

U.S. DIPLOMACY IN LATIN AMERICA

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BEFORE THE
SUBCOMMITTEE ON
THE WESTERN HEMISPHERE
OF THE
COMMITTEE ON
INTERNATIONAL RELATIONS
HOUSE OF REPRESENTATIVES
ONE HUNDRED NINTH CONGRESS

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U.S. DIPLOMACY IN LATIN AMERICA

WEDNESDAY, JULY 27, 2005

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE WESTERN HEMISPHERE,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 1:42 p.m., in room 2172, Rayburn House Office Building, the Honorable Dan Burton (Chairman of the Subcommittee) presiding.

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

I ask unanimous consent that all articles, exhibits and extraneous or tabular material 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 the purposes of receiving testimony and questioning witnesses after Subcommittee Members have been given the opportunity to do so and, without objection, so ordered.

Over the past several months, the Western Hemisphere Subcommittee has convened hearings on topics ranging from democratization, transparency and the rule of law, gangs and crime, and the rise and influence of China in Latin America, and oppression and human rights violations in Cuba.

In the last 2 weeks, we have conducted an assessment of the impact of United States diplomacy in Latin America. As a matter of fact, we met with several Ambassadors from Latin American countries just this past week. We talked about the challenges to the advancement of strategic bilateral and multilateral relationships, perceptions and misperceptions about U.S. foreign policy, and the impact and perceptions about United States assistance in Latin America and the Caribbean. From these meetings and this hearing today, we hope to achieve a better understanding of the diplomatic opportunities to strengthen U.S. foreign policy in the region. Advancing democracy has been the key priority of the Bush Administration and it is the stated priority of the new Secretary-General of the Organization of American States (OAS). We have an array of bilateral instruments at our disposal to support the nascent democracies, from technical and financial assistance to governments in the region in areas like judicial and electoral reform, to other key areas that foster development of a free and open press and in-

stitutional capacity to prevent anti-democratic, corrupt economic activity.

Since September 11, our public diplomacy efforts have been concentrated in educational and cultural exchanges, informational programs and broadcasting resources focused largely on the Middle East and the Muslim world. Some seasoned observers charge that the United States has neglected Latin America in the post-9/11 environment. Yet most of the non-religious, political, and economic factors that came to a head and inspired Jihadist terrorists against us are at play elsewhere in the developing world. This is a common infrastructure used by terrorists, by drug traffickers and by smugglers and these and other criminal syndicates thrive in areas of lawlessness and in border areas where security is weak.

These are some of the growing challenges that we face in Latin America. There are enormous inequalities in Latin America and some contend that efforts to alleviate poverty have stalled and there is reform fatigue and that a lack of United States leadership is partly to blame. Without fresh investment and new jobs, many people question whether the pace of democratic reforms is bearing tangible fruit. Some seasoned observers say the United States is pushing too hard in countries like Venezuela, Haiti, Bolivia, and Ecuador. But some of these changes that we have talked about in those countries, we support and are very necessary. I have seen instances where there is resistance, opposition to an outright manipulation of United States diplomatic endeavors in the region. And there are forces and influences at work in Latin America that are undermining democracy and a rule of law and sharpening anti-American sentiment.

We have not always done everything right, but we are sure trying. Together with other Members of the Subcommittee and staff, I have visited many of the countries in the region. I have seen first-hand the targeted programs of our foreign assistants and coordinated work with other donors. I believe we are on the right track, but a lot more needs to be done.

There is also a stronger role for our European allies to play. On the counternarcotics front, according to the latest UN world drug report, cocaine trafficking to Europe and cocaine usage there is rising, while it has leveled off here in North America. More EU support for alternative development in the Andean region is needed and we welcome the EU support of the demobilization process in Colombia.

