realize 50 is not 150, and I realize that you have a special interest in specialists who focus on security and stabilization issues, and please let me take a look at that——

Mr. ENGEL. Thank you.

Mr. SHANNON [continuing]. Recognizing that there are a variety of countries that are participating in the civilian police effort at this point in time.

In regard to drug trafficking, we are very worried about drug trafficking moving through Haiti and the Dominican Republic. Hispaniola is, obviously, a trampoline for drugs moving out of South America and into the United States, especially into the eastern United States. And we are attempting to work in Haiti, as closely as we can, with the Preval government and others.

One of the huge problems that we face in Haiti, at this point, is an institutional problem. As we reform and build the Haitian National Police, how can we work now on law enforcement activities? It is, quite frankly, not easy, and we need to do a better job of it, but it is something that we are addressing directly with President Preval and the Haitian Government.

Mr. ENGEL. Thank you. Mr. Meeks.

Mr. MEEKS. Thank you. Mr. Secretary, real quick. One, I want to take you up on the trade capacity, and maybe it would be a good idea also, if it was possible for me and some of my staffers to come over to the State Department and meet with your staff, and then we can look at what is going on there and get an idea and then maybe travel to the region.

Secondly, my colleague, Donald Payne—this was my burning question. I want to find out about the relationship with President Morales of Bolivia because I can recall, prior to April 2002, we did not hear a lot of the rhetoric, the anti-American rhetoric, that we now hear from Hugo Chavez. In fact, I know that several times when I went down there, prior to April 2002, in a bipartisan delegation—Cass Balenger and Bill Delahunt and myself and a few others—the only thing that Hugo Chavez was asking for was an opportunity to meet with the President of the United States.

I can recall him specifically stating, I think that if we sat down, and we talked, we would find we have more in common than we did not, and it was our position, our policy, at that time to say, no, we did not like the guy, so we are not going to meet with him. You know, we are not going to do anything.

I am a big guy on dialogue, and, I think, former Prime Minister Rabin said, "You negotiate with your enemies; you do not negotiate

with your friends." So I am wondering, has the President met, and what is the State Department doing? Are we talking directly with President Morales? I do not want to go down and make the same mistake that I think that we made in Venezuela that started what we have got now, this adversarial relationship, in Bolivia, and then you leave it open for someone else. We talked about Chavez's influence in the area. We did not talk about China's influence in the area and what they are doing to help build roads and infrastructure, et cetera.

Mr. SHANNON. Thank you very much for that. The short answer is, yes, we are engaging with the Government of Bolivia and with President Morales. I had the pleasure of traveling to La Paz for the inauguration of President Morales and met with him in La Paz. Secretary Rice met with President Morales in Santiago at the inauguration of Chilean President Bachelet. President Bush called President Morales, congratulated him on his victory, and underscored our willingness to work with him.

We have had a series of fairly high-level working visits to Bolivia. Our Director for Foreign Assistance, Ambassador Tobias, will be in Bolivia soon and will have an opportunity to meet with President Morales, and the Bolivian Foreign Minister. Minister Chokewanka, was here recently for a series of meetings, and he met with our Deputy Secretary, John Negroponte, and also with myself, along with a variety of other officials around town.

So we have maintained an active outreach and engagement with President Morales, and we certainly intend to do so.

In regard to Venezuela, there is a long history there, and what many people do not seem to remember is that President Bush has met with President Chavez, in April 2001 in Quebec City as part of a larger Andean Summit meeting, and even had a chance to talk at that meeting.

Currently, we have made it very clear that we were prepared to have discussions with Venezuela on a variety of issues that we think both of us could benefit from, but, up to this point, the Venezuelans have been quite unwilling to have that conversation, for reasons that they have not shared with us.

Mr. ENGEL. Thank you. Mr. Secretary, you have been very generous with your time, and I know that a number of us have follow-up questions, which we will submit to you. I hope you will come back many, many times more, and when the President concludes his trip to the region, we want to, of course, have consultation with you to find out what he found out and look forward to actively engaging with you throughout the 110th Congress. So I thank you.

Mr. SHANNON. Thank you very much.

Mr. ENGEL. We have a second panel, which will convene in about 2 minutes.

[Pause.]

Mr. ENGEL. We have a panel of very distinguished people who have a very long history of dealing with the region. We have Mr. Peter Hakim, who is the president of the Inter-American Dialogue. We have Arturo Valenzuela, Ph.D., who is the director of the Center for Latin American Studies at the Edmund A. Walsh School of Foreign Affairs at Georgetown University. He is the former Senior Director for Inter-American Affairs at the National Security Coun-

cil. And Mr. Eric Farnsworth, who is vice president of the Council of the Americas.

Gentlemen, I welcome all of you, and I look forward to hearing your testimony. You could, of course, submit it for the record. Each one of you will have 5 minutes, and let me call on Mr. Hakim.

STATEMENT OF MR. PETER HAKIM, PRESIDENT, INTER-AMERICAN DIALOGUE

Mr. HAKIM. Thank you very much, Mr. Chairman. Thank you. I very much appreciate and am honored by this real opportunity to share some thoughts about the Latin America region that I have focused on for quite a while.

Let me say just, I think, from our previous discussion here, that President Bush is really visiting Latin America at a very troubled, stressful, delicate time in United States-Latin American relations. There is no question that, at least since the time the Cold War ended, I have not seen in the region, and I travel there quite a bit, as much anti-U.S. sentiment across the region, and it is very pervasive, nor have I witnessed the degree of lack of confidence in U.S. Government leadership.

Let me also add to that, though, of course, there is a great deal of confidence in Secretary Shannon. I think that his arrival has changed the tone of the relationship in important ways and relieved some of the surface tensions that were existing, but, nonetheless, generally speaking, the United States is not viewed with the confidence that it once was.

Let me say that the trip itself by President Bush is clearly a positive development. I think, no question, it is something that should be applauded, will be a signal of U.S. concern, the United States President spending a week in Latin America within the region. The attention that this visit will get will certainly remind the citizens of that region of the enormous presence and continuing relevance of the United States to Latin America. There is no getting around on trade issues; the United States is either the first- or second-leading trade partner for virtually every country in Latin America, so leading investor in Latin America.

I do not have to tell anybody here about the enormous quantity of remittances that flow from the United States to Latin America.

There is no other country that could have been as helpful to Mexico when it had its currency crisis or to Brazil. Similarly, in Colombia today, there is no other country that could be as helpful.

The United States is relevant to Latin America. We all have to be reminded of that, the extent to which it is there.

The specific outcomes of this trip will be modest but not insignificant, I think. I think it is important that the President really establish a close, continuing relationship with the new President of Mexico, who has been in office 3 months, and the two Presidents have not met since his inauguration. It is important that we begin to map out some kind of plan of action for our relationship with Mexico.

His visit will certainly reaffirm the quality of our relationship with Brazil, a country where we probably have more differences than areas of agreement, but yet we maintain a healthy, robust relationship with that country, and we now have a basis for estab-

lishing a much stronger relationship on the issue of biofuels, and it will also be an opportunity to reassure President Uribe and the citizens of Colombia that we are really going to stick with them, that we are planning to move to renew Plan Colombia for a new phase.

It will also be a time to make clear to the President of Colombia that there is work to be done to clean up corruption, to deal with human rights abuses, and the like.

But, overall, the real business of improving the United States-Latin American relationship and restoring U.S. standing in the region will have to take place when the President gets back. What will be the follow-up to it? The visit itself is an enormous opportunity to start a process, but it is not the process itself.

My own concern is that there are three or four items right now on the agenda here in Washington that could actually lead to further deterioration in the relationship if they are not managed well, and I think that they tell physicians the first thing is to do no harm. The first thing the White House and Congress have to do is do no harm in Latin America.

Let me just mention these three things. Right now, there are three trade agreements have been negotiated and signed with Panama, Peru, and Colombia. It would be an enormous blow to all three countries, which have gone through a very difficult negotiating process, if those treaties were not approved. And, indeed, this would signal to the rest of Latin America, again, a certain unreliability of the United States even on an issue that we put as a very high priority.

Secondly, and this has been discussed amply, I think, is the need to sustain trade preferences with Bolivia and Ecuador. Senator Grassley has said that that is rewarding bad behavior. In some respects, these two countries have not been behaving terribly well toward the United States. They have been very critical. They have sort of allied themselves on many occasions with Chavez's anti-U.S. rhetoric.

But, in the end, they are two small, poor countries, and cutting off trade preferences will throw a lot of poor people out of work, push them closer to Chavez in the end, and probably make a lot of other countries think that we have been unfair, and it is just not worth the cost to punish two small, poor countries that way, and we would get a lot of credit if we did everything we could to continue to have, as Mr. Meeks said, dialogue with the two countries rather than trying to push them off or castigate them.

Let me say, the third big issue, I think, is to whatever possibility can be, that the U.S. make clear that it is not going to proceed to build a wall between the United States and Mexico. If there is one single act that would convey symbolically a separation, an alienation, of the United States and Latin America, it is putting a wall on the border. Walls have that symbolic importance, and I think that that would be a terribly damaging consequence for the Mexican relationship and for relations throughout Latin America.

Let me say one more item is that Chavez has had a very destructive impact on Latin America, on United States-Latin American relations. Confronting him directly has been counterproductive. It

has made him stronger. It has made him come back even more strongly.

I think his influence would fade very fast if two things were to occur: One, if the United States were to engage Latin America intelligently and actively, and, secondly, if Latin America's leaders did more to confront another topic we have talked about, the social agenda that faces all of their citizens.

Those two things, more engagement.

I wanted to just finish up with a little bit on the social agenda. Can I do that?

Mr. ENGEL. If you do it quickly because we are running out of time.

Mr. HAKIM. Okay. Let me just say very, very quickly, I think that is the critical agenda, and I think it is much broader than poverty and inequality. It goes to the quality of public services available to the general public. It goes to discrimination against Afro descendants and indigenous groups. It goes to the huge crime and violence in the country, which mostly affects low-income people.

We should think of the social agenda very broadly in Latin America, and it is not a pretty picture generally. It will cost some money for the United States, if it wants to get engaged with that agenda, but I think there is a lot of money already involved with Latin America that could be shifted to more effectively engage that agenda, including the antidrug strategy, which could be more geared toward that; our work with multilateral banks; adding funds to the trade agreements to build greater trade capacity; taking advantage of the huge remittance flows to try and get more people to use banking systems. There is a lot that can be done without a lot of money on this, and it is terribly important. Thank you.

[The prepared statement of Mr. Hakim follows:]

PREPARED STATEMENT OF MR. PETER HAKIM, PRESIDENT, INTER-AMERICAN DIALOGUE

A little more than a year ago, I published an article that started with the sentence: "US relations with Latin America have reached their lowest point since the end of the Cold War." The change in the State Department's leadership on Latin America has since then clearly improved the tone of the relationship and eased its surface tension. And there is other good news to report. The Central American Free Trade Agreement (CAFTA) was approved by the US Congress and negotiations were completed for similar agreements with Colombia, Peru, and Panama. But important setbacks have also occurred. The failure of the Administration and Congress to put in place a comprehensive reform of US migration legislation was a blow to our relations with Mexico and most countries of Central America and the Caribbean. The governments of Peru, Colombia, and Panama are increasingly anxious about whether their free trade agreements will gain US congressional approval. Washington's relations with Hugo Chavez's Venezuela have grown more and more fractious, as the country has become less and less democratic and has gained some new allies in its anti-US campaign. The fact is that US ties with Latin America have deteriorated further in past year and a half, as has the United States' standing in the region. US policy is only partly to blame, however. The unabated problems in Iraq are also contributing to the strains.

In a few days, President Bush will be departing for a week-long visit to five countries of Latin America. Although this will be his most extensive trip to the region ever, it has so far been greeted by little enthusiasm and minimal expectations. Still, it should make clear that Washington is hardly indifferent to Latin America and demonstrate US's continuing relevance to the region. Three specific objectives can be accomplished.

- The first priority for President Bush must be to establish a solid relationship with new Mexican President Felipe Calderon and begin to set out a shared agenda for action, particularly on the issue of immigration reform, which is central to both countries. No nation in Latin America, and few in the world, is more important to the United States than Mexico.
- The President's visit will also be an opportunity to reaffirm the quality and resilience of US ties with Latin America's largest nation, Brazil. These have taken on increasing significance as US relations in the region have become more generally contentious. The US and Brazil may differ on more issues than they agree—but they accept and tolerate their difference (even on such core issues as trade, relations with Venezuela, and the war on terror) and cooperate when they do agree (in Haiti, for example). It is expected that the two governments will launch an ambitious new initiative to collaborate on the production, marketing, and research on biofuels—an area in which the countries are both world leaders.
- The strongest US ally in South America, Colombia, is going through a difficult period, and needs reassurance that the US will sustain its support for a new phase of Plan Colombia. Although progress has been uneven, the Administration of President Uribe has made important headway toward establishing government authority and the rule of law, reducing criminal and guerrilla violence, and improving security in the country. These are all reasons the US should continue assisting Colombia, but President Bush should also make it plain to Uribe that more must be done to do clean up the country's corrupt political system and prosecute human rights violations. The US President might also seek to allay concerns of Colombia's neighbors about US military involvement in that country, perhaps by encouraging the Uribe government to consult and coordinate more closely with Ecuador and other countries on police and military activities in range of their borders.

The President's visit, however, cannot, by itself, do much to advance the US agenda, restore US influence in the region, or bring an end to widespread anti-American sentiment. Progress will mostly depend on what President Bush does on his return to keep the US constructively engaged with Latin America. In the coming months, what will be most important is that the United States does no further harm to the already damaged relationship. Latin American governments will be watching with particular interest how Washington deals with three pending issues:

- The first is whether the US Congress will overcome partisan wrangling and ratify three free trade treaties that have been negotiated and signed with Peru, Colombia, and Panama. Failure to approve the accords would be a distressing blow to each of the three countries, which have gone through extremely tough negotiations with the US, have made politically and economically painful concessions to get US agreement, and are willing, even now, to accept substantial changes to assure the treaties' approval. The message to the rest of Latin America would be clear. The US cannot be counted on as a reliable partner even on an issue that Washington has long been advocating.
- A second is whether the US will, once again, renew the special trade preferences enjoyed by Bolivia and Ecuador when they terminate in July. There are arguments for ending the preferences. Extending them, according to Senator Grassley, is "rewarding bad behavior." Both countries, for example, have rejected US overtures to conduct free trade talks. They also have forged close ties with Venezuela's Hugo Chavez and often echo his anti-US polemics. Still, renewal of preferences will keep the US importantly involved in the two countries. Their denial will put people out of work, make two poor countries somewhat poorer, deepen their antagonism toward the US, and help consolidate their alliances with Venezuela. Other Latin American countries will view the cut off as unjust and high-handed.
- The third issue is whether the US will actually build a "wall" or "fence" on its border with Mexico to stop illegal crossings. No action by the US government would be more offensive to the people of Mexico and the rest of Latin America. Regardless of its intent, the erection of this barrier—which is often compared to the Berlin Wall—would make it plain to most Latin Americans that Washington no longer views the region as a serious partner or collaborator, but mainly as a source of unwanted problems. In contrast, a forceful White House campaign to secure the comprehensive migration reform long advocated by President Bush would be reassuring to nearly every government in the region.

The actions outlined above are needed soon to avoid further damage to the US-Latin American relationship. There are several other initiatives that could contribute positively to rebuilding cooperation between the US and Latin America. None of them is guaranteed to produce results, but they will signal continuing US interest in the region—and show that Washington is attuned to its problems and aspirations.

- The US should not hesitate to criticize Venezuelan leader Hugo Chavez, especially for practices that restrict democracy or violate human rights, such as assuming the right to rule by decree and curbing press freedom. But the US should avoid open confrontations with Chavez, which are mostly counterproductive. They give him the enormous media attention he craves, makes him appear more powerful than he is, and encourages him to continue his attacks. Chavez's influence in the region will fade only when Washington is once again effectively involved in hemispheric affairs, and when the countries in Latin America are more successful in combating the social injustices that he justifiably spotlights. Pressing other nations to act against Chavez is equally counterproductive. Washington will mostly end up irritating friendly governments and making it harder for them to cooperate with the US. The political and economic costs of tangling with the Venezuelan leader are just too high for most countries of the region.
- Even a modest shift toward dialogue and engagement in US Cuba policy could open the way for greater cooperation with Latin American and European governments. No one can offer assurances that this would speed up a transition to democratic rule, but it might well make the transition more successful when it does occur. It would also remove a sharp bone of contention from US-Latin American relations.
- The most daunting challenge for most Latin American nations is the social agenda—which includes high and persistent rates of poverty; an egregious scale of income and wealth inequality; discrimination against indigenous and African descendant populations; the dismal performance of public services available to low income groups; and rampant crime and violence that mainly affects poor people. More than anything else, it is the failure to advance on the social agenda that is unsettling politics in many countries of Latin America, and helping to fuel Chavez's appeal in the region. Aside from its development assistance to a handful of Latin America's poorest countries, the US is largely viewed as irrelevant to this set of problems. Trade agreements, which can be helpful in lifting growth rates and expanding employment, are not enough; they need to be complemented with more direct contributions of greater immediate impact.

There are ideas worth pursuing. The Millennium Challenge Account is helping the region's poorest countries and could be expanded to assist middle income nations with large concentrations of low-income families. Senator Bob Menendez is developing a creative program to help confront Latin America's social needs. Washington could probably do more to encourage and support the multilateral development banks' use of concessional loans and debt relief to finance anti-poverty initiatives. By providing greater financial and technical assistance to its free trade partners in Latin America, Washington could make the trade pacts more productive and promote a fairer sharing of the benefits. The US could contribute to efforts in Mexico and other countries to increase the benefits of their large remittance flows, for example by supporting programs (directed to both recipients and banks) to get more remittance recipients to open and use bank accounts.

- Finally, the US might also begin to rethink its anti-drug policy in Latin America, which absorbs an important share of all aid to the region, but has done little to stem the flow of narcotics into the United States. Replacing Washington's current emphasis on eradication and interdiction with support for developing alternative sources of employment and livelihood could produce real social gains in several countries and, at the same time, prove to be a more effective strategy for combating the drug trade. Certainly, by showing flexibility in its approach to illicit drugs and a willingness to take seriously different Latin American views, the US could reduce frictions with several of the region's governments.

Despite the strains in US-Latin American relations and the loss of US influence in the region in recent years, the United States is still far from being irrelevant to the region. The US is the first or second largest trading partner of nearly every Latin American country; it is the major source of investment capital for the region;

most countries want free trade arrangements with the US; and even those that do not, have lobbied hard for Washington to keep their trade preferences. US support has been crucial to the Colombian government as it battles to restore its authority in the country and end Colombia's nightmare of insecurity. Other governments, some of whom are intensely critical of the US war against drugs, continue to seek Washington's support to battle trafficking. And Latin American governments are deeply aware of the vital importance to their countries of migration to the United States and the remittances that flow back. Today, US policy in the Americas is not adequately serving the interests of the United States or the nations of Latin America. Washington needs a different set of policies and approaches to take advantage of the opportunities for mutually beneficial cooperation with the region.

Mr. ENGEL. Thank you very much. Dr. Valenzuela.

STATEMENT OF ARTURO VALENZUELA, PH.D., DIRECTOR OF THE CENTER FOR LATIN AMERICAN STUDIES, EDMUND A. WALSH SCHOOL OF FOREIGN SERVICE AT GEORGETOWN UNIVERSITY

Mr. VALENZUELA. Thank you very much, Mr. Chairman. I appreciate this opportunity to speak with you about this important subject. I will leave my written remarks and just, for the sake of time——

Mr. ENGEL. We can have those submitted into the record.

Mr. VALENZUELA [continuing]. Yes, make two or three quick points.

The President goes at a very, very difficult time to Latin America. I have been working on the region now for 40 years, and I have followed it very closely, and I have never seen a moment where there is as much of a rejection of U.S. foreign policy of the United States in the world as one sees today. Even at the height of the Cold War, there was a division, of course, in Latin America. There were sectors that were against the United States and other sectors that were much more supportive of the U.S. policy there.

But now, across the political spectrum, from left to right, one sees an extraordinary push-back on the posture of the United States in the world, and this is not necessarily directly related to Latin American policy. Obviously, it has to do really with a rejection of the United States policy primarily in Iraq.

There has been a recent poll that has been done by the Gallup organization that shows that only 27 percent, an average, of the people in Latin America support United States policy globally. A more recent Zogby poll of elites in Latin America shows that 86 percent disagreed with United States policy. This hurts, of course, our moral and political leadership in the region.

Also, with regard to the hemisphere, we have made some very serious mistakes, and I am not going to go through all of them, but they have detracted from our leadership and our ability to be a moral force, in a sense, in the hemisphere. These missteps include our inability to react to the collapse of Argentina, which had a direct effect over the significant reversal of economic fortunes in the region. We have already mentioned the case of Bolivia. I think, in Haiti, there were also some significant missteps.

But, certainly, one of the most serious of all was the one that Congressman Payne referred to, and that was when the April 2002 coup took place in Venezuela. It is something that Assistant Secretary Shannon did not respond to. The White House actually came out with a statement in which it essentially noted that the Presi-

dent had resigned from office and then proceeded to support the provisional government, which was, of course, a patently unconstitutional government that had been appointed by the armed forces.

Now, with that very statement, we lost an enormous amount of political and moral credibility in the region and complicated our relationships with Mr. Chavez, as well as our relationship with other countries in the region. It is much more difficult for us to criticize the push-back on democracy, which, I think, is taking place in Venezuela when we take a position like that.

Finally, a second point, real quickly: Part of the problem with our relationship with the region is we do not think about Latin America strategically, and that means, very simply, that we do not look to see whether, in fact, we have vital interests, and then, if we identify those vital interests, to see how we respond to those vital interests, and we, of course, do have vital interests in the region.

We are vitally concerned about the stability and the prosperity of the region. It impacts us in so many different ways. It is a target of opportunity in terms of our ability to sell goods to the region, but also, if the situation does not improve, in country after country, we face these enormous pressures that are pressures like migration pressures and then criminality and violence. We have to respond differently to this.

Too typically, Mr. Chairman, the policy toward Latin America is derivative. So, for example, the United States will support a candidate for the OAS secretary general, Mr. Flores, because El Salvador supported the United States in Iraq, without thinking in terms of what our real, fundamental interests are in the region. We should have gone probably for somebody like José Miguel Insulza, who became the secretary general, in the first place, rather than trying to essentially do a derivative policy from other areas.

And, of course, Latin American policy is also very much influenced by domestic considerations. To me, it is stunning, for example, that we can have an entire debate on the immigration issue without thinking about the implications of immigration for the stability, security, and, you know, prosperity of Mexico. There is a fundamental national interest in our addressing the issue of security, not only in terms of our domestic politics but also in terms of the impact on Mexico.

Let me conclude, because I see that my 5 minutes are quickly moving away, by saying that I agree with my colleague, Peter, that we should try to bring the Peru and Colombia free trade agreements to fruition. It used to be that we used to say, you know, "It's trade, not aid."

Well, today, we really need to understand that trade is not enough, and then we need to go far beyond simply these economic determinants of action, and the fundamental challenge for the region is the lack of competitiveness, and competitiveness is not going to come about unless there is a significant investment in infrastructure, resources, and particularly in human resources, and that goes to addressing the issues of poverty.

Let me say something about that very quickly. I think that the time has come, really, to go beyond the $1.4 billion that we have been talking about here or these other figures that are misleading

in many ways as well because they are tied up very much in some of the current narcotics efforts and other things like that. It would be great if the Congress could rethink now Senator Menendez's proposal for a social and economic development fund for the region.

Then, finally, let me, in the last minute that I have—there are several other issues that I want to raise that are in my written remarks—let me highlight what is, I think, one of the most serious, difficult, problematic issues that the entire region faces, which affects the security of the region, affects the quality of democracy in the region, and that is the growing presence of public insecurity and criminal violence.

This is a really, really serious and significant problem, and I do not think that we are addressing it properly. In fact, our counterdrug policy sometimes is even counterproductive to it because we force, we press, some of the better elements of the police to go into counterdrug efforts, ignoring the importance of having a basic security issue. The way we send back criminals to Central America, for example, is also a significant problem.

And, finally, small arms are a really, really, really significant issue, and we have not signed the Small Arms Treaty, and countries like Salvador are just being flooded by small arms, which contribute to this criminality. I think it is something we need to pay more attention to. Thank you, Mr. Chairman.

[The prepared statement of Mr. Valenzuela follows:]

PREPARED STATEMENT OF ARTURO VALENZUELA, PH.D., DIRECTOR OF THE CENTER FOR LATIN AMERICAN STUDIES, EDMUND A. WALSH SCHOOL OF FOREIGN SERVICE AT GEORGETOWN UNIVERSITY

Thank you Mr. Chairman, and members of the Subcommittee, I am pleased to appear today before the Subcommittee on Western Hemisphere Affairs of the House International Relations Committee to discuss the current state of Inter-American relations and the challenges that United States foreign policy faces in the Hemisphere as President George W. Bush plans his forthcoming trip to the region.

With the end of the Cold War dramatic changes took place in the Americas. Whereas most countries in the region had endured prolonged periods of authoritarian government and several Central American nations faced long-standing armed civil conflicts, the eighties ushered in the longest period of democratic governance since independence almost two centuries ago.

Moreover, with the demise of the Soviet Union and beginning in the second Reagan administration United States engagement with its hemispheric neighbors evolved from one of almost exclusive concern for stemming the inroads of the communist left to a broader multi-pronged partnership aimed at encouraging democratic governance, resolving border disputes, implementing economic reforms and open markets, and addressing common problems such as organized crime and drug trafficking. Not since the failed experiment of the Alliance for Progress, had the United States become a genuine partner in a common effort that served the national interests of all countries—one that differed from the perceived role of a super-power attempting to impose its will on the destinies of the peoples of the region. Multilateral institutions including the Inter-American Development Bank and the Organization of American States were strengthened and the Summit of the America's process opened up a broad agenda of cooperation that included expanding hemispheric trade, promoting education, encouraging sustainable development and poverty alleviation, and addressing the challenges of organized crime, drug-trafficking and terrorism.

Of particular significance was the collective defense of democracy embodied in the adoption in 1991of the Organization of American States' Resolution 1080 that called for a hemispheric response in case the "democratic process" was interrupted in a "sudden or irregular manner." From the early 1980s until today only one classic military coup followed by outright military rule occurred in a continent once characterized by praetorian politics—the overthrow of President Aristide in Haiti. And

while 16 elected heads of state were not able to finish their terms in office, for the most part such transitions took place according to democratic precepts.

A quarter of a century after that transformational process began we confront a new and less optimistic reality. It is important, nonetheless, to place it in a broader historical context. The Western Hemisphere is still a continent ruled by governments elected by the people and remains the only continent in the world where irredentist politics is largely absent—that is politics that seek to establish sovereign states based on ethnic, linguistic or religious identities—a phenomenon that has become the most destabilizing force in the contemporary world. At the same time the early economic reforms did open-up markets and introduce fiscal discipline while developing new economic institutions and norms.

Nevertheless, it is clear today that the assumptions many made that the establishment of democratic institutions would automatically lead to their consolidation, proved premature as did the belief that economic reforms and free markets would in themselves strengthen and consolidate democracy and the rule of law. Democracy remains fragile and the inability of governments to significantly reduce poverty and inequality have placed additional burdens on the fledgling institutions of representative government and undermined adherence to the rule of law. Policies aimed only at opening trade and markets without addressing structural problems of poverty and inequality have contributed to disenchantment with those very policies among wide sectors of the population.

Populist responses that seek to address these problems with quick solutions and redistributive policies further corrode governing institutions placing democratic gains in peril while jeopardizing long-term strategies for achieving sustainable growth. Democratic institutions and the rule of law don't simply stem from economic reforms or even economic success. Those countries in Latin America that have been most successful in addressing fundamental social problems are also those countries where institutions are the most solid.

What is the state of U.S. Latin American relations in this more sobering context? Unfortunately, in over forty years of study of the region I have rarely seen a moment where there is as much mistrust of the United States and as strong a rejection of the U.S. posture in the World. Even at the height of the Cold War important sectors of mass and elite public opinion in Latin America approved of a U.S. policy aimed at containing the advance of a leftist movements linked in some measure to Soviet designs in the world. Today, by contrast, in country after country public opinion and elite public opinion from left to right takes strong issue with the actions of the United States in the world. In a recent Gallup poll, an average of only 27% of the public in 18 Latin American countries approved of United States leadership in the world and that percentage was lower in Mexico, El Salvador, Paraguay, Brazil, Chile, Ecuador, Bolivia, Uruguay, Venezuela and Argentina (with a low of 9%).

The views of average citizens are paralleled by elite public opinion. A Zogby survey conducted in 2005 of leaders in Colombia, Mexico, Chile, Venezuela, Brazil and Argentina revealed that 86% disagreed with the United States' handling of world conflicts, with two of every three (61%) saying they strongly disagreed

These findings appear paradoxical because the United States received overwhelming support in the Hemisphere after the attacks of 9/11. The Organization of American States invoked the Rio Treaty proclaiming that an attack on one member of the alliance was tantamount to an attack on all. The outpouring of solidarity with the United States led to strong backing for the war against Al Qaeda terrorist network and the Taliban in Afghanistan. And yet, that support quickly soured after the Bush administration decided to forcibly remove Saddam Hussein from power, despite its inability to gain approval of a second resolution at the United Nations authorizing such action.

Two Latin American countries, Chile and Mexico, sat on the Security Council of the United Nations when the United States sought the second resolution. Both were arguably the closest allies the United States had in the Americas. The Bush administration had made a point of noting that the bi-lateral relationship with Mexico deserved to be considered among the most important for the United States in the world—and the United States was just concluding a free trade agreement with Chile as the centerpiece of its Hemispheric—wide trade policy.

Both countries were strongly pressured by the United States to support the second resolution authorizing military action. Neither was particularly comfortable with the French position. Both took their cues from the UN inspectors and both concluded that there did not appear to be an imminent danger of use of weapons of mass destruction. They also concluded that the Hussein's ability to initiate armed hostilities was severely constrained by the embargo and the monitoring of Iraqi airspace. Chile's position was close to that expressed by Canada and, working with the

British, the country was prepared to have the UN institute clearer benchmarks for its inspectors and a shorter time frame for Iraq to comply as a prelude to a war authorization.

It is now well known that the Bush Administration was not prepared to delay an invasion that was already in motion and chose the path to war without UN sanction, only later assembling an ad-hoc coalition of supporters. For Mexico and Chile, the disregard for the UN process was a severe blow to long-standing commitments in both countries to the resolution of international conflicts through peaceful means within the framework of international institutions in conformity to international norms.

Unfortunately, the United States chose to "punish" both countries for doubting the imminent danger of the use of weapons of mass destruction and for refusing to provide UN sanction for the war effort. President Fox' phone calls were not returned and Chile, which initiated its free trade discussions with the United States at the same time as did Singapore, discovered that its Asian counterpart would sign its free trade agreement at the White House, while its own ceremony marking the beginning of a unique commercial relationship with the greatest power on earth would be relegated to a ministerial level meeting in Miami.

Mexico and Chile's position was widely praised in the region and received strong support from across the political spectrum in both countries—marking the beginning of strong dissent from the administration's response to the terrorist threat. The administration did succeed in enlisting support from governments in Central American governments, the Dominican Republic and Colombia for the coalition of the willing, although Colombia refrained from sending troops. In no country, however, did support for the war receive strong backing from the electorate. In the recent Gallup poll approval of U.S. world leadership is highest in Panama, with only 44% approval levels.

Mr. Chairman I have dwelt on this matter because it is difficult to understate the damage US global actions and some of their ramifications, such as the allegations of torture by U.S. forces at Abu Ghraib or the irregular rendition of prisoners to other countries, have done to the United States' ability to provide moral and political leadership in the Hemisphere.

The predicament with which the United States finds itself in the Americas is not due solely, however, to profound skepticism with the rationale and conduct of the war in Iraq. The United States' response to various crises in the region over the last few years (Argentina, Venezuela, Bolivia, Haiti) contributed to the souring of the relationship. I will refer briefly refer to two crises, both in President Bush's first term, that contributed to setting a negative tone: the Argentine financial crisis of 2000 and the coup attempt against of President Hugo Chavez in 2002. I will then briefly refer to the administration's failure to move ahead with comprehensive immigration reform and its impact on U.S. Mexican relations.

The Argentine financial crisis came to a head with the resignation of President Fernando de la Rua in December 2001. Secretary of the Treasury Paul O'Neil made it clear from the outset that the new administration would be reluctant to follow the policies of the Clinton administration that had provided substantial financial assistance to countries like Brazil and Mexico to stabilize their currencies and prevent a massive devaluation with severe recessionary possibilities. When Argentina's fixed exchange rate set through a currency board became increasingly untenable following devaluation of the Brazilian real, the U.S. Treasury made it plain that American "taxpayers" would not come to Argentina's assistance.