Now I have undertaken this assessment of United States diplomacy in Latin America not to point blame at the shortcomings, but rather to take inventory of our shared interests and opportunities and to mobilize support of Latin American nations to further democracy and economic progress in the region. We need to convince our Latin American neighbors and friends that we want a partnership with them, that we are not Big Brother trying to tell them what to do. And that is one of the misconceptions that I have seen when I have talked to leaders in Latin America. They feel like, sometimes, the United States is trying to bully them into doing things that they do not think are necessary. And what I would like to see this Committee and our Government do is to convince them that this is our hemisphere, we are all in this boat together, and

we need to work together as partners to solve these problems of poverty, crime and other issues that are of major concern.

Our diplomats are on the front lines and these have been challenging times. In my work on Cuba, North Korea, Saudi Arabia and elsewhere where oppressive regimes hold sway, I have consistently held the view that the answer to not enough democracy is not less democracy, but more democracy. Latin America is no different in this regard. We are at a crossroads in Latin America and we must bring to bear our diplomatic efforts to engage the countries in the region that seek to embrace and consolidate democratic reforms. Experience tells us that the chances of success are exponentially greater when these are truly joint efforts or partnerships. And I really hope that that is something we can start stressing when we talk to our Latin American neighbors, where they are going to be a partner, a stakeholder in what the outcome is going to be.

Some of our friends in Latin America assert that there is growing disconnect, a disconnect with the United States, and that American arrogance is part of the problem. What I have observed does not support this hypothesis. The United States is engaged and committed in Latin America, but in the post-September 11th climate and in the foreseeable future, we will be prosecuting a global war on terrorism and that, of necessity, is a first priority.

Those who warn about American imperialism are blowing smoke to paint a distorted picture about the roots of problems they would sooner ignore than deal with themselves or in partnership with the United States or other freedom-loving nations. Diplomacy is about less spin and more about cultivating relationships to work toward desired outcomes. Advancing democracy and economic prosperity are of paramount importance and it is my hope that our friends in Latin America will soon grow supportive of our desire to partner with them on initiatives that will foster democratic change and economic development and security for their people and for ours and for the entire hemisphere.

I think it is important and I will stress this to Assistant Secretary Noriega and Ambassador—how do I pronounce your name?

Mr. MAISTO. Maisto.

Mr. BURTON. Maisto. You have to forgive me, I am just going to have to learn those pronunciations better. But I would stress to you that when we talk to these leaders in Central and Latin America, if we create the feeling and the appearance that we really want to work with them as partners, rather than being Big Brother in the north, they all know we are the powerhouse of the world. I mean, this is not something that everybody does not understand. But the one thing that a poor relative does not want is for the rich relative to lord it over them and tell them everything that they have to do. And that is why I think our foreign policy, as the strongest superpower, or the only superpower in the world, it is extremely important that the smaller, fledgling democracies know that we are not going to dictate to them, that we want to work with them as partners to solve the problems of mutual concern. Poverty, crime, corruption; all those things have to be solved, but the need to know that we are not going to be telling them how to do it, but working with them to solve those problems.

I want to thank you for joining us today and I look forward to all of your testimony. I want to thank my good friend, Ranking Member Bob Menendez—he does such a good job—and his staff, for their support in preparing for the assessment of United States diplomacy in Latin America, and I now recognize him for his statement.

[The prepared statement of Mr. Burton follows:]

PREPARED STATEMENT OF THE HONORABLE DAN BURTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA, AND CHAIRMAN, SUBCOMMITTEE ON THE WESTERN HEMISPHERE

Over the last several months, the Western Hemisphere Subcommittee has convened hearings on topics ranging from democratization, transparency and the rule of law, gangs and crime, the rise and influence of China in Latin America, and oppression and human rights violations in Cuba. In the last two weeks, we have conducted an assessment of the impact of U.S. diplomacy in Latin America: challenges to the advancement of strategic bilateral and multilateral relationships; perceptions (and misperceptions) about U.S. foreign policy; and the impact and perceptions about U.S. assistance in Latin America and the Caribbean. From these meetings and this hearing today, we hope to achieve a better understanding of the diplomatic opportunities to strengthen U.S. foreign policy in the region.