While it is true that the drop in the value of the Argentine currency would have a limited effect on the international financial system compared to the feared effect of the earlier Mexican financial crisis, Argentina's currency collapse generated the largest sovereign default in history, plunged Argentina into recession, forced the resignation of a president, and set-back the evolution of Argentina's competitive party system and its fledgling democratic institutions. The effects were devastating for Argentina—and cast a pall over the economic fortunes of neighboring countries such as Bolivia by sharply discouraging regional foreign investment that had propelled growth.

Perhaps the single most damaging misjudgment in crisis management occurred in April 2002 when elements of the Venezuelan military together with leaders of the civilian opposition attempted to overthrow President Hugo Chavez in Venezuela. Chavez, elected president in 1998 and again in 2000 under a new constitution, had swept into office as a result of long standing and deep dissatisfaction in the Venezuelan electorate, which had grown weary of a political establishment viewed as venal and corrupt and incapable of preventing the sharp drop in the living standards experienced by average Venezuelans with the decline of oil prices in the 1980s. Chavez, who in 1992 had attempted to overthrow the elected government of former

President Carlos Andes Perez by force as a young army officer, was intent on transforming Venezuelan politics by depriving the traditional political establishment of the oil generated resources that had kept its patronage system going for a generation. A polarizing figure with deep hostility towards the United States, which had barred him from traveling to the United States after his failed coup, he made clear his intent to make use of his new-found majority to transform Venezuelan institutions while weathering crippling demonstrations by his opponents intent on cutting his term short.

Although the circumstances surrounding Chavez' alleged resignation may have appeared murky, the Bush administration through a White House statement was quick to note that he had resigned his post and offered full support to a "transitional government" headed by Pedro Carmona, the leader of the Venezuelan business association. Such a government, named by the architects of the movement to remove Chavez, was patently unconstitutional and sought to remove not only the president, but close the National Assembly, dismiss the Supreme Court and bar from office all elected governors and mayors.

For the first time since the adoption of Resolution 1080 the United States countenanced a "sudden and irregular" interruption of the democratic process without seeking to mobilize the members of the Organization of American States to evaluate the crisis. By the time Chavez' supporters within the military and the streets were able to reassert control and the president resumed his post, the credibility of the United States as a supporter of the fundamental principle that the crises of democracy must be addressed within the framework of the democratic constitutional order was severely damaged. This misstep undermined the political and moral authority of the United States to exhort other hemispheric partners to expand the Democratic Charter of the OAS to include serious challenges to the democratic governance stemming from the personalization of power among elected leaders who have managed to garner strong majority support, a worrisome trend that applies to several countries in the region, not only Venezuela.

Mr. Chairman, in my view, the biggest disappointment in U.S. policy towards the region was the failure of the Bush administration to make genuine progress on the signature foreign policy objective articulated in the 2000 campaign—giving the bilateral relationship with Mexico the highest priority. In the early months of the new administration considerable progress was made in establishing a joint agenda while conducting a dialogue that would lower tension in matters involving trade, narcotics and law enforcement. But the single most important issue between both countries that share a 2000 mile border and experience 300 million legal border crossings a year is immigration. In preliminary talks, both governments made considerable progress mindful of the fact that immigration reform requires managing the border, expanding temporary work programs and regularizing the status of illegal aliens within the United States. The administration, however, pressured by elements on the right in the Republican party, backed away from immigration reform even before 9/11, and later invoked 9/11 as the principal reason the reforms could not be implemented.

Ironically, 9/11 rather than making the reforms less feasible, should have made them more urgent on national security grounds. Domestic security requires a well-regulated temporary worker program that can meet US labor demands while discouraging illegal immigration. At the same time, the presence of approximately 12 million people working in the country without proper documentation aggravates the problem of monitoring potential security risks.

But politics trumped national security. The administration lost a golden opportunity to push immigration reform when the president was at the peak of his popularity, even if he had had to do so by forging a bipartisan coalition with democrats as President Clinton did by obtaining NAFTA ratification with Republican support. The loss of Republican majorities in Congress in 2006 provides an opportunity for the President to seek comprehensive immigration reform, although his low levels of popular approval place him in a weaker position as an advocate for reform than say in the immediate aftermath of his reelection.

Mr. Chairman, the essential problem with United States policy towards Latin America, and it is not simply attributable to the current administration—is that it is not driven by strategic considerations. That is, policy makers don't assess the degree to which the United States has vital interests at stake in the Western Hemisphere and seek to implement policies to advance those interests. In a world of uncertainty and instability it is in the vital interest of the United States that democracies succeed in Latin America and that the countries of the region become more prosperous. A democratic and prosperous Hemisphere will provide markets for United States goods and decrease the pressures to migrate north for better jobs. A democratic and prosperous Hemisphere will also help contain transnational treats

such as organized crime, drug trafficking and terrorism. The Western Hemisphere is also a critical in addressing the energy needs the United States will face in the coming decades as world energy demand climbs, domestic oil production declines and the Middle East continues to be a volatile and costly source of supply.

And yet more often than not Latin America policy is derivative of other policy priorities elsewhere in the world—as the treatment of Mexico and Chile in the aftermath of the failed second United Nations vote illustrated. Another example is the initial support the Bush Administration gave to President Francisco Flores of El Salvador to serve as Secretary General of the Organization of American States. Despite his personal merits, and I personally have very high regard for him, a conservative president form a small Central American was not the best choice to head up an organization when electorates are increasingly turning to the Left.

And yet, his candidacy was pushed as a reward for El Salvador's support for U.S. policy in Iraq. Insistence on his candidacy needlessly polarized the region leading to the creation of a false dichotomy between countries supporting the United States and those supporting Venezuela. The final outcome was a felicitous one, the choice of Chilean Jose Miguel Insulza as Secretary General, a socialist from a country that has more than any other in the region fully and successfully embraced globalization.

The immigration debate illustrates how often domestic policy is discussed without considering our vital foreign policy priorities. Mexico is going through one of the most complex transitions of the contemporary era—a shift away from one party rule to a competitive democracy. It has made significant progress, by comparison for example with the countries of the former Soviet Union. And yet, its democratic institutions are still weak and the country has an enormous deficit in the full implementation of the rule of law.

The Mexican economy also cannot fully assimilate new workers, creating a potentially volatile social mix in a country that requires much higher growth rates to raise standards of living. The United States cannot simply address the complex issue of Mexican migration as a matter of sealing the border—not only because of the domestic implications of labor shortages in certain sectors—but also because the United States seriously needs to consider the impact of its policies on the success of Mexico's transition. Over the long run, the country's ability to raise its living standards is the only sure way to deal with the problem of illegal immigration.

As the president embarks on this trip to Latin America, what policies should we be doing to get Latin America policy back on track and advance our vital interests??

- Democracy and Good Governance: The trends in the region are still positive—where in the past the problems of democracy led to military intervention—today elections determine who governs. And yet the progress of democratic consolidation is uneven and there are disquieting trends. The most serious stems from popular frustrations with the perceived failings of democracy and the search for a leader that will solve the nation's problems. Leaders with majority support often mistake democracy for majority rule. Democracy is not the rule of the majority—rather it is government of the people in which the rights of minorities and future majorities are protected through constitutional restraints on the actions of majorities—the very essence of constitutional democracy. Countries in the region need to improve democratic governance while safeguarding fundamental rights. It is difficult for the United States to take an active leadership role on this issue because of its own credibility problems. Quiet diplomacy with countries committed to democratic governance is essential. A push back on authoritarian tendencies in the region cannot be led directly by the United States—but the United States must work with hemispheric partners to keep the issue on the agenda and seek mechanisms, through the OAS and the democracy clauses of organizations such as Mercosur to ensure that fundamental democratic freedoms are safeguarded. It will take time for the U.S. to regain credibility on this issue as a valid interlocutor. An important step forward is to emphasize the importance of good governance and to avoid a Manichean logic that sees the continent as divided between good guys and bad—when what is at stake is the success in consolidating over the longer haul viable institutions of democratic governance.
- Trade: The mantra used to be "it's trade, not aid." It should be clear today that trade is not enough. And yet market-opening strategies are still important if the region is to compete in a globalized world. In trade negotiations, however, the United States needs to safeguard its interests, but also ensure that its requirements are not injurious to the wellbeing of fragile economies—our foreign policy priorities should trump our trade priorities particularly in the case of smaller economies. This means taking seriously trade adjustment

strategies not only for American workers, but also for workers in partner countries by addressing labor and environment issues as key aspects of sustainable development. It also means seriously examining the degree to which U.S. insistence in subsidizing and protecting domestic agricultural interests seriously affects vital foreign policy objectives. The Congress should work with the administration to ratify free trade agreements with Peru and Colombia—of vital interest to both countries and to the United States. These should be viewed as expansions of the trade preferences given to Andean countries that struggle to control illicit drugs—trade both presidents elected support. US credibility.

- Assistance: Assistance for the Western Hemisphere is down once again with a considerable portion aimed as support for counter-drug assistance. While the Millennium Challenge account holds out a promise of support for some countries, the United States should make available more resources to help improve the competitiveness of Latin America through infrastructure investment and more directly investment in people, including programs to address poverty. To that end the Congress should adopt the Social Investment and Economic Development Fund that Senator Menendez has been promoting for years.
- Immigration: While in Mexico president Bush should outline a strong agenda of support for Mexico including comprehensive immigration reform that is of interest not only to Mexico but to many countries in the region, notably Central America.
- Criminal violence and public insecurity: The United States rightly continues to focus on anti-drug policies and measures to improve cooperation against terrorist threats. And yet there are few issues that are as central to the wellbeing of citizens in the Hemisphere than public security. Criminality and gang violence undermines public confidence in democratic institutions and is injurious to the rule of law. US policy often works at cross-purposes with an effective policy to deal with this matter by encouraging the redirection of police forces to the drug war—when assuring public security in its own right would enhance, and not undermine, the effort to reduce the scourge of illegal drugs. The United States also needs to reexamine policies that lead to the transfers of violent criminals to their home countries. Finally, the United States should sing the Small Arms Treaty preventing the easy export of small arms that aggravates crime and public insecurity in countries such as El Salvador.
- Energy: There are few issues as vital to fundamental U.S. interests as securing ready access to energy sources, renewable and non-renewable. The governments of Brazil and the United States should be applauded for concluding a bio-fuels agreement that will be signed during President Bush's trip to Brazil. As Senator Lugar and OAS Secretary General Jose Miguel Insulza argued in a recent op-ed in the *Miami Herald* that agreement should be expanded to provide a broader regional focus. The Organization of American States will also address energy issue in its General Assembly meeting in Panama. As regional integration efforts such as the Andean Community and Mercosur falter, a focus on energy integration could be an important first step in developing a meaningful integration scheme in the Hemisphere, just as the Coal and Steel Community served as a catalyst for European integration efforts. The United States should work with its hemispheric neighbors to help make this possible. Energy self-sufficiency in the Southern Hemisphere is clearly in the interests of the United States.

Thank you.

Mr. ENGEL. Thank you. Mr. Farnsworth?

STATEMENT OF MR. ERIC FARNSWORTH, VICE PRESIDENT, COUNCIL OF THE AMERICAS

Mr. FARNSWORTH. Thank you very much, Mr. Chairman and members of the subcommittee, Mr. Burton, and Mr. Meeks. It is good to have the opportunity to appear before you again this afternoon.

A lot has been said already about the timeliness of the President's upcoming trip, so I will skip that, although I do agree, it is

a very timely trip, and it is a very important reminder of the myriad interests that the United States maintains within Latin America.

Latin America, of course, is vital to United States national security interests, from border security to energy security to economic security to assistance with global issues, such as nuclear nonproliferation and peacekeeping. Individual Latin American nations have been critical, if frequently underappreciated, partners.

History shows that we have the best chance of achieving our own interests in the Americas when we actively promote issues of most importance to Latin Americans themselves, and we have talked about this already today: Accountable representative democracy, broad-based economic development, transparent and effective rule of law, and an overall tone in relations that stresses mutual interests based on true partnership.

As we mentioned, the President's trip provides an excellent opportunity to advance this agenda, and we do look for concrete results coming out of the trip that bespeak continuously maturing hemispheric relations as well. And this is not part of the trip coming up, but we are pleased that the President has said that he plans to attend the APEC meetings in Lima, Peru, in 2008, adding that critical nation to the expanded White House travel itinerary and highlighting the increasingly important relationships between Latin America, North America, and Asia.

To be sure, many of the issues I will discuss below, including energy, trade, immigration, and foreign assistance require congressional action. The trip is a beginning, as other panelists have already said, but Congress will ultimately have a determinative voice in promoting the United States agenda in the Americas, and we strongly encourage the consistent pursuit of core United States interests in the Americas across the longer term.

So with that in mind, let me just turn very quickly to the specific countries that are on the President's agenda and suggest some ideas that we might be looking for in terms of success for the trip.

We believe that a key to United States relations with Latin America broadly is the relationship with Brazil. We did not hear a lot about Brazil today, but it is appropriate that the President will be traveling there first and that Brazil's President Lula will return the visit, later this month, to Washington.

Without putting undue expectations on the bilateral relationship, nonetheless, the President does have the opportunity to promote several issues of importance to the United States within the context of Brazil's efforts to play a more robust, global role. For example, United States energy security would be enhanced by working more collaboratively with Brazil to develop and promote ethanol resources. We have already talked about that a little bit today as well, and that is something we strongly support. Of course, to be most effective, the U.S. tariff on imported ethanol has to be reduced or eliminated.

As well, even as Iran defies the international community by continuing to develop its nuclear program, and this is something that Mr. Klein raised earlier in his comments, Brazil, through its membership in the International Atomic Energy Agency and given its

own voluntary rejection of the pursuit of nuclear weapons, can be an effective partner in these matters, if they choose to do so.

Of course, global trade talks also depend very much on United States discussions with Brazil, and we encourage those discussions to continue.

Although the President travels to Mexico last, in fact, he will also have an excellent opportunity to make progress in our vital relationship with Mexico. President Calderon, we believe, has already taken some very important steps on law enforcement and border security, working in collaboration with the United States.

Of particular note, the United States President's efforts, along with his counterparts in Mexico and Canada, to develop a stronger, more competitive North America to meet the Asian economic challenge is delivering concrete results. In fact, I just returned from a meeting in Ottawa with Secretary Rice, Secretary Chertoff and Secretary Guiterrez. Of course, the bilateral issue of primary importance to Mexico remains better management of the migration issue, and I have testified previously on that before this subcommittee, and that would be of benefit both to Mexico, as well as to the United States.

In Colombia, the President's visit comes at an important time. Much attention is rightly being focused on the high levels of violence there, as well as recent corruption scandals in the legislature. The President will have the opportunity to receive assurances of the concrete steps that the Uribe government is taking to root out and bring to justice those, whether inside or outside the government, who may have provided illicit support for the paramilitaries or engaged in other illegal acts, but more must be done.

At the same time, we must also recognize, and, I think, Mr. Chairman, you have already said this in your comments, the progress that has already been made in Colombia, given United States assistance under Plan Colombia, and continue to work with the Uribe government, one of the United States's staunchest allies in the region, in its efforts to end the vicious FARC and ELN insurgencies while also assisting in the fight against drug trafficking.

One of the concrete ways that we could do that, of course, would be to not just promote but also to pass, on a timely basis, the free trade agreement which has been negotiated with Colombia, and I would also say, with Peru and with Panama. Those countries see this in the way we should as well. I believe they are more than economic and trade agreements. They are actually strategic agreements for the United States, and if we do not move forward with those, the cost of not doing so has already been suggested by members of the subcommittee, but as well as other panelists, would be dramatic and historic, and it is something that I think we really need to take note of.

In Uruguay, we applaud the President for his decision to travel there, frankly. Under President Vazquez, who is a socialist, the government there has proven to be adept in its efforts to pursue a course of pragmatism and thoughtful steps to engage in the global economy.

In the famous words of Deng Xiaopeng, it really does not matter whether the cat is black or white but whether the cat catches mice,

and President Vazquez is charting a very interesting, independent course within South America. We believe that he has created a model for thoughtful engagement with the United States, a true third way, if you will, and we encourage the further development of a relationship which may be small in practical terms but which is outsized in symbolic and strategic terms.

I do want to say a word about Guatemala as well, if I might. The President's trip to Central America is an excellent opportunity to highlight passage, as we have already mentioned, of the Central America-Dominican Republic Free Trade Agreement, and to draw attention to the progress made since the end of the last Central American conflict, actually in Guatemala in 1996.

Having said that, Central America remains an impoverished region plagued by crime stemming from its geographic location between the world's largest producers of coca and the world's largest consumers of cocaine and other illicit drugs, as well as the organized gangs that the region's overwhelmed security forces struggle to contain.

Economic growth brought on by the full implementation of CAFTA–DR will directly assist these matters, as well as security cooperation to address street crime within the context of human rights protections and a lack of impunity. This should be an important priority for this visit, as well as support for infrastructure development through such means as the Millennium Challenge Corporation.