Advancing democracy has been the key priority of the Bush Administration and it is the stated priority of the new Secretary General of the Organization of the American States (OAS). To pursue this goal, we have an array of bilateral instruments at our disposal to support nascent democracies: from technical and financial assistance to governments in the region in areas like judicial and electoral reform; to other key areas that foster development of a free and open press, and institutional capacity to prevent anti-democratic, corrupt economic activity.

Since September 11, 2001, our public diplomacy efforts have been concentrated in educational and cultural exchanges; information programs; and broadcasting resources focused largely on the Middle East and Muslim world. Some seasoned observers charge that the United States has neglected Latin America in the post-9/11 environment.

Yet most of the non-religious, political and economic factors that came to a head and inspired jihadist terrorists against us are at play elsewhere in the developing world. There is a common infrastructure used by terrorists, by drug traffickers, and by smugglers and these and other criminal syndicates thrive in areas of lawlessness, and in border areas where security is weak. These are some of the growing challenges we face in Latin America.

There are enormous inequalities in Latin America and some contend that efforts to alleviate poverty have stalled; that there is *reform fatigue*; and that a lack of U.S. leadership is partly to blame. Without fresh investment and new jobs, many people question whether the pace of democratic reforms is bearing tangible fruits.

Some seasoned observers say the United States is *pushing too hard* in countries like Venezuela, Haiti, Bolivia, and Ecuador. I am not convinced this is *entirely* true. I am convinced many of the reforms we are supporting in the region are indeed like painful, bitter medicine. But these reforms are necessary.

I have seen instances where there is resistance, opposition to, and outright manipulation of U.S. diplomatic endeavors in the region. And there are forces and influences at work in Latin America that are undermining democracy and the rule of law and sharpening anti-American and anti-globalization sentiment. Yes, we have not done everything right and sometimes we use our “sticks” more than we use our “carrots.” We must learn from our mistakes.

Together with other members of the subcommittee and staff I have visited many of the countries in the region. I have seen firsthand the targeted programs of our foreign assistance and coordinated work with other donors. I believe we are on the right track and more needs to be done. There is also a stronger role for our European allies to play. On the counter-narcotics front, according to the latest UN World Drug Report, cocaine trafficking to Europe and cocaine usage there is rising while it has leveled out in North America. More EU support for alternative development in the Andean region is needed, and we welcome EU support of the demobilization process in Colombia.

I have undertaken this assessment of U.S. diplomacy in Latin America *NOT* to point blame at the shortcomings but rather to take inventory of our shared interests

and opportunities to mobilize support of Latin American nations to further democracy and economic progress in the region.

Our diplomats are on the front lines and these have been challenging times. In my work on Cuba, North Korea, Saudi Arabia and elsewhere where oppressive regimes hold sway, I have consistently held the view that the answer to *NOT ENOUGH* democracy is *NOT LESS* democracy . . . but *MORE* democracy. Latin America is no different in this regard.

We are at a crossroads in Latin America and we must bring to bear our diplomatic efforts to engage the countries in the region that seek to embrace and consolidate democratic reforms. Experience tells us that the chances of success are exponentially greater when these are truly *joint* efforts—when there is BUY-IN from all stakeholders.

Some of our friends in Latin America assert that there is a growing disconnect with the United States, and that “American arrogance” is part of the problem. What I have observed does not support this hypothesis. The United States is engaged and committed in Latin America, but in the post-September 11th climate and in the foreseeable future we will be prosecuting a global war on terrorism. Those who warn about American imperialism are blowing smoke to paint a distorted picture about the roots of problems they would sooner ignore than deal with themselves or in partnership with the United States and other freedom-loving nations.