Mr. Chairman and members of the subcommittee, the Latin America agenda is a full one, as we have already discussed today. The President's upcoming trip is an opportunity to promote a friendship agenda of partnership and engagement with willing regional partners.

By doing so, with realistic expectations and a commitment to long-term regional engagement, we have the greatest opportunity to take steps to achieve fundamental United States interests in the Americas while erecting a concrete breakwater, if you will, against populists and other regional currents inimical to U.S. interests. Working with Congress, we believe the time for such action is now. Thank you again.

[The prepared statement of Mr. Farnsworth follows:]

PREPARED STATEMENT OF MR. ERIC FARNSWORTH, VICE PRESIDENT, COUNCIL OF THE AMERICAS

Good morning, Mr. Chairman and members of the Subcommittee. It is a privilege to be with you to discuss a topic of such importance and timeliness. As you know, the Council of the Americas ("Council") is a leading policy voice on Latin American, Caribbean, and Canadian issues. For over 40 years, our mandate has been to promote democracy, open markets, and the rule of law throughout the Americas. Thank you for the invitation to speak before you today.

ATTENTION TO US INTERESTS IN THE AMERICAS A PRIORITY

The President's upcoming trip to Latin America is a timely reminder of the myriad interests that the United States maintains in the region. It provides an excellent opportunity to pursue them within the context of an emerging friendship agenda for the region that we should be pursuing through a variety of different means. For too long the US policy debate has tended toward two extremes. On the one hand, perceived US neglect of the region and the war in Iraq have led some to suggest that US relations with Latin America are fundamentally broken, and that we should expect little in terms of regional cooperation to achieve our goals in the hemisphere.

On the other hand, some suggest that Latin America has been unwilling to do much on its own behalf to strengthen its position in the global economy, and has shown little to offer the United States beyond intending immigrants. Therefore, they say, competing global priorities can more usefully be pursued.

Mr. Chairman, I would submit to you that both views are wrong. The reality is more nuanced, and it is important that we understand both our own interests in the region as well as the tools and prospects we have for achieving them in order that US policy can be most successful over both the short and longer terms.

In fact, Latin America is vital to US national security interests. From border security, to energy security, to economic security, to assistance with global issues such as nuclear non-proliferation and peacekeeping, individual Latin American nations have been critical, if frequently underappreciated, partners. And history shows that we have the best chance of achieving our own interests in the Americas when we actively promote the issues of most importance to Latin Americans themselves: accountable representative democracy, broad-based economic development, transparent and effective rule of law, and an overall tone in relations that stresses mutual interests based on true partnership.

PURSUING THE US AGENDA

The President's trip provides an excellent opportunity to advance this agenda, and we look for concrete results that bespeak continuously maturing hemispheric relations. As well, we are also pleased the President has said he plans to attend the APEC meetings in Peru in 2008, adding that critical nation to the expanded White House travel itinerary and highlighting the increasingly important relationship between Latin America, North America, and Asia. To be sure, many of the issues I will discuss below, including energy, trade, immigration, and foreign assistance, require Congressional action. The trip is a beginning, but Congress will ultimately have a determinative voice in promoting the US agenda in the Americas, and we strongly encourage the consistent pursuit of core US interests in the Americas across the longer term.

Brazil

We believe that a key to US relations with Latin America is the relationship with Brazil. It is appropriate that the President will be traveling there first, and that Brazil's President Lula will return the visit later this month. Without putting undue expectations on the bilateral relationship, nonetheless the President has the opportunity to promote several issues of importance to the United States, within the context of Brazil's efforts to play a more robust global role. For example, US energy security would be enhanced by working more collaboratively with Brazil to develop and promote ethanol resources, which the Council has strongly supported. Of course, to be most effective, the US tariff on sugar-based ethanol would also have to be reduced or eliminated. As well, even as Iran defies the international community by continuing to develop its nuclear program, Brazil, through its membership in the IAEA and given its own voluntary rejection of nuclear weapons, can be an effective partner in these matters should it decide to play such role. Finally, of course, global trade talks—the Doha WTO agenda—will continue to get a boost to the extent the United States and Brazil work together to address agriculture subsidies and market access issues worldwide. Recent discussions at senior levels have been promising, and they should continue to be pursued with vigor. Promoting a partnership on ethanol would also support such a trade agenda.

Mexico

Although he travels to Mexico last, the President will also have an excellent opportunity to make progress in our vital relationship with Mexico. Despite his narrow margin of victory in the elections last summer, President Calderon has taken steps to solidify his mandate by reaching out to the opposition while moving to address issues of common concern, including crime and broad-based economic development. By supporting his strong start in addressing criminal activities and in cooperating closely with the United States on law enforcement and border control, the United States can solidify a relationship which has been called our most important worldwide. Of particular note, the US President's efforts along with his counterparts in Mexico and Canada to develop a stronger, more competitive North America to meet the Asian economic challenge is delivering concrete results, as I saw just last week in Ottawa during a tri-lateral meeting of ministers to discuss the Security and Prosperity Partnership. Of course, the bilateral issue of primary importance to Mexico remains better management of the migration issue, on which I have testified previously before this Subcommittee, and concrete progress to advance a workable solu-

tion, including more rapid economic development in Southern Mexico, would be welcomed by Mexico City and would also help us alleviate our own migration concerns.

Colombia

In Colombia, the President's visit comes at an important time, when much attention is rightly being focused on the high levels of violence there as well as recent corruption scandals in the legislature. The President will have the opportunity to receive assurances of the concrete steps that the Uribe government is taking to root out and bring to justice those, whether inside or outside the government, who may have provided illicit support for the paramilitaries or engaged in other illegal acts. More must be done. At the same time, we must also recognize the progress that has already been made in Colombia given US assistance under Plan Colombia, and continue to work with the Uribe government, one of the US' staunchest allies in the region, to assist its efforts to end the vicious FARC and ELN insurgencies while also assisting the fight against drug trafficking. In this regard, passage of the pending trade agreement, which would provide access for US exports into Colombia on the same basis that Colombian exporters already enjoy into the United States, is essential. By passing the pending FTA, Congress would lock in the economic and political gains that have already been made, on a bipartisan basis, to link Colombia to the global economy by providing good jobs for many who would otherwise have limited prospects outside the illegal economy. It would also provide additional tools to support labor and gender rights. The same can be said, frankly, for the pending agreements with Peru and Panama. On the other hand, failing to pass these agreements on a timely basis would severely undercut our friends at a delicate moment, while straining US credibility in regional affairs and global trade matters to the breaking point.

Uruguay

We applaud the President for his decision to travel to Uruguay. Under President Vazquez, a socialist, the government there has proven to be adept in its efforts to pursue a course of pragmatism and thoughtful steps to engage the global economy. When the Council hosted President Vazquez at our annual Washington Conference on the Americas last May, he used the occasion to announce his desire to explore an enhanced trade relationship with the United States, which we endorse, a decision that ultimately led to the recent signing of a trade and investment framework agreement between the two nations. In the famous words of Deng Xiaopeng, it doesn't matter whether the cat is black or white . . . what matters is whether the cat catches mice. And President Vazquez is charting a very interesting, independent course within South America. We believe he has created a model for thoughtful engagement with the United States, a true third way, and we encourage the further development of a relationship that may be small in practical terms, but which is outsized in symbolic and strategic terms.

Guatemala

Finally, the President's travel to Central America will be an excellent opportunity to highlight passage of the Central America-Dominican Republic trade agreement, and to draw attention to the progress made since the end of the last Central American conflict, in Guatemala in 1996. Having said that, Central America remains an impoverished region, plagued by crime stemming from its geographic location between the world's largest producers of coca and the world's largest consumers of cocaine and other illicit drugs, as well as the organized gangs that the region's overwhelmed security forces struggle to contain. Economic growth brought on by the full implementation of CAFTA will directly assist these matters. As well, security cooperation to address street crime within the context of human rights protections and a lack of impunity should be an important priority for the visit, as well as support for infrastructure development through such means as the Millennium Challenge Corporation. After so much progress, treasure, and effort to bring peace to the region, we can ill afford to see democratic institutions eroded by failing to address the challenges that Guatemala and other Central American nations can only resolve in concert with the international community.

CONCLUSION

Mr. Chairman, members of the Subcommittee, the Latin America agenda is a full one. The President's upcoming trip is an opportunity to promote a friendship agenda of partnership and engagement with willing regional partners. By doing so, with realistic expectations and a commitment to long-term regional engagement, we will have the greatest opportunity to take steps to achieve fundamental US interests in the Americas while erecting a concrete breakwater against populist and other re-

gional currents inimical to US interests. Working with Congress, the time for such actions is now.

Thank you again for the opportunity to be with you today. I look forward to your questions.

Mr. ENGEL. Thank you very much, Mr. Farnsworth.

Let me say to all three of you, it is actually excellent testimony. All three of you, I think, pointed out so many important things, and I am struck by the fact that, in essence, you are all really saying the same thing. We need to be more engaged. I think the committee, on both sides, said that, and I had some questions, which actually most of you have answered in your very excellent statements. So let me just ask you this one thing as sort of a catch-all.

Since we are focusing on the President's trip, and the reason I wanted to have this subcommittee hearing at this point, just before the President's trip, because I thought it would be very good, and I am delighted that we had you at our first hearing in the 110th Congress.

Do any of you want to add anything about the President's trip? I know, Mr. Hakim, you mentioned social agenda versus poverty and inequality. I actually almost think it is the same thing. How can the President focus effectively on these issues during the trip? And, you know, in our hearings in the last Congress and now, many people have said that the Bush administration's agenda in the Americas is overly focused on trade and drugs and not more on other things.

Do you agree with that, and, if so, what areas need to be more adequately focused on? If any of you want to take that, I would be grateful. Mr. Hakim.

Mr. HAKIM. let me just say that actually we had a dinner with Secretary Paulson, who asked that very same question about how could the United States make a difference on this so-called social agenda that we have sort of talked about and that incorporates so much of what is at stake in Latin America and that is so much relevant to the turmoil in the region, in fact, fuels a lot of Chavez's rhetoric and why he has some resonance in the region.

I think, first of all, I think that the real key things, as I said, are to do no harm in the short run. I think we have to continue to support the Bolivias and Ecuadors and maybe even the Nicaraguas because there is just a large segment of very poor people there, and all we are going to do is drive them further away if we do not try to maintain the assistance to those countries, and, in fact, we are going to look as if we are unjust, more generally.

I think we do have to change our aid program, more generally speaking. I think it is important in two different ways. One is that we give most of our aid, almost all of our aid, to poor countries. We need some kind of aid to countries that are slightly better off but have large pockets, large populations, of very poor people. They can put in a lot of their own money. They have to make commitments, but we can be very helpful if we were to expand the Millennium Challenge Account to incorporate countries with large concentrations of very poor people.

I think our drug program, for example, which focuses on eradication and interdiction, could do more to develop alternative sources of employment and livelihood in many of the countries.

That is what the countries are asking for. We would gain from being flexible and considering that kind of change.

I think there are just a whole range of things within programs we are already financing that are very, very important to do, and I think that that could be found in almost every program. You could carve out more of a focus on, like I say, the social agenda, in which I include efforts to help countries fight crime and violence, discrimination, as well as poverty and inequality.

Mr. ENGEL. Thank you. Anybody else? Yes. We will go right across: Dr. Valenzuela and then Dr. Farnsworth.

Mr. VALENZUELA. Just a brief comment. We made two fundamental conceptual mistakes when this era of democratization began in Latin America in the 1980s. We thought that the establishment of democracy meant it is consolidation, and that is a much more difficult and long-term process.

The other mistake that I think we made collectively was to think that if one opened up markets, and one privatized, and one promoted free trade, and things like that, that somehow automatically that would lead to the proper kinds of governmental and democratic institutions to emerge. Today, we know that, in fact, it is the reverse, that unless you have strong institutions, unless you have strong state capacity, unless you have accountability, unless you have rule of law, unless you have governance, and there is a real significant problem of governance in many of these countries in the region where Presidents cannot govern. Sixteen Presidents have actually had to leave their office before their terms were up during this period.

Fortunately, we are not back in the period of military coups, you know, so the problems of democracy need to be resolved within a democracy. It is the weaknesses of these institutions also that encourage populism, which, in turn, is very negative in terms of consolidating institutions.

We need to focus much more on these sorts of things than we have, but we cannot also do it in a preachy sort of way. The United States cannot come in and say, "You have got to democratize. You have got to do this." We have to work to build capacity in the region through the OAS, through other organizations. There is a need. There is a tremendous demand, for example, for local governance, for empowering local governments and making local government much more effective, something that we are not paying sufficient attention to.

These are all things that the President discussed with some of his colleagues.

Mr. ENGEL. Thank you. Mr. Farnsworth.

Mr. FARNSWORTH. Thank you, Mr. Chairman. Very briefly, every discussion of the social agenda in Latin America eventually gets around to the question of are the tools that the United States actually has to promote a social agenda beyond rhetoric and travel and things like that? Those are important tools, but, as a practical matter, our toolbox is limited. Trade, as you mentioned, is certainly one of them.

Another that can be very actively and successfully promoted is the reform of investment climates in the Western Hemisphere to draw the kind of direct foreign investment to the region that other

regions, like Asia and Eastern Europe, are gaining at a much higher rate than the Latin American nations.

Many of the things Arturo just mentioned are actually part of the investment climate: An educated workforce, not just the elites educated but a broad-based education; application of technology; access to capital; a judicial system that works, not just for foreign investors but for everybody in the society. These are social agenda issues, but they have the direct impact of, by anticorruption and making the society more transparent, drawing the type of foreign investments, not just United States—it is Canadian, it is Japanese, it is European—that countries need to survive in a global economy.

So what the United States can and, we believe, should be doing is working with some of the countries to really reform some of the policies that they have in place. They are domestic in nature and have to be reformed domestically, and that is part of the reason why we are hampered a little bit from the United States because, other than hectoring, there is not a lot that we can do sometimes. But when the countries in question see the direct financial benefits through foreign investment, then the changes tend to be made, Chile, of course, being the best example along those lines.

Mr. ENGEL. Thank you. Mr. Burton, any questions?

Mr. BURTON. I just have one real quick question, and that is, in the event that we do not pass more legislation that will allow for free trade agreements or extending trade agreements that are already there, what will happen? Will China come in and fill the void? Will other countries around the world fill the void? What is your prognostication on what will happen if we do not do the things that you are talking about to help stabilize the region?

Mr. HAKIM. Well, let me just say that I think that we had an example of a hemisphere during the beginning of the 1990s, the first Bush presidency, and the first years of the Clinton presidency, at least the first term of the Clinton presidency, where there was a tremendous convergence between the United States and Latin America where people were talking about hemispheric trade agreements, they were talking about collective actions to deal with countries that violate democratic principles, they were talking about Summits of the Americas to form common agendas, and somehow that has come to be unraveled, and we are paying the cost of it, Latin America is paying the cost of it.

I think it is just very, very important that we sort of move to try and reconstruct that convergence. It is not easy now.

I am not sure Chavez is going to gain all that much. He has a model of growth development, economic management that is very good when the price of oil is at $60 to $70 a barrel. I think that would dissipate very quickly if the price of oil were to decline. I do not think there are many other countries, certainly no serious countries, in Latin America that are following his model.

I think, frankly, Chavez would fade very quickly if the United States moved to have a more active and intelligent policy for Latin America, and the Latin American governments began to deal with some of the social issues we have dealt with.

We do not have to confront him directly. He is a minor actor that has taken center stage because everybody else is walking away from it.

Mr. VALENZUELA. Mr. Chairman, I do not think that we would be threatened, or should be threatened, if countries like China move into Latin America and invest because it is in our fundamental interest for these countries to become more prosperous, to grow. As long as they get involved in the international economic system, that is to our benefit.

On the other hand, there is just no question that if, as we have testified today, we do not approve some of these specific measures, particularly the preferences, we do face a situation where tens of thousands and maybe hundreds of thousands of people's jobs could be threatened. That is not in the interest of the United States for that to happen.

We must, I think, pursue a trade agenda, but I would strongly emphasize that such a trade agenda has to also consider labor and environmental issues, and it also has to address something that we have not talked about, and that is the whole agricultural area, where our continued subsidies and our support for our farm programs can become, and does become, detrimental in setting up these agreements with other countries.

We cannot just simply say, "Well, look, we are going to address that when we come to the Doha Round," or something like that, and we move ahead on a series of trade agreements with the region that do not fundamentally address this important component.

Mr. ENGEL. Mr. Farnsworth.

Mr. FARNSWORTH. Thank you very much for the opportunity. I think, in the first instance, if we do not pass the agreements, we are actually disadvantaging United States producers because, right now, the countries of Colombia and Peru enjoy duty-free access into the United States market, which does not exist on a reciprocal basis, and what the free trade agreements will do will, for the first time, open those two markets to United States producers, 90 percent of products immediately, and, over the next several years, the rest of the products will be duty free into those two economies.

That is very important and should not be overlooked. Having said that, I do not even think that is the most important part of these agreements. I think the most important part is on a strategic basis. I firmly believe that if the United States does not pass these agreements, which have already been signed and already concluded, that, in fact, what we are doing is we are walking away from the very people in the hemisphere who are our best friends, and they are the ones who have gambled their political futures on a close relationship with the United States, and there are not that many people in Latin America willing to do that right now, certainly at a leadership level.

So, at a political level, if you are a President of a country, and you have literally gambled your political future on a free trade agreement with the United States, and we do not come through with that, despite having negotiated the text, the question, then, is an obvious one: What is the United States, in terms of a reliable partner?

It goes to the question that you raised in terms of President Chavez and the vacuums that can then be filled. I do not know that President Chavez or Venezuela will then move into Colombia or Peru. But I do think that it is almost certain that those countries

and their leaders will pull back from the United States, and that is a significant strategic loss for us at a time when I think we can ill afford it.

Mr. BURTON. Let me just say that I hope that you will convey your feelings on trade preferences and free trade agreements collectively to, not only the administration but to Congress, because this is a big issue right now, and there are a lot of members on the opposition side and some on our side that do not want to see trade preferences extended, and they do not want to see any of these free trade agreements ratified. If that is the case, I think you are absolutely right. We are going to have big problems.

So if you get that message, since you are all learned gentlemen, if you get that message to the rest of the Members of Congress, I would appreciate it very much. Thank you.

Mr. ENGEL. Thank you. I want to, before we conclude, just add that the point that Dr. Valenzuela made, which I want to reiterate because I agree with it, that I am for free trade, but I think, when we negotiate free trade agreements, we need to take into account labor and environmental standards, and I think that what the administration should do is not negotiate free trade agreements that cause large segments of this Congress to reject them because the labor and environmental standards are not there.

I am for free trade. I really am, but I do think that we have a social responsibility as well, and I do not think the two are mutually exclusive.

So I want to thank the three of you. It was truly extraordinary and excellent testimony. Doctor, we will give you the last word.

Mr. VALENZUELA. Could I just make one plea? Having worked in the White House and, in the first Clinton administration, at the State Department and having seen how damaging it was to our policy in the region to have a partisan divide—in my case, in the first part, it was Haiti, but then I was fortunate to work in the White House in the second Clinton administration, when we worked on the Colombia policy. One of the signal achievements of that period was to make Colombia policy a bipartisan foreign policy.

I do not see any reason why policy toward Latin America for this hemisphere, where we have such fundamental interests, should not be a bipartisan foreign policy. Thank you.

Mr. ENGEL. I could not agree with you more, and, in my opening statement, I mentioned that, and I think that we saw that from the line of questioning here on both sides of the aisle, from your testimony, from the Secretary's. We are all really saying the same thing.

So, again, I want to thank you, and I want to thank Mr. Burton. We have had an excellent hearing, and the committee is adjourned.

[Whereupon, at 1:40 p.m., the subcommittee was adjourned.]

APPENDIX

Material Submitted for the Hearing Record

Congress of the United States

Washington, DC 20515

March 1, 2007

The Honorable George W. Bush
President of the United States
The White House
1600 Pennsylvania Avenue, NW
Washington D.C. 20500

Dear Mr. President:

We are writing to applaud your upcoming trip to Latin America and to encourage you to focus more intensively on the Western Hemisphere during the remaining two years of your presidency. As you said during your first presidential campaign in August 2000, "Those who ignore Latin America do not fully understand America itself. And those who ignore our hemisphere do not fully understand American interests."

With anti-Americanism on the rise throughout the world and in our own neighborhood, positive engagement with Latin America can play a pivotal role in promoting a shared hemispheric agenda that emphasizes economic and social development while supporting essential U.S. geopolitical goals.

We believe that poverty and inequality are at the core of many political developments in the region. Latin America continues to have a higher level of income inequality than any other region in the world. In 2005, almost 40% of the region's population – 209 million people – were living in poverty. Working closely with our neighbors to combat poverty can serve the dual purpose of promoting development and reducing anti-American sentiments.

While foreign assistance alone is not the answer to the region's problems, we are concerned with reductions in assistance to the Western Hemisphere in your 2008 budget. We are pleased that Nicaragua, Honduras and El Salvador have signed large compacts with the Millennium Challenge Corporation, but at the same time it is troubling that overall development assistance for the region is down over $70 million from FY 2006. The $36 million reduction in funding for child survival and health programs in the region and the elimination of foreign military financing for all but two countries is also of great concern. We believe that these reductions in assistance send the wrong message to our friends in the hemisphere. We hope to work closely with you in finding ways to increase U.S. assistance to Latin America during this year's appropriations cycle

Finally, we are very encouraged by your efforts to begin extensive cooperation on biofuels and alternative energy with Brazilian President Lula da Silva. This is precisely the type of win-win partnership that can help to enhance U.S. – Latin American relations in the remaining two years of your presidency and beyond.

As members of the House Subcommittee on the Western Hemisphere, we stand ready to work with you in making hemispheric relations a top priority.

Sincerely,

ELIOT ENGEL
Chairman
Subcommittee on the Western Hemisphere

DAN BURTON
Ranking Member
Subcommittee on the Western Hemisphere

Subcommittee on the Western Hemisphere

Subcommittee on the Western Hemisphere

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Subcommittee on the Western Hemisphere

One Hundred Tenth Congress

Congress of the United States
Committee on Foreign Affairs
TOM LANTOS, D-CALIFORNIA, CHAIRMAN
ILEANA ROS-LEHTINEN, R-FLORIDA, RANKING MEMBER

U.S. House of Representatives
Washington, DC 20515
(202) 225-5021
http://www.internationalrelations.house.gov/

January 8, 2007

The Honorable Condoleezza Rice
Secretary of State
U.S. Department of State
Washington, D.C. 20520

Dear Madame Secretary:

As the 110th Congress begins and the focus of our foreign policy debate in the Congress becomes more Iraq dominated and focused, I wanted to raise an additional area of the world that also needs your and the Administration's full attention, in order to also protect and preserve our national interests there. I am referring to our backyard—our own Hemisphere.

The situation in the Western Hemisphere is one of deep concern. The leftward anti-American movement of many of the new governments in the region is having grave consequences for U.S. policy and interests. For example, the newly elected government in Ecuador has already announced our Forward Operating Location (FOL) at Manta will not be renewed in the coming years, thus depriving us of a critical base of operations for the global struggle against narco-terrorism and illicit drugs headed to our shores. We need new alternatives to Manta now.

The government of Venezuela has turned a blind eye to the illicit drug trade from the Andean region, and the easily obtained fraudulent Venezuelan travel documents are helping facilitate that deadly trade, and possibly the travel of terrorist networks in the region as well. The new civilian flights into Caracas airport from Tehran starting next month, present uncertain threats and concerns we have yet to adequately assess, and provide insight into the ever-expanding relationship between the Chavez government and the Iranian regime.

The tri-border area continues to be a source of substantial financing of radical Islamic elements in the Middle East, and could easily become once again a base of operations for these same groups to carry out attacks in the region as was the case in the 1990s in Argentina. In addition, more and more cocaine flows from Bolivia affecting its neighbors and the globe, especially Europe today. We need to bring the EU into our Andean counter-drug campaign and efforts since today nearly half the Andean cocaine now is headed to Europe, not all here to the U.S. as was long the previous tradition.

The Honorable Condoleezza Rice
January 8, 2007
Page Two

We ignore our own hemisphere and these and other emerging problems and threats at our peril.

I look forward to working with you and your foreign policy team on these and other areas of concern in the dangerous and uncertain world we all live in today.

With best wishes,

ILEANA ROS-LEHTINEN
Ranking Member

WRITTEN RESPONSES FROM MR. ERIC FARNSWORTH, VICE PRESIDENT, COUNCIL OF THE AMERICAS, TO QUESTIONS SUBMITTED FOR THE RECORD BY THE HONORABLE DAN BURTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Question:

What is the range of improvements that we could see through the implementation of the Colombia and Peru FTA's in addition to the expansion of trade preferences in addition to restarting the Free Trade Area of the Americas negotiation? On the other hand, what will be the fallout if the FTA's do not pass through Congress and the trade preferences are not renewed at the end of June? Can you explain the resulting impact on the U.S. economy and the general economic consequences for Latin American countries?

Response:

A hemispheric free trade area, as called for by consensus at the Miami Summit of the Americas in 1994 and at subsequent Summits, would be the optimal means for expanding trade and investment in the Western Hemisphere. But such a free trade area is politically impossible under current hemispheric conditions. As a result, alternative means must be found to continue the trade and investment expansion agenda as the best, most effective tool the United States has to promote regional development.

To this point, the expansion of trade with Andean nations has taken the form of the unilateral ATPA/ATPDEA programs which have opened the US market to Andean trade partners since 1992. By unilaterally opening the US market to Colombia and Peru and others, the ATPA/ATPDEA allowed these countries to strengthen their economies in part by providing alternative sources of income to workers and thus combating the illegal narcotics trade. The US-Colombia and the US-Peru FTA's would now open the Colombian and Peruvian markets to US products, the next logical step in this long-term pattern of economic and political engagement with Andean nations pursued by both Republican and Democratic administrations alike. Bilateral trade agreements would enlarge the existing commercial relationships, leading to increased trade and investment flows, while providing a reciprocal framework for existing trade and investment activities and strengthening strategic partners both economically and politically. To the extent these free trade agreements are delayed, ATPDEA provisions should be extended so that there is no break in benefits and economic and strategic gains are not eroded.

The trade promotion agreements offer important growth opportunities for US industry and agriculture. Colombia and Peru already import more from the United States than anywhere else, including Brazil, Venezuela, China or India, with a propensity for US goods and services that make it likely such imports would grow significantly under a bilateral trade agreement with the United States. Product categories that would be expected to increase include US sales of technological goods and services, mining equipment and services, agriculture products including corn, wheat, soy, and chicken, vehicles, textiles, and others. Importantly, the disciplines contained in the agreements in areas such as services, investment, and government procurement enhance the transparency and accountability of day-to-day governance in Colombia and Peru, which makes the countries more attractive places for foreign investment.

Failure to enact these agreements would impact the United States economically through lost sales and the opportunity costs contained therein, including potential job creation. Market opportunities would quickly be filled by other global competitors.

The main cost, however, would be strategic. These agreements would enhance the US relationship with two nations that are much-needed allies in a strategically important region, at a time when US interests are being daily eroded by Andean leaders with agendas inimical to our own. Walking away from these agreements, or significantly delaying their final passage, would be a startling—and wholly self-inflicted—set-back for US interests in the Andes and in the hemisphere, and would directly lead to a significant pull-back from other hemispheric nations in their willingness to partner with the United States in other areas.

US credibility in the hemisphere, as well as with the broader multilateral trade agenda, would be shattered. These are the stakes as Congress considers these agreements.

Question:

Can you speak to the overall business climate in Latin America? I am curious as to what the future business environment will look like if Latin America continues on its current path of powerful left leaning leaders nationalizing major economic sectors

and utilizing their resources to entice other nations to do the same. What risks are there and how do we successfully combat them?

Response:

Latin America, as elsewhere, is faced with ever-increasing global competition. World markets which were once dominated by Latin American producers, such as textiles and coffee, are now accessed by competitors from Asia, Europe, and even Africa. Foreign and domestic investment that might normally have flowed into the hemisphere now has options outside the realm of Latin America in other emerging markets.

In some nations like Chile, Colombia, and Peru, the business environment is quite strong. In others, like Venezuela, Ecuador and Bolivia, it is deteriorating. Those nations that enjoy healthy business climates are primarily those which have paid attention to fundamentals both in the macro and the micro economies: broad-based quality education, labor flexibility, effective application of the rule of law, anti-corruption, regulatory fairness and transparency, tax codes that stimulate rather than discourage private activities, property rights, and numerous other priorities. Those nations which have neglected such actions, or which have pursued resource nationalism, a stronger state presence in the economy, or restrictive regulatory policies, may indeed achieve high growth rates in the short term given high current high prices for global commodities. Nonetheless, having built their economies on a soft foundation, they will likely also find that over the medium to longer term, their economies—and people—will suffer.

There is little that the United States can do to prevent democratically-elected leaders from taking actions that harm their own global competitiveness. Developing markets are inherently risky and our tools are limited. Still, we do have certain tools and we should employ them effectively. For example, the United States should continue to engage populist hemispheric leaders at both official and unofficial levels, discouraging activities which may prove harmful, while providing support for reforms that will draw investment and improve peoples lives. The United States can and should provide additional foreign and technical assistance, perhaps through the MCC, to nations willing to implement needed economic reforms. We can also take a hard look at withholding benefits under unilateral preference programs such as GSP or ATPDEA for those nations which take direct actions against US economic and commercial interests. Additionally, passage of trade agreements with Colombia, Panama, and Peru and other agreements such as the Trade and Investment Framework Agreement with Uruguay will provide additional investment protections and tools that can be used to combat efforts to nationalize industries or sectors in these respective nations.

Question:

What role do you see China playing in this future trade and business climate? It is my impression that some Latin American nations are still a little leery of China's involvement. Do you see China becoming a large economic competitor to the US in Latin America?

Response:

China, both directly and indirectly, is already having a major impact in the business climate in Latin America and its influence will continue to expand. Directly, China's cheap labor and artificially undervalued currency provides an advantage over some US exports to Latin America. Chinese production is also undermining Latin American exports to the United States, particularly in textiles and light manufactures. In addition, China's growing economy, with its enormous demand for raw materials, is sucking up virtually every commodity that South America, in particular, can produce: energy, tin, copper, raw materials, and agricultural products. Given their huge current account surplus with the United States and other nations, the Chinese are also putting some of their foreign currency reserves to work by buying up strategic resources in South America, and the infrastructure required to get such materials to market. In some cases, this is bidding up asset prices in areas that might enjoy US investor interest. In others, it is locking in Chinese relationships in areas like ports and rail transport that serve as economic chokepoints and are thus of strategic economic significance.

At this point, the Chinese are not economic competitors for the United States in the region, given the fact that the stock of US investment and trade flows between the United States and Latin America and the Caribbean continue to dwarf the Chinese. Still, Chinese influence is increasing, particularly in certain nations such as Venezuela, and it is certainly a trend that bears close watch. The potential for Chinese economic, political, and strategic engagement with the hemisphere is also quite large.

Latin Americans are right to be leery of China's hemispheric involvement for several reasons. First, Chinese promises of investment levels and reciprocal benefits tend not to be fulfilled. They receive benefits from Latin America, then provide little in return. Second, that investment which is made is not necessarily of the same quality as developed world investment in terms of sensitivity to the environment, labor rights, anti-corruption, or political issues including human rights. Corporate social responsibility is not a Chinese priority in the Americas. Finally, to the extent the Chinese market cools, Latin America's commodities trade will contract, and that will have important, adverse economic ramifications on those economies which have so far failed to diversify beyond their traditional exports. The best way to combat these realities would be pursuit—and conclusion—of the Free Trade Area of the Americas.

WRITTEN RESPONSES FROM THE HONORABLE THOMAS A. SHANNON, JR., ASSISTANT SECRETARY, BUREAU OF WESTERN HEMISPHERE AFFAIRS, U.S. DEPARTMENT OF STATE, TO QUESTIONS SUBMITTED FOR THE RECORD BY THE HONORABLE LUIS G. FORTUÑO, A REPRESENTATIVE IN CONGRESS FROM PUERTO RICO

Question:

Human rights groups have expressed concerns that freedom of expression is being threatened in Venezuela. In January, OAS Secretary General José Miguel Insulza spoke out about the decision of the Venezuelan government not to renew the broadcast license of a prominent television station, Radio Caracas Television (RCTV). What is your assessment of the current human rights situation in Venezuela, particularly with regard to freedom of expression? How can the United States continue to press the government of Hugo Chávez to adhere to democratic principles without appearing to take sides in Venezuela's polarized political environment?

Response:

The Administration shares the concerns expressed by human rights groups about growing threats to democratic rights in Venezuela, especially threats to freedom of expression. The Department of State's Human Rights Report for 2006, released in March, documents these worrisome trends. The President, Secretary Rice, and I have expressed the Administration's concern about the "diminution of democratic institutions" and encouraged counterparts to lend their voices.