Diplomacy is less about *SPIN* and more about cultivating relationships to work towards desired outcomes. Advancing democracy and economic prosperity are of paramount importance and it is my hope that our friends in Latin America will soon grow less wary of our intentions and more appreciative of the benefits that come from partnering with us on initiatives to foster democratic change, economic development, and security for their people and ours.

Mr. MENENDEZ. Thank you, Mr. Chairman. Let me first start off by saying I have appreciated the work and the nature of the spirit in which we have pursued this Committee’s oversight, its topics over the last 7 months. It has been a robust schedule and I think one that is worthy of the Committee’s work and its attention to an important part of the hemisphere. And I want to applaud your leadership in that regard.

Having said that, let me have some disagreement with you on a different view.

Mr. BURTON. We just—

Mr. MENENDEZ. Yes, it is rare. I normally agree with most of your opening statements. But I think we have had a good, wide range of problems that we have been able to pursue over these last 7 months. And I think it is appropriate that we turn inward and examine the successes and failures of our own policy and policy initiatives and public diplomacy.

Last week the Members of the Subcommittee had a very unique opportunity in the appropriate setting to listen. We sat down with Ambassadors from a variety of countries around the hemisphere and we listened to them. And although this unique opportunity allowed the region’s diplomats to share with us what they think about the impact of our policies, we need to remember that we still have not heard from civil society and others who may have different opinions. But there is one clear message that we heard last week, and that was that regardless of differences across the countries, and those are vast, the message was, We are being ignored, period.

What we heard from the Ambassadors is that we engage in the region capriciously and that our principles are inconsistent with our actions. We see the consequences of this throughout the region with a rise in political instability, weak checks and balances, problems with corruption, violence, and crime. In reviewing these problems, I am reminded that at the beginning of this first term, the

President promised a new era in United States/Latin American relations, but this new era seems to be just more of the same. More neglect, and in this case, more budget cuts.

The message we have been sending to Latin Americans is that for the most part, unless we have a crisis, they do not matter, and they are receiving it loud and clear. And we have felt the repercussions of our neglect. Anti-Americanism is on the rise throughout the region. We often cannot move our policy objectives in multinational organizations. Look at the OAS. Not only were we unable to effectively influence the selection of the OAS Secretary-General, but our preferred candidates received the cold shoulder from other member states. And when we tried to create a desperately needed mechanism to monitor democracy throughout the region, we were treated like the big brother of the democratic world, as though we were trying to put our neighbors under surveillance, rather than trying to help them.

So, Mr. Chairman, in my mind, to some degree, we have become victims of our own universe. For too long, we have expected the countries of Latin America and the Caribbean to follow our lead, but we have often used our economic might to encourage our neighbors into supporting our policy goals with or without consulting them on their views of those policies. And by using economic might in isolation—certainly, it is a tool—but using it in isolation, I believe, we do not achieve our goals.

We seem to have forgotten that diplomacy, too, must play a factor in our relationships. So I was encouraged to hear Karen Hughes say in her confirmation hearing last week that, “If I had the opportunity to say just one thing to people throughout the world, it would be, I am eager to listen.” And I am pleased to see that the Administration recognizes the importance of diplomacy. I do not quite understand why Ms. Hughes will focus largely only on the Middle East. I understand why that is an important part of our challenge in the world, but we have to send a message that is broader. When we are listening, we have to listen across the globe. And so maybe there should be an Under Secretary of State for Public Diplomacy and Public Affairs in Latin America.

Finally, since I read the testimony of the witnesses who will be coming before us, for which I have some very strong disagreements and look forward to exploring those disagreements with them after their testimony, I cannot close without a comment on CAFTA. Let us be clear. The genesis of many of the problems that the Administration would hold up as a panacea that CAFTA is going to solve, lies, in many respects, with the neglect of the region for some time, including by this Administration. In fact, Central American countries suffered a disproportionate share of the overall 12 percent cuts to development funding.