The Venezuelan government's decision to deny the renewal of Radio Caracas Television's (RCTV) broadcast license—to, in effect, shut down the country's oldest private television network—has been condemned by the OAS Secretary General, the Inter-American Commission on Human Rights Special Rapporteur for Freedom of Expression, and countless respected press freedom and media NGOs. We are encouraging key Hemispheric and European partners to join the Secretary General in impressing upon Venezuela the costs of such an action.

The Administration is actively engaging Hemispheric and European partners to raise awareness about the slippage in democracy and human rights in Venezuela and to encourage governments and civil society groups to hold Venezuela to its commitments under the Inter-American Democratic Charter. We are working with and through the Inter-American system on specific concerns about freedom of expression; freedom of association; the protection of civic space; as well as NGO access to—and participation in—the OAS.

Since 2002, USAID has supported programs to strengthen Venezuelan civil society and to empower human rights defenders and activists. These programs are open to all democratic political persuasions that wish to participate. We are encouraging our European allies and international NGOs to do the same by providing moral and financial support to the increasingly vulnerable civic and human rights community in Venezuela.

Promoting freedom and respect for human rights is one of the pillars of the President's hemispheric agenda. The Administration will continue to engage our partners to strengthen democratic institutions throughout the hemisphere and to defend shared democratic values wherever they are threatened.

Question:

The Venezuelan government is providing substantial assistance to many Latin American and Caribbean countries through preferential oil deals and other forms of financial assistance and investment. To what extent does Venezuela's assistance to its neighbors pose a threat to U.S. interests? What efforts is the United States making to help counter the growing influence of Venezuela in the region?

Response:

Surveys show that while Venezuela's assistance is accepted in several countries in the region, it does not necessarily translate into political support for President Chavez, who is using the resources of the Venezuelan people to bolster his international standing, rather than to create the conditions for fostering democratic pluralism and free markets in the Hemisphere.

The Administration is actively engaged in the Hemisphere to work in partnership to foster democratic development. The President's March visit to Latin America—specifically, Brazil, Uruguay, Colombia, Guatemala, and Mexico—underscored his and the Administration's deep commitment to work with governments across the political spectrum on issues that are fundamental to the welfare of their citizens such as improving access to quality education and health care as well as promoting and increasing economic opportunity.

Our agenda includes addressing the energy needs in the Hemisphere. Energy security was another central theme of the President's trip. President Bush and Brazilian President Lula signed a memorandum of understanding for our two countries to begin working together on bio-fuel technology, which can be shared with countries in Central America and the Caribbean to help them lessen the burden of traditional fuels by finding alternatives to meet their energy needs.

Overall assistance levels to the region have nearly doubled since the start of this Administration, rising from $862 million in FY2001 to over $1.55 billion requested for FY2008. Moreover, funding from the Millennium Challenge Account will continue to complement other USG assistance programs for years to come as the Millennium Challenge Corporation (MCC) provides a total of $886 million in Compacts to Nicaragua, Honduras, and El Salvador, and builds upon a Threshold Country Program in Paraguay.

Our ties to the Hemisphere reach beyond direct development assistance. They include commerce, trade, and people-to-people connections. In recognition of these ties and to build new ones, this coming summer the White House will host a Western Hemisphere conference to bring together non-governmental organizations, educators, business leaders, and faith-based organizations from both the United States and the region to discuss more effective ways to deliver aid and build the institutions of civic society.

We remain vigilant about transnational threats in the Hemisphere. Democratic development requires increased security. We continue to work in concert with our partners and through the OAS to combat transnational criminal activity, corruption, drug-trafficking, and terrorism.

Our policy is one of engagement and inclusion that strives to further and deepen the principles and promises all the Hemisphere's democracies, including Venezuela, enshrined in the Inter American Democratic Charter in 2001.

Question:

In January, Iranian President Mahmoud Ahmadinejad visited Venezuela, Ecuador, and Nicaragua in a trip designed to boost ties with those nations. U.S. officials have expressed repeated concerns about Venezuela's growing relations with Iran. An agreement between Venezuela and Iran is reportedly close to being signed for the construction of unmanned airplanes. What concerns do you have about Iran's increasing ties with Venezuela or other Latin American countries?

Response:

We are closely tracking the Venezuela-Iran relationship. The Iranian regime's record of support for terrorism and past support for destabilizing actions in the Hemisphere—including the 1994 bombing of the Argentina Israeli Mutual Association (AMIA) in Buenos Aires—requires vigilance.

The Iranian regime's political and economic outreach to Venezuela is fueled, in part, by President Ahmadinejad's and President Chavez's mutual animosity toward the United States. More broadly, the Iranian regime has been seeking to build ties with likeminded states as part of its efforts to oppose our robust multilateral diplomacy at the United Nations Security Council to block Tehran's pursuit of a nuclear weapons capability.

As you know, Iranian President Ahmadinejad recently made a trip through South America, accompanied for most of it by President Chávez. The two leaders announced a $2 billion joint fund to execute economic and social projects throughout the region, most notably in Nicaragua. Separately, the Venezuelan Defense Minister announced in January that Iran and Venezuela are close to signing a technical-defense cooperation agreement. The Minister offered few details, though he mentioned collaboration in the construction of Unmanned Aerial Vehicles (UAVs) for monitoring the Venezuelan border. However, as is often the case with many bilateral

agreements between Iran and other countries, we do not yet see extensive evidence to suggest that these agreements are being implemented.

WRITTEN RESPONSES FROM THE HONORABLE THOMAS A. SHANNON, JR., ASSISTANT SECRETARY, BUREAU OF WESTERN HEMISPHERE AFFAIRS, U.S. DEPARTMENT OF STATE, TO QUESTIONS SUBMITTED FOR THE RECORD BY MAJORITY MEMBERS OF THE SUBCOMMITTEE ON THE WESTERN HEMISPHERE

Question:

You recently told Colombian daily El Tiempo that the "social side has to stand out in the second phase of Plan Colombia." In FY 2006, 77.9% of U.S. aid went to Colombia's security forces. The request for 2008 moves only $10 million from the military to the economic category. The military-police share falls only slightly to 76.2% of a total of $586 million. I'd be interested in your assessment of the breakdown of FY 2008 assistance to Colombia. Do you think more money should be spent on socioeconomic issues in the coming years?

Response:

Colombia's "Strategy to Strengthen Democracy and Promote Social Development" significantly increases the funding which Colombia plans to allocate to socioeconomic issues. The new plan clearly reflects the Colombian government's stated intention to make the social side "stand out in the second phase of Plan Colombia," and we agree that it should.

Colombia's strategy places increased emphasis on consolidating state presence and on economic development through sustainable growth and trade. It recognizes the need to expand programs in remote rural areas, especially those emerging from conflict. Increased security, social services, and assistance to especially vulnerable groups, such as the Afro-Colombian population on Colombia's Pacific coast, indigenous people, and displaced persons, are among its priorities.

This strategy reflects Colombia's new realities, based in large part on the progress made by Plan Colombia, and seeks to continue those successful counter-terror, counter-drug, democracy, human rights, alternative development, and humanitarian policies. Of particular note are the June 2006 poverty rate figures, just released by the Colombian government's National Planning Office, which show a reduction from 60 percent to 45 percent since Plan Colombia began. The rate of extreme poverty has fallen to 12 percent. Although these figures also show that the rate of rural poverty remains higher than that for urban poverty, they represent steady progress that we expect to continue with the new strategy.

Rather than change the proportion of United States support for FY 2008, we are requesting about the same mix of counternarcotics/counter-terrorism and economic/social/human rights assistance as in previous years, while the Colombian government is greatly expanding its own spending on such economic and social programs. Our programs provide support in those areas where we have a unique capability and which contribute to Colombia developing its own capacity to assume them. Colombian government officials have clearly told us that continued U.S. support to counternarcotics and counter-terrorism programs remains critical and that the Administration's proposed mix of U.S. assistance reflects their needs. However, over the next few years, we expect to increase the proportion of U.S. assistance that goes to social, economic, and human rights programs.

We are in the process of preparing a report on all aspects of the future multiyear strategy for United States assistance to Colombia, as called for by House Committee Report 109–486. This report, which we expect to send to the Congress before April 15, will present additional, more detailed information on this program.

Question:

Bolivia is the poorest country in South America. Yet, the President proposes to cut assistance to Bolivia by $20 million in the 2008 budget. How does the Administration plan to sustain its level of influence in Bolivia with a diminished foreign policy toolbox? Do you believe that preemptively downgrading our relationship with President Morales will signal to him our lack of interest in engaging with his government?

Response:

Our commitment to assist with the development of the Bolivian people remains firm. Our policy is one of engagement and inclusion to address key hemispheric challenges, including those faced in Bolivia. We wish to maintain a positive and productive relationship with the Government of Bolivia, with whom we share many of the same goals: the promotion of democracy and social inclusion, economic oppor-

tunity and development, the reduction of poverty, and combating narco-trafficking and terrorism.

To emphasize our continued desire to cooperate with the government of Bolivia on a common agenda, President Bush called President Morales February 1, 2006 to congratulate him on his electoral victory. Secretary of State Rice met with President Morales in March of 2006 as did Director of Foreign Assistance Tobias in March of 2007. President Morales' vice president has traveled twice to Washington to meet with U.S. government officials. His Foreign Minister visited in February of this year and met with Deputy Secretary of State Negroponte, among others. Assistant Secretary Shannon has met with the abovementioned Bolivian government officials, and plans to continue to do so.

Our toolbox remains full and includes programs to promote educational opportunities for marginalized groups; public and private exchange programs at all levels; development assistance; training and humanitarian programs, and public-private partnerships among others.

We are re-adjusting our foreign assistance to target those areas that remain a barrier to development and where we have received the most cooperation from the Government of Bolivia over the past year. In FY2007, the USG program in Bolivia is the fifth largest program in the region ($101 million), but in FY2008, Bolivia will be the third largest program in the region ($114 million). Assistance to Bolivia is a priority and we have requested $13 million in additional funding. From FY2007 to FY2008, we have requested a $26.3 million increase in Development Assistance (DA) and a $12.5 million increase in Economic Support Funds (ESF). The FY2008 budget request also quadruples the amount of International Military Education & Training (IMET) funding for Bolivia (from $45,000 to $188,000).

We are also cooperating with the Government of Bolivia in a number of areas that complement more traditional foreign assistance programs, such as through the Millennium Challenge Corporation. Bolivia is eligible for a Millennium Challenge Account compact, and the Millennium Challenge Corporation is working with Bolivia to finalize its proposal, which could provide significant additional funding.

Bolivia will receive $1 million in U.S. bilateral funding for HIV/AIDS activities in FY 2007. In addition, about one third of the $13 million that Bolivia will receive over the next two years from the Global Fund to Fight AIDS, Tuberculosis, and Malaria is attributable to the U.S. contribution to the Global Fund. The U.S. Government provided over $1 million dollars to Bolivia in 2007 in response to the humanitarian crisis caused by wide-spread flooding. Additional assistance for reconstruction and mitigating disease is planned. Also, More than 130 Peace Corps volunteers are working in six of Bolivia's nine states in education, sanitation, micro-enterprise development, agriculture, and the environment.

Question:

The Administration supported a six-month extension of the Andean Trade Preference and Drug Eradication Act (ATPDEA) for Bolivia and Ecuador in December. Will it continue to advocate for an extension of trade preferences for these countries after these six months are over?

Response:

The Administration supports preferential trading relationships with the ATPA beneficiary countries—Colombia, Peru, Bolivia, and Ecuador. We believe this can best be achieved by working with Congress to approve our free trade agreements with Peru and Colombia. We look forward to continuing our work with Congress to advance economic freedom and opportunity in this critical region.

Question:

No matter how much aid the U.S. gives to Latin America, it is dwarfed by the $50 billion in remittances sent each year to countries south of the border. What does the Administration plan to do to further facilitate the easy flow of remittances and to encourage the use of remittances for economic development in the region?

Response:

The U. S. Government is working from several angles to further facilitate the flow of remittances to Latin America, estimated at $45 billion in 2006, and to enhance the development impact of remittances in the region. Our global remittance strategy focuses on four key areas. First, we are improving quality and cost efficiency of remittance services. At the January 2004 Special Summit of the Americas, leaders pledged by 2008 to facilitate a cut by half in the cost of sending remittances by promoting competition and enhancing market infrastructure. The Department of the Treasury's activities under the Partnership for Prosperity with Mexico focuses primarily on this goal. Second, we are improving access to the full range of financial

services. In eight countries, USAID is supporting either the World Council of Credit Unions or Accion International as they work with credit unions and microfinance institutions to strengthen their ability to handle remittances, design and market related products, and offer more serious competition to larger money transfer companies. Third, we are broadening financial literacy. The U.S. Federal Deposit Insurance Corporation's Money Smart has extended financial training to over 35,000 Mexican immigrants in the United States. Treasury leads an on-going pilot project with Guatemala which is focused heavily on these first two goals—promoting greater quality and cost efficiency of remittance services and expanding the ability of recipients to effectively deploy their financial resources by deepening access to financial services. Finally, the Administration is actively promoting the careful balancing of financial soundness and integrity objectives in remittance services policy. As part of the G7 Sea Island remittances, the United States called for the development of international guidance on remittance policy and asked the Basel Committee on Settlement and Payment Systems (CPSS) to lead the work. The resulting General Principles on Remittance Services, which are now available on the CPSS's website, have been very well received by policy makers around the world.

Question:

Haitian President Préval has described narco-trafficking as among Haiti's most pressing problems. It is my understanding that most of the narcotics reaching Haiti originate in the Andean region, but that if a few of these shipments were intercepted, Haiti would no longer be a transit location of choice. Will the Administration support using a small amount of ACI funds to provide one or two helicopters for counter drug efforts in Haiti and expedite training of a small, elite, fully-vetted Haitian counter-drug security unit?

Response:

We share the Committee's concern about drug trafficking in Haiti and continue to work closely with the Haitian National Police to develop their capability to counter this threat. The Drug Enforcement Administration (DEA) currently provides training and technical assistance to a vetted unit of approximately 50 counter drug police officers (French acronym BLTS). Earlier this year, DEA provided five weeks of advanced training to 11 BLTS officers at its facility in Quantico, Virginia.

In early March, DEA launched "Operation Rum Punch" to counter drug smuggling to the island of Hispaniola by small aircraft from Venezuela. The operation consists of two DEA helicopters and fixed wing aircraft manned by DEA FAST (Forward Areas Support Team) crews deployed to Haiti and the Dominican Republic for a period of weeks to track and intercept the drug flights. To date, Rum Punch has proved a successful, if short-term, deterrent to trafficking by air as no flights have been observed since it began.

Nevertheless, to station helicopters—from ACI or another source—in Haiti for the length of time necessary to prevent drug smuggling by air, would require substantial funding. Additionally, Haiti lacks aviation expertise and infrastructure, a shortcoming that would mean the short-term deployment of aircraft would largely be a foreign endeavor. Perhaps more importantly, such a deployment would not provide a sustainable improvement in the HNP's ability to interdict drugs. In addition, the impact on drug trafficking would be temporary since the traffickers would likely respond by focusing on maritime drug smuggling.

We believe that focusing on training and equipping the BLTS, and establishing a BLTS presence in areas throughout the country where trafficking is most prevalent is the most effective response. Combined with our ongoing efforts to improve the Haitian Coast Guard's ability to conduct maritime interdiction operations, this approach, in our view, will result in a sustainable improvement in Haiti's ability to combat the drug trade.

WRITTEN RESPONSES FROM THE HONORABLE THOMAS A. SHANNON, JR., ASSISTANT SECRETARY, BUREAU OF WESTERN HEMISPHERE AFFAIRS, U.S. DEPARTMENT OF STATE, TO QUESTIONS SUBMITTED FOR THE RECORD BY MINORITY MEMBERS OF THE SUBCOMMITTEE ON THE WESTERN HEMISPHERE

Question:

In El Salvador, Guatemala and Honduras gangs are the number one threat generating over 90% of the crimes committed in those states. The United States has recently committed resources to help stave off this threat through sharing fingerprint databases, offering police training and helping to create new anti-gang units that

will have the direct participation of FBI agents. Can you elaborate on the depth of this new anti-gang initiative?

Response:

Addressing the problem of transnational gangs effectively requires close cooperation, coordination, and information-sharing among the countries affected and a comprehensive approach that includes law enforcement, prevention, intervention, rehabilitation and reintegration. President Bush discussed gangs as well as broader associated security issues with Presidents Berger and Calderón during his March trip to Latin America. Further, representatives from the Departments of State and Justice, as well as local law enforcement agencies from across the United States, will meet with their counterparts at the end of April in El Salvador to discuss the regional threat of gangs and share best practices at the Third Annual International Gang Conference.