For example, El Salvador received a 30 percent cut in development assistance and Nicaragua will see the aid for child and maternal health cut by 19 percent. While the President has been cutting aid that helps the poor throughout Central America, he has been busy selling Congress a trade agreement that undermines the rights of workers at home and abroad and which will increase, in my view, poverty and equality and instability.

Throughout the region there are serious problems with labor enforcement and workers rights. Unions are suppressed. Union organizers are harassed and sometimes even assassinated. Child labor, mandatory overtime, the lack of formal contracts and an unenforced minimum wage represent other serious labor enforcement problems. As a matter of fact, it seems to me that we are taking a step backwards in this agreement from the higher standards that we have had in other agreements that the Congress has passed and which I have been more than willing to vote for.

Now there are some who would cynically try to say that a vote against CAFTA is a vote against Central America. I find it interesting that they are silent all of the time on all of these other policies that affect Central America. They do not seem to be heralding some of these key issues. And because I am so tired of listening to the obfuscation about what these cuts really are, I asked for a CRS report, an independent entity, to look at our funding to Central and Latin America. And that report clearly made it very clear to me that not only are these cuts real, but in some cases they are deeper than we have come to know in public. And I look forward to going through that, as well.

Let me make it clear, many people who oppose CAFTA oppose it specifically because they care deeply about the people of Central America. This agreement would only increase the gap between the haves and have nots, worsen rural poverty and undermine labor standards in Central America around the world. It is interesting to see the numbers that came out of a recent foundation report on NAFTA, where 1.3 million rural farm jobs were lost, replaced by only about 600,000 manufacturing jobs. That meant that 700,000 poor rural farm and agricultural workers had no employment. And then we wonder why people migrate north, among many other reasons.

So as I said at the beginning of the statement, it is time to turn inward. It is time to see what works and fix what does not. We know that we need to show our neighbors that we can make our actions consistent with our policies. We need to help Latin America and the Caribbean strengthen democracy, reduce poverty, and increase economic growth and we need to prove that we are willing to listen. And I would also say and underline not only to listen, but that we are also interested in the answers.

Mr. Chairman, last week we had the opportunity to listen to our neighbors. It is time we took what we heard and applied it into real policy that will make a real difference throughout the hemisphere, and I appreciate this hearing and the time and opportunity to engage with our witnesses.

Mr. BURTON. Thank you, Mr. Menendez. We do disagree on a few things, but we do agree on the aspect of listening and being partners with the people in Central and Latin America. So, you know, if you are batting 50 percent in the big leagues, that is pretty good.

Mr. Weller, the Vice Chairman of the Subcommittee.

Mr. WELLER. Well, thank you, Mr. Chairman, and I want to thank Assistant Secretary Noriega and those who will be participating today in this panel. Mr. Noriega, you have been very generous with your time in appearing before the Subcommittee this year under Chairman Burton, and I appreciate your accessibility

and availability and the partnership we all have in working with you and the Administration, particularly as we work with our partners in Latin America.

My friend, Mr. Menendez—I am one of those who is very fond of Mr. Menendez—but I do disagree with him on a number of things as well and we find ways to work together as well. Obviously, we are going to have some time where this House will be debating the Dominican Republic-Central American Free Trade Agreement (DR-CAFTA) later today. In this House, legislation implementing a trade agreement, which is a compromise, is win-win for all countries involved and certainly a big win for Illinois workers and Illinois farmers. And frankly, creating two-way trade for the first time between the United States and Central America, since their products pretty much enter the United States duty free and ours suffer the taxes of tariffs, makes it more difficult for us to access their markets.

I would note as we look at economic development in that region, it is my understanding almost 28,000 textile and apparel jobs have left Central America and the Dominican Republic over the last few months. Those jobs have migrated to China. When that happens, we both lose, since 70 to 85 percent of the components, the inputs, the material, the buttons, the thread, the zippers, the dyes, the material that go into those blue jeans, or whatever may be assembled in those apparel factories, those inputs come from the United States. And when those jobs go to China, of course, we lose that market. Frankly, Chinese production uses almost zero United States input and contributions and they lose those jobs. And, of course, what that means is greater pressure for illegal immigration here in the United States because those people want to go somewhere where they can get a job.