There are a number of anti-gang initiatives underway, and more are coming online as different government agencies begin implementing a common strategy that includes diplomacy, law enforcement, repatriation, capacity enhancement and prevention. The U.S. began addressing the issue with a pilot precinct in Guatemala to improve community-based law enforcement, complemented by a USAID community project. We are also weaving anti-gang prevention strategies into drug prevention programs. To identify, track and apprehend gang members more effectively, the U.S. is working to implement the Central American Fingerprinting Exploitation (CAFE) initiative. The Department of State and the FBI are collaborating to provide equipment and training to help law enforcement agencies in Central American nations acquire digital fingerprints of violent gang members and other criminals who travel and commit crimes under different identities in Central America, the U.S. and other countries. The prints will then be integrated into a computerized system that will allow law enforcement officials from participating countries to exchange information.

Additionally, the U.S. is in the process of implementing the Department of Homeland Security's (DHS) new *electronic* Travel Document (eTD) system which will provide law enforcement officials in Central America with electronic information on gang members and other criminals who have been deported from the United States to their home countries in Central America after serving their sentences in the United States. An agreement to implement the system has already been signed with Guatemala, and we anticipate signing similar agreements with Honduras and El Salvador soon.

The United States has increased its anti-gang training in Central America, including efforts through the International Law Enforcement Academy (ILEA) in San Salvador. The Academy completed its third anti-gang program in January, training police and prosecutors from Central America in the best practices of targeting and fighting gang activity and other crimes. A Department of State Regional Gangs Program will provide a regional advisor in El Salvador as well, to serve the three most heavily impacted countries with technical assistance and training. Support to the CAFE fingerprint system is part of the program.

Question:

Why is the State Department not being more aggressive in Visa denials for officials in Latin America who are involved in corrupt activity? Corruption is a driving problem in Latin America that perpetuates the cycle of poverty, violence and weak institutions. If we have a general idea that officials in Latin American countries are involved in corrupt activity, why are we not tougher in denying them Visas to the United States?

Response:

The Department of State is aggressive in its efforts to deny visas to corrupt foreign officials. Presidential Proclamation 7750, issued in part under the authority of Section 212(f) of the Immigration and Nationality Act (INA) is only one of several ineligibilities or tools that can be used to deny visas to corrupt actors. Presidential Proclamation 7750 may be utilized in cases of corruption that have serious adverse effects on the specified national interests of the United States, which are defined in the proclamation as the international activity of U.S. businesses, U.S. foreign assistance goals, the security of the United States against transnational crime and terrorism, or the stability of democratic institutions and nations.

Since the Proclamation was promulgated in January 2004, numerous corrupt officials from Latin America have had their U.S. visas denied or revoked, many under legal authorities other than the Proclamation. Corrupt actors also may be denied visas under existing legislative authorities found in the Immigration and Naturalization Act (INA). For example, the INA allows denial of visas to those convicted

overseas for public corruption where such conviction involves moral turpitude [8 USC 1182(a)(2)(A)(i)(I)], involves money laundering within the United States [8 U.S.C. 1182(a)(2)(I)], or whose corruption is related to narcotrafficking [8 USC 1182(a)(2)(C)], trafficking in human beings [8 USC 1182(a)(2)(H)], or alien smuggling [8 USC 1182(a)(6)(E)]. Visas can also be denied to corrupt actors who are believed to be coming to the United States to escape prosecution and to stay for an extended time [8 USC 1184(b)].

Furthermore, individuals are considered under Presidential Proclamation 7750 on a case-by-case and on an as-needed basis (i.e.—when an individual holds an existing visa that warrants consideration for revocation or if an individual of potential concern applies for a visa to enter the United States). Many egregiously corrupt public officials will never seek to enter the United States, and, thus, it will never be necessary to determine whether they fall under Presidential Proclamation 7750 or any other legal ineligibility authority.

Question:

It is terrifyingly evident to all of us here today that there is a strong left leaning coalition in Central and South America. Knowing that this exists and trying not to assist its efforts is not doing enough to provide security to the region and our nation. This issue, sooner than later, must be dealt with. What is the State Department's plan of action? Is the State Department working with the Executive Branch on this plan of action and what assisting role do you envision for Congress?

Response:

The Administration is committed to working with responsible, democratic governments across the political spectrum to increase freedom and opportunity and reduce poverty by strengthening democratic institutions, and promoting free trade and development in the Americas.

We have a positive agenda for the Western Hemisphere and as Secretary Rice has noted: "We charge no ideological price for our partnership . . . We will work with all governments from the left, from the right, as long as they are committed in principle and practice to the core conditions of democracy, to govern justly, to advance economic freedom and to invest in their people." Our close cooperation on important issues with Brazil, Chile and Uruguay underscores this.

We recognize that for too many people in the hemisphere the benefits of democracy are not evident in their daily lives. Our democracy and foreign assistance strategy recognizes the transformational power of democracy and we will work to harness this power to deliver the benefits of democracy more broadly. Both bilaterally and in collaboration with such entities as the Organization of American States (OAS) and other institutions of the Inter-American System, we are working to attack inequality, political marginalization, and exclusion. In order to consolidate democracy, we will continue to work together with our regional neighbors throughout the hemisphere. We support efforts to create competitive and inclusive political systems so that all citizens have access to political power. With greater competition, less corruption, greater accountability of elected officials, and better stewardship of state resources, all citizens of the region can enjoy an improved quality of life. To achieve this, we will strengthen judicial independence and capacity, internal controls, and effective prosecution of corruption and other complex crimes. We will seek to strengthen institutions of representative democracy, such as political parties, legislatures, executive agencies, media, and civil society, particularly in those nations in which these institutions are being threatened or marginalized.

The Department of State is working closely with all of our fellow Executive Branch agencies and Congress with regard to our agenda to ensure the region maintains its democratic path. We will continue to do so. We also welcome the creation of the House Democracy Assistance Commission and note the fine work it is doing in helping fragile democracies organize effective governmental structures necessary for democracy to take root.

Question:

What potential impact will a major reduction in anti drug trafficking aid have on the drug flow across the Western Hemisphere? What message are we sending to Mexico in Calderon's substantive effort to take a hardliner stance on the issue?

Response:

Our FY 2008 budget request seeks to address our highest priorities and focuses on countries and activities that will have the greatest impact. For example, most of the counternarcotics assistance in the hemisphere will go to Colombia, the world's largest producer of cocaine.

Because our counternarcotics programs in the region are comprehensive and address production, trafficking, consumption, and providing alternative livelihoods, cuts to our budget request would likely result in an increase in illegal drug production, trafficking, and consumption for the region and increased illegal drug availability in the United States.

Mexico is a valued partner in our battle against the illegal drug trade, and other illicit activities affecting our nations. Cooperation between our law enforcement agencies is at its historic best and we are jointly identifying ways to improve our working relationship, both on a bilateral level and in multilateral fora. Our law enforcement and counternarcotics assistance to Mexico ($27.816 million) remains at significant levels in our FY 2008 request. This assistance supports a range of law enforcement training and professionalization programs, provides enhanced technology to support interdiction efforts, and supports Mexico's initiatives on judicial sector reform, and illegal drug demand reduction.

WRITTEN RESPONSES FROM THE HONORABLE THOMAS A. SHANNON, JR., ASSISTANT SECRETARY, BUREAU OF WESTERN HEMISPHERE AFFAIRS, U.S. DEPARTMENT OF STATE, TO QUESTIONS SUBMITTED FOR THE RECORD BY THE HONORABLE SAM FARR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Question:

The Colombian government has produced a six-year "Strategy for Strengthening Democracy and Social Development." The new strategy focuses heavily on increasing economic development, especially alternative development programs. Yet the President's FY 08 budget request is nearly identical to the FY 07 request and is heavily weighted towards military/police and aerial fumigation assistance. Considering the Colombian government is transitioning to a strategy that is dependent on a significant investment in economic/alternative development, why has the Administration not adjusted their request to complement the Colombian Government's new focus on economic and alternative development?

Response:

Colombia's "Strategy to Strengthen Democracy and Promote Social Development" which follows up on Plan Colombia was announced by President Uribe in late January 2007. The strategy reflects Colombia's new realities, based in large part on the progress made by Plan Colombia, and seeks to continue those successful counter-terror, counter-drug, democracy, human rights, alternative development, and humanitarian policies. Of particular note are the June 2006 poverty rate figures, just released by the Colombian government's National Planning Office, which show a reduction from 60 percent to 45 percent since Plan Colombia began. The rate of extreme poverty has fallen to 12 percent. Although these figures also show that the rates of rural poverty remain higher than those for urban poverty, they represent steady progress that we expect to continue.

Colombia's new plan clearly reflects the Colombian government's stated intention to make the social side stand out in the second phase of Plan Colombia, and we agree that it should. This strategy places increased emphasis on consolidating state presence and on economic development through sustainable growth and trade. The strategy recognizes the need to expand programs in remote rural areas, especially those emerging from conflict. It emphasizes increased security, social services, and assistance to especially vulnerable groups, such as the Afro-Colombian population on Colombia's Pacific coast, indigenous people, and displaced persons. It also places more attention on building the capacity of the Colombian government so it can sustain programs that were begun with U.S. support.

The Administration's requested support for FY 2008 contains about the same mix of counternarcotics/counter-terrorism and economic/social/human rights assistance as in previous years, while the Colombian government is greatly expanding its own spending on such economic and social programs. It can do this, in large measure, because of increased security and confidence in the country, a direct result of U.S. assistance. Our programs, however, provide support in those areas where we have a unique capability and which contribute to Colombia developing its own capacity to assume them. Over the next few years, we expect to increase the proportion of U.S. assistance that goes to social, economic, and human rights programs. However, Colombian government officials have clearly told us that continued U.S. support to counternarcotics and counter-terrorism programs remains critical and that the Administration's proposed mix of U.S. assistance reflects their needs.

House Committee Report 109–486 directed the Secretary of State, in consultation with the Secretary of Defense, to provide a report on all aspects of the future multi-

year strategy for United States assistance to Colombia. We are in the process of preparing this report and expect to send to the Congress before April 15. It will provide additional, more detailed information on this program.

Question:

Similar to the original Plan Colombia, the new "Strategy for Strengthening Democracy and Social Development" depends heavily on international assistance to finance much of the economic development components of the strategy. The European Union did not provide the 'soft side' of assistance for the first Plan Colombia and is highly questionable whether they will ante up the six billion in economic assistance as called for by the new Strategy. What steps is the Administration taking to ensure that the economic and social development aspects of the new Strategy are fully supported by the European Union and other international donors?

Response:

The Colombian government has made obtaining additional sources of funding a high priority. It co-sponsored three donors' conferences with the Inter-American Development Bank during 2000 and 2001 in Madrid, Brussels, and Bogota. Additional meetings with the international community were held in London and Cartagena in 2003 and 2005. As a result, an informal group known as the G–24 and including both donor countries and international financial institutions was established in Bogota to coordinate and encourage assistance to Colombia. Most recently, Colombia has undertaken what it calls a "shared responsibility" campaign, with both Vice President Santos and then-Foreign Minister Maria Consuelo Araujo traveling to Europe to seek additional European support, in view of growing cocaine consumption there.

The United States has strongly supported Colombia's efforts to attract additional contributions. Our initiatives range from senior level demarches to working level approaches in Washington and European capitals, as well as in other donor countries such as Japan and Canada.

While there is no single source of complete information on international support for Colombia due to differing legislative and accounting methods, the Colombian government's Agency for International Cooperation (ACCI) is perhaps the most authoritative source for actual disbursements. According to ACCI, in 2005 Colombia received $332.7 million in total official development assistance. This includes aid from the United States of $126.9 million. However, this figure does not include assistance to the Colombian National Police for certain rule of law programs, nor our eradication, interdiction, and counter-terror programs. The European countries provided $104.4 million; the EU $31.6 million; and Canada and Japan $20.2 million. The remaining $49.6 million came from international organizations including the World Bank, the Inter-American Development Bank, the United Nations Development Program, the United Nations Office of Drug Control, UNICEF, and others.

International assistance to Colombia for the 2000–2005 years of Plan Colombia, as reported by ACCI, came to over $900 million, not including the United States. Although these countries and organizations have not yet announced definite plans for Colombia's follow-on strategy, their statements and policies lead us to believe their support will continue.

Both bilateral and multilateral international assistance is primarily designed to support alternative development, justice sector reform, human rights, humanitarian assistance, and good governance. As such, it is a welcome addition to our programs and to those funded by Colombia, and reflects all donors' shared goals for these programs.

Question:

Has the State Department looked at the cost effectiveness of voluntary manual eradication compared to aerial fumigation? A study by the Inter-American Association for Environmental Defense showed that alternative development projects that prevent coca production costs only $141 USD per hectare versus aerial fumigation which costs $1682 USD per hectare. Considering the cost effectiveness of manual eradication efforts, why is the State Department not supporting more manual eradication efforts?

Response:

In developing and implementing our counternarcotics programs, the State Department has analyzed the cost effectiveness of aerial eradication as well as voluntary and forced manual eradication. Voluntary manual eradication and aerial eradication have different goals. Voluntary manual eradication is used with alternative development programs which depend on cooperative farmers, land suitability, geography, and market realities for their viability. Aerial eradication, on the other hand, is a

law enforcement tool for eliminating large and often remote coca fields in areas where alternative development is often not practical.

Forced, as opposed to voluntary, manual eradication may be more accurately compared to aerial eradication, since both are law enforcement programs. Based on reliable cost data for aerial and forced manual eradication, the per hectare cost of aerial eradication is 25% lower than the cost of forced manual eradication per hectare. The cost of aerial eradication has averaged $1500 per hectare over the last several years. These costs include spray aircraft and helicopters and their operation and maintenance, herbicide and spray equipment, helicopter support for security and search and rescue, and funding for the Colombian Counternarcotics Brigade and other units to ensure safe and efficient spray operations. In comparison, the cost of forced manual eradication has averaged $2000 per hectare over the last several years. This includes the costs of transportation for the manual eradication groups to and from eradication sites and security package costs. The Government of Colombia (GOC) has reported forced manual eradication costs at an average of $500 per hectare, but this figure only reflects the salaries for the manual eradicators and basic provisions (e.g. food), and does not include transportation or security costs.

Not only is aerial eradication more cost-effective per hectare than forced manual eradication, it s also safer. 41 manual eradication deaths were reported in 2006 alone, vs. zero deaths related to aerial eradication. Additionally, aerial eradication allows the Government of Colombia to eliminate significantly more hectares of illicit crops than manual eradication efforts. In 2006, the U.S.-supported National Police (CNP) Anti-Narcotics Directorate (DIRAN) sprayed 171,613 hectares of illicit coca and opium poppy. In comparison, manual eradication—which works best for eradicating smaller plots in accessible areas of the country—accounted for the destruction of 42,111 hectares of coca and 1,697 hectares of poppy.

Nevertheless, forced manual eradication is effective and cost-effective in certain circumstances. We continue to support and encourage manual eradication in Colombia, providing equipment and logistical support. We have a full-time Foreign Service coordinator in Bogota to ensure that the GOC manual eradication groups receive the support they need. Because legitimate crops are likely to be far less lucrative than illegal drug crops, the threat of eradication is essential to allowing alternative development programs a chance to be successful. Wherever possible, Narcotics Affairs Sections and USAID Missions in the Andean producer countries work together to ensure that eradication and alternative development projects reinforce each other.

Question:

The "Colombianization" of US assistance is vital to ensure the sustainability of gains made under Plan Colombia. What is the status of nationalizing the helicopter programs? According to an April 2004 State Department Report to Congress, "Training of Colombian Nationals for Helicopter Operations and Maintenance Programs," by 2007 there should only be 195 State Department Contract Personnel working on the Helicopter Operations and Maintenance Programs. Has this benchmark of 195 personnel been met? If not, why not? How many Colombians have been trained and remain as pilots for the Colombia government?

Response:

Training of Colombian Nationals to fly and maintain counternarcotics helicopters in Colombia is crucial to reducing United States financial support to the Colombian military. The Narcotics Affairs Section of the U.S. Embassy in Bogota—in close cooperation with the U.S. Military Group, the Colombian military, the Colombian National Police (CNP), and the Colombian Ministry of Defense—has led the effort to assist Colombia in assuming increased responsibility for aviation programs.

The April 2004 State Department Report to Congress "Training of Colombian Nationals for Helicopter Operations and Maintenance Programs" projected contract workforce at the end of subsequent calendar years. The projected number for the end of 2006, for example, was 213 maintenance personnel and 70 pilots to support these aviation programs. As of the end of 2006, however, there were 266 maintenance and 100 pilot contracts. Similarly, the report projected that at the end of 2007, there would be 195 contracted personnel, 157 maintenance and 38 pilots under contract. We are currently processing a contract modification that will reduce the number of contracted positions to 215 maintenance and 70 pilot positions by the end of this year.