And the Central American Free Trade Agreement, along with the Dominican Republic component of it, will help strengthen our partnership as we compete with Asia and strengthen our partnership particularly as we compete with China in keeping jobs in this hemisphere mutually beneficial to both workers in our country as well as theirs. I would note that the Dominican Republic Central American Trade Agreement has the strongest labor standards component of any trade agreement ever voted on by this House of Representatives. So I look forward to supporting this trade agreement later today and I know we are going to have a full debate on it, giving everyone the opportunity to express their thoughts and views.

Before I raise a particular issue that I hope that Secretary Noriega will address in his comments, I also want to congratulate the Administration on the continued progress of the Millennium Challenge Account, a program which I am a strong supporter of, a program which promotes economic development, but also rewards, frankly, positive progress when it comes to transparency and the rule of law. And I am pleased that both Honduras and Nicaragua, two of the poorest countries in this hemisphere, have now been rewarded, as our friends and allies, but also as countries setting a good example by the recent signing between President Bush and President Maduro and President Bolaños of Millennium

Challenge Accounts contracts and agreements. So I congratulate you on that progress, Secretary Noriega.

You know, Mr. Secretary, one of the greatest concerns I have and something I hope, as we talk about our public diplomacy and frankly our partnership with our friends in Latin America, is we talk about how our partnership is working and what we can be doing better in what I believe is the greatest threat to democracy in our hemisphere, which is narcotrafficking. I believe narcotrafficking not only has a corrupting influence on democracy, a corrupting influence on society and public officials, but we also know it as a devastating impact on families and on the structure of communities. And frankly, it is the number one source of financing for terrorism.

I am particularly concerned, Secretary Noriega, and I would like to hear your thoughts about this and hope that you will address this, which is why I am raising this concern with you today, particularly regarding Venezuela's faltering counterdrug cooperation. I am concerned about the increasing concern many of us have about Venezuela's performance in fighting illegal drugs. And there are several recent events I want to draw attention to which cause me to have this concern.

Recently, the Chavez Government dismissed the former head of the government's Anti Drug Commission, Mildred Camero, who was publicly identified during her dismissal with working in cooperation with the United States on counternarcotics. Recently there was an escape from Venezuela's most secure prison, from Venezuelan custody, of a major reputed narcotrafficker, Jose Maria Corredor. This person, also known as Boyaco, is reported to be the right-hand man of the Negro Acacio, a major drug and arms trafficker for the FARC, the most notorious terrorist group in all of Latin America. Negro Acacio is under indictment, U.S. indictment, for drug trafficking. Boyaco is apparently held, again, in what was known as Venezuela's most secure prison, but somehow managed to escape.

Anti-drug legislation has been pending before Venezuela's National Assembly since 1999. The National Assembly can approve legislation by a simple majority and we all know the Chavez Government has a solid majority in their congress. It is also my understanding that the Chavez Government has ceased the military-to-military cooperation on counterdrug efforts with the United States. And recently, the Vice President, Vice President Jose Vicente Rangel, made disparaging comments about the Drug Enforcement Administration, raising concern for all of us.

Concretely, air tracks of suspected drug planes from Venezuela to Hispaniola have markedly increased and in May, I would note, as you know, Mr. Secretary, the Bush Administration sent a letter to the Venezuelan Government raising five or six specific counterdrug performance standards that are of concern. And it is my understanding that the Chavez Government has not yet responded to this letter. And I think this is particularly important. As we know, on September 15, the Bush Administration will be determining to certify whether or not Venezuela has cooperated or has demonstratedly failed to cooperate with the United States in counterdrug efforts. With what has occurred over the last few months, it is certainly hard to argue that Venezuela has not

demonstratedly failed, which would put Venezuela in the same category as Burma and North Korea.