We have fallen behind for several reasons. There is more demand for pilots. Also, fewer trained Colombians have been available for duty on a daily basis. We have experienced a higher attrition rate than expected due to in-service deaths, retirements, permanent medical groundings, and end-of-duty obligations, although we are also adjusting our training plans to make up those personnel losses.

Another factor is that the Colombian Army has itself purchased eight new UH–60 Black Hawk helicopters to augment its fleet and is in the process of acquiring additional Black Hawks. Additionally, the U.S.-supported Infrastructure Security Strategy program to protect the Caño Limon pipeline added another ten helicopters to the Colombian Army fleet. Since pilots and mechanics trained under the Plan Colombia Helicopter Program are needed to support these new Colombian Army assets, training of Colombian pilots and mechanics to date has been largely offset by the increasing size of the fleet.

Our current projection nonetheless remains as originally set out in 2004: all pilot positions and all but 25 mechanic positions will be filled by Colombians by the end of 2010. To date, nonetheless, we have trained 473 Colombians (188 mechanics, 285 pilots) and 440 of these (183 mechanics, 257 pilots) remain on the Plan Colombia Helicopter Program. We have also intensified efforts towards nationalization by recently appointing a retired Ambassador as the Department of State's chief representative for negotiating with the Government of Colombia in this area. Those negotiations include promoting concrete proposals to strengthen Colombian aviation personnel policies in regards to capacity development and personnel retention, with a view to developing a sustainable capacity to field qualified pilots and mechanics.

Question:

The number of IDPs in Colombia continues to grow. According to a 2004 GAO Report, there are insufficient government programs in place for IDPs to transition from emergency assistance to regular development assistance. Considering the dire economic status of IDPs, what can the State Department and USAID do to improve their economic status of IDPs? What can the USG do to encourage the Colombian government to expand IDP assistance programs?

Response:

Internal displacement continues to be a disturbing outgrowth of the ongoing conflict in Colombia. As of February 2007, the Colombian government has identified 1,976,970 Colombians as internally displaced. In September 2006, the non-governmental organization Consultancy for Human Rights and Displacement (CODHES) estimated the overall number of displaced to be 3,832,377.[1] The Colombian government has made a significant effort over the past several years to ramp up its emergency assistance to the newly displaced. Following a 2004 ruling by Colombia's Constitutional Court that mandated it immediately expand assistance to internally displaced persons (IDPs), the Colombian government increased its overall budget for assistance to IDPs to $2.2 billion for the period 2005–2010. This is a huge increase from the $372,715[2] the Colombian government spent on IDPs from 1995 to 2004.

The Colombian government has also begun to provide funding to many of the same partners that the U.S. Government has worked with on IDP programs, such as CHF International and the International Organization for Migration (IOM). For example, in 2006, Social Action, the Colombian government agency that manages programs for the displaced, signed a $30 million agreement with CHF International to provide emergency assistance to IDPs throughout the country, and plans to increase its assistance in 2007.

Although the Colombian government has stepped up its assistance, U.S. programs continue to support critical needs of IDPs not yet covered by the Colombian government. The Department of State, through the Population, Refugees, and Migration (PRM) Bureau, provides the first 90 days of emergency assistance to IDPs. PRM provides approximately 22 to 25 percent of the Office of the United Nations High Commissioner for Refugees' (UNHCR) global appeal to provide protection to Colombian IDPs and some other forms of emergency assistance. PRM also provides funds to the International Committee of the Red Cross (ICRC) to provide emergency assistance consisting of household kits, food and other emergency items. Working through NGO partners such as Salesian Missions, CHF International and the Pan American Development Foundation, PRM also funds programs that help IDPs become economically self-sufficient. Specific activities that improve the economic status of IDPs include vocational training and micro-credit loans that provide IDPs with marketable skills that will help them begin working as soon as possible.

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[1] The Government of Colombia records as displaced those persons who have applied for, and been accepted to receive, government benefits as displaced persons. By contrast, the figures from CODHES are estimates of displacements and are derived from information from media and civil society sources, and some field work. CODHES also includes in its figures as IDPs persons involved in coca and opium production who migrated in response to government drug eradication efforts.

[2] 808,047,000 Colombian pesos equals $372,715 U.S. dollars, using conversion rates as of April 2007.

The needs in this area are enormous, and PRM is only able to provide a small fraction of the employment assistance that is needed. USAID programs complement PRM programs by providing the medium to long term assistance needed to reintegrate IDPs beyond the 90-day period. Based on a 2006 assessment of IDP needs in 112 municipalities, USAID has reformulated its program to address the provision of sustainable income generation and adequate housing for this population. There is increased focus on ensuring that training provided for IDPs results in a paying job and production of marketable products.

In addition, USAID is providing technical assistance to increase the capacity of the Colombian government to provide services to the IDP population by working closely with the Colombian government to set priorities and develop integrated implementation strategies to facilitate a smooth transition from emergency assistance to reintegration into society. With support from USAID, the Colombian government is developing a mechanism and better indicators to track where IDPs are in the displacement process and determine when they have been sustainably reintegrated.

U.S. assistance to Colombia during 2007–2013, in support of the Colombian government's new Strategy for Strengthening Democracy and Promoting Social Development, will play an integral role in assisting Colombia's internally displaced persons, as well as consolidating state presence. Strengthening state presence remains a critical issue for reaching Colombia's displaced population. The Colombian strategy recognizes this and emphasizes expanding programs to remote areas, especially those emerging from conflict, and increasing security, social services, and assistance to especially vulnerable groups, such as the Afro-Colombian population on Colombia's Pacific coast, indigenous groups, and displaced persons. The Colombian plan also places a high priority on job creation and expanding economic opportunities, which are critical to the successful reintegration of Colombia's displaced.

Our proposed support under this Strategy is designed to contribute to Colombian efforts. U.S. assistance will focus on those newly-secured areas in transition from conflict to peace by enhancing security, supporting effective delivery of health and education services, and building the capacity of local government and citizens groups. In order to provide increased access to social and other basic government services, including the justice system, in previously marginalized or conflictive areas of the country, the successful Justice House (community services) program will expand to rural areas by the end of 2008, with the establishment of ten additional Justice Houses.

House Committee Report 109–486 directed the Secretary of State, in consultation with the Secretary of Defense, to provide a report on all aspects of the future multi-year strategy for United States assistance to Colombia. We are in the process of preparing this report, which we intend to provide to Congress before April 15. It will provide additional, more detailed information on plans for the future of this program.

WRITTEN RESPONSES FROM MR. PETER HAKIM, PRESIDENT, INTER-AMERICAN DIALOGUE, TO QUESTIONS SUBMITTED FOR THE RECORD BY MINORITY MEMBERS OF THE SUBCOMMITTEE ON THE WESTERN HEMISPHERE

Question:

Hugo Chávez is consistently and continuously creating much havoc in Venezuela. Can you discuss the possible depth of the problems he could create for Latin America and the Western Hemisphere as a whole? What is our worst case scenario? How do we begin to eliminate this threat?

Response:

Hugo Chávez is mainly a threat to his own country, Venezuela. He has already concentrated power to a degree that the country can no longer be considered a democracy—even if Chávez himself remains popular. There are no checks and balances; Chávez has the power to make virtually any decision he chooses. Moreover, Chávez's confrontational style of government has left the country polarized and conflictive—with a high potential for violence. There is no room for compromise or conciliation in Chávez's Venezuela. Finally, the Chávez government may be heading toward bankruptcy as (a) oil exports decline, investments in the oil sector remain meager, and the state oil company is badly managed, and (b) government expenditures steadily mount for expanding social programs, for foreign aid initiatives to countries from Argentina to Haiti to the Middle East, and for huge arms purchases. Unless the price of oil takes another jump—or Chávez changes his spending patterns, the Venezuela economy would end up in shambles. It is hard to predict how this would all play out, but if current trends persist, there is a good chance Ven-

ezuela will end up in deep financial crisis, and in social and political turmoil within the next two or three years.

For the rest of Latin America, Chávez is a disruptive and divisive force. His words and actions are obstructing the operation of the Organization of American States and other regional institutions. By withdrawing from the Andean Community and joining the Mercosur, he has further unsettled South America's two trade pacts, which had both been in difficult straits for years. His ideas for Latin American projects like Telesur (media network), Bancosur (new development bank), petrosur and gasoductosur (energy cooperation) are just not very likely to thrive. He does not represent an alternative economic or social model for any other country, and only governments that depend on his largesse (i.e., those in weak and poor countries) are likely to accept his leadership. In most Latin American countries, Chávez is either a source of capital (at least for the time being) or a major nuisance. For some, he is both—but his actions are not likely to change the face of Latin America very much.

The United States is most threatened by a cut-off of Venezuelan oil, which accounts for some 12 to 14 percent of our imports and could lead to a spike in U.S. gas pump prices. But a cut-off would almost certainly be far more costly to Venezuela, which sends about half of its oil exports to the United States, where the refineries that can deal with Venezuelan petroleum (a particularly heavy type) are located. Shifting exports to other countries would be expensive and take some time. There does not appear to be any immediate danger. More generally, Venezuela—besides disrupting Latin America—has contributed to anti-U.S. sentiment in the region, and is making U.S. relations with the rest of the Americas more difficult. But it is, by no means, a crisis for U.S. policy.

There are three worst case scenarios. One is that the United States responds angrily and/or aggressively to Chávez's provocations and creates a backlash of sympathy toward Venezuela and irritation toward the United States in many countries. Two, Chávez decides to impose far greater restrictions on the press and civil society, begins to arrest opponents, and broadly abuses human rights—in other words, establishes a repressive police state. Third, Chávez does cut off or sharply curtail oil supplies. In the second and third scenario, the challenge will be for the United States to shape a response that can get broad support across Latin America, and not create the backlash noted in the first scenario above.

I am attaching a recent Inter-American Dialogue report—"Hugo Chávez: A Test for U.S. Policy"—prepared by my colleague Michael Shifter, which offers a list of recommendations for U.S. policy toward Chávez's Venezuela. The most important are:

1. Take Chávez's talk and actions seriously. With ample resources and waning U.S. regional influence and attention, Chávez's determined pursuit of an agenda hostile to Washington is cause for concern.
2. Only support democratic and constitutional means of dealing with Chávez.
3. Drop unrealistic expectations and calls for a "united front" among friendly Latin American governments to oppose the Chávez government. Such appeals have alienated key Latin American allies in the past, and are likely to continue to do so.
4. Closely track political developments in Venezuela and publicly identify violations of democratic norms and practices, preferably via multilateral channels.
5. Expand the resources and attention devoted to the pursuit of a positive agenda in Latin America. Being more engaged on a variety of fronts is the best way to effectively contest Chávez's claims that he has the answers to profound social problems.
6. Exercise restraint in issuing highly public denunciations, and especially tit-for-tat exchanges between Washington and Caracas, which have invariably ended up bolstering Chávez.
7. Only assist open and professional civil society organizations and avoid backing explicitly partisan groups with narrow political agendas.
8. Develop a thorough inventory of diplomatic levers to respond to explicitly anti-U.S., adversarial actions taken by the Chávez government.
9. Reduce dependency on Venezuelan oil, and oil in general, in anticipation that Chávez could eventually divert exports away from the United States.
10. Seek to open channels of communication with Venezuelan officials.

Question:

You mentioned the flow of remittances from the United States to Latin America and broadening the benefits received in those countries through the transfer of remittances. I know that in Mexico alone remittance are over $20 billion in one year, the second largest source of income behind its state run oil company PEMEX. This is an amazing amount just in remittances and just for one country in Latin America. You mentioned that encouraging recipients to open bank accounts is one way to increase the benefits to the recipient country. What else can be done to maximize this large sum of money within the Latin American economies that would in turn cut down on those citizens striving to immigrate to the United States?

Response:

I again recommend a just published report by the Inter-American Dialogue—"Making the Most of Family Remittances"—which offers recommendations on increasing the value of remittances flows to individual recipients, their communities, and their nations. This is attached, as well. Its core recommendation, as noted in the question, is to get senders and recipients of remittances to open and use bank accounts. This is what most helps to reduce the costs of transferring the money, thus leaving more to the recipient. A bank account also offers a wide range of other benefits, including greater security and lower costs in such areas as collecting wages, cashing checks, and paying bills. And it can eventually be a source of credit—for consumer goods, health and education, housing, and business investment. Because remittances are the personal and private assets of the senders and recipients, we argue strongly against any taxes or restrictions on their use. What we suggest that countries provide better opportunities to all citizens to use their resources more productively. The availability of long-term mortgages or investment loans offers such opportunities. Better quality schools and health care facilities would provide others.

Question:

I agree with your statements on forging ahead with Plan Colombia and understand the need to show our commitment to Latin America and our ability to follow through by passing the FTAs that have already been negotiated and renewing special trade preferences. At the same time, what are your suggestions for guaranteeing that countries such as Ecuador who looks to default on major national debt and as you said "echo Chávez's anti-US polemics" will not us our cooperation and preferences against us? How do we protect American companies and investors in this political environment?

Response:

I wish I had an easy answer for this good question. I think we have to be attentive to the specifics of each situation and use good judgment in making decisions. My sense is that, at this point, it is still better to use carrots and encouragement rather than sticks and punishment for the two countries in South America that are clear allies of Chávez—Bolivia and Ecuador. We need to ask (and then carefully answer) the question of whether cutting preferences is likely to encourage a change in course or drive the countries more and more into Chávez's corner. There is no certainty about the direction Bolivia and Ecuador are likely to take, although I suspect they are more likely to drift further away from the United States in the coming period. Still, I think it is worth responding to their requests to extend the ATPDEA preferences in the hope that that will help to reinforce the remaining moderates in their governments, and make clear to their citizens and to other governments in Latin America that the United States is willing to go the extra mile. I fear that an abrupt cutoff at this point (particularly given the fact that Ecuador and Bolivia are two of the smallest, poorest, and least stable countries in South America) would create the impression inside the two countries and across the region that the United States was acting precipitously and with too little generosity or patience. And I don't expect a cut-off would produce any good results, at least not in the short run.

WRITTEN RESPONSE FROM ARTURO VALENZUELA, PH.D., TO QUESTION SUBMITTED FOR THE RECORD BY MINORITY MEMBERS OF THE SUBCOMMITTEE ON THE WESTERN HEMISPHERE

Question:

In your perspective, and in response to lack of expectations and enthusiasm in Latin America, how can President Bush avoid falling into the self-fulfilling prophecy of his trip being too little too late? It is now up to the United States to sufficiently

portray our genuine desire to make progress as a result of this trip. How would you advise the President best accomplish this?

Response:

It may take considerable time for the United States to redress the perception in Latin America that the United States has disengaged from the Hemisphere and that its interests and priorities diverge significantly from those of other hemispheric partners. The president's trip is a valuable step in the right direction. By traveling to several countries, not simply on the margins of a pre scheduled multilateral event such as a Summit of the America's or an APEC meeting, the president sends a clear signal that the United States views the region as important to its vital interests. For the president's trip to succeed he will have to show a clearer personal involvement than on previous trips—making an effort to become acquainted with ordinary people and their problems and not simply visiting leaders in closed venues.

But, as the question implies, no matter how successful, the president's trip can only make a difference if there is genuine follow-up. One clear deficit has been diplomatic engagement. Fortunately, Assistant Secretary of State for the Western Hemisphere, Tom Shannon, a career foreign service officer with a deep and sophisticated knowledge of the region, is already making an effort to reestablish a genuine dialogue that had largely lapsed with his predecessors. The appointment of John Negroponte as Deputy Secretary will bring to the Department of States' 7th floor a man of broad experience in the region as well. Follow-up trips to countries not included in the president's itinerary are important—and Negroponte could play an important role.

However, the United States cannot make headway simply by reengaging——the United States must signal a renewed commitment to addressing the problems of the region through bi-lateral and multilateral channels. This means going beyond trade and counter-terrorism measures as the cornerstones of U.S. policy. Issues of poverty and inequality, the serious breakdown of public security, migratory pressures, the lack of competitiveness of the countries in the region in an increasingly globalized world—are matters of great urgency. It is stunning to me that we can have a debate on migration in this country without factoring in the vital foreign policy equities that we have. Comprehensive immmigration reform is not only good domestic policy—it has vital foreign policy implications—and must be implemented in such a way that we enhance the stability, security and prosperity of neighboring countries—a key interest of the United States.

At the same time the United States must renew its commitment to making the Organization of American States and other multilateral institutions in the Hemisphere effective tools in addressing these matters. It is time to move beyond a simplistic Manichean foreign policy that divides the world between "good guys" and "bad guys," rewarding the former and trying to punish the latter while avoiding the extensive structural challenges the Hemisphere faces. Only then will the United States help renew the spirit of dialogue and cooperation that is vital to our interests.

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