So, Mr. Chairman, I hope Mr. Noriega will have an opportunity to discuss this with us and I look forward to the testimony of Mr. Noriega as well as the other witnesses. So thank you for this opportunity.

Mr. BURTON. Thank you, Mr. Weller. Before we recognize our witnesses, I want to congratulate Colombian Ambassador Moreno. He has just been elected president of the Inter-American Development Bank. I know he is not here, but I think he deserves a real pat on the back because he is a very dynamic individual and I know he will do a good job over there at the Development Bank.

With that, I want to welcome back Roger Noriega, the Assistant Secretary of State for Western Hemisphere Affairs. He was confirmed on July 29, 2003. He served as U.S. permanent representative to the OAS from 2001 to 2003 and he was a senior staff member for the Committee on Foreign Relations of the U.S. Senate. And from 1994 to 1997, he was senior staff member for this Committee in the U.S. House of Representatives. Once again, welcome back. We look forward to working with you.

Ambassador John Maisto—hey, I am getting good at it, did you notice that?—was nominated by President Bush to be a U.S. permanent representative to the OAS on March 25, 2003. He was sworn in on July 31, 2003 and he served as special assistant to President Bush and senior director of Western Hemisphere Affairs for the National Security Advisor, Dr. Condoleeza Rice, from January 2001 to 2003. He began his career in foreign service in 1968 and has served as Ambassador to Venezuela, as foreign policy advisor at the U.S. Southern Command, as Ambassador to Nicaragua, and numerous other postings in the region. It is good to have both of you here with us and would you please stand so I could swear you in?

You hear those buzzers. We are going to have four votes. If you, Ambassador Noriega, would like to make your opening statement, then we will adjourn, go vote and come right back.

Mr. NORIEGA. I could do that or I could wait.

Mr. BURTON. Would you rather wait until we come back?

Mr. NORIEGA. Your preference, sir.

Mr. BURTON. Maybe it is better if we waited. Okay, we will stand in recess at the fall of the gavel. We will be back in, well, probably at least a half hour, 35 minutes.

[Whereupon, a short recess was taken.]

Mr. BURTON. The Subcommittee will come to order and I apologize again for our recess, but we should be all right now. We will start with you, Secretary Noriega.

TESTIMONY OF THE HONORABLE ROGER NORIEGA, ASSISTANT SECRETARY, BUREAU OF WESTERN HEMISPHERE AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. NORIEGA. Thank you very much, Mr. Chairman. And, of course, we will take you up on your offer to put our written statements in the record.

Mr. BURTON. Sure.

Mr. NORIEGA. And I am going to set aside most of my comments to just briefly react to some of the comments that were made. I think, frankly, it is very useful for this Committee to take a look, as it has, at our diplomacy in the region and for that matter, in the rest of the world. And your comments, yours and Mr. Menendez, suggest that you have heard from some that the United States is not engaged and from others that the United States is pushing too hard. You have heard from some that Latin America is being ignored and you have heard from others that Latin America is being bullied.

All four of these statements cannot all be right. And I would suggest as an observer of the region that these are the kinds of things we have been hearing about Latin America policy for 30 or 40 years, at least the last 30. And that our engagement is always pursuing our own narrow self-interests, rather than the long-term interests of the hemisphere. I think that last statement is less true today than it has ever been. But I would just point out that one of the strengths of our policy in Latin America is that it is based on bipartisan values and shared values. I would hope that this discussion of how we carry out that policy will not be one that is divisive and signals to our friends in the region that somehow there are some profound differences of opinion between parties or even branches of government that is of a profound nature. Clearly, we are going to have differences of opinion and differences on approach and we are here to talk about some of those things, but they are not of a profound nature.

There is a vote that is expected today on CAFTA. And Mr. Menendez, I would say, with great respect, that I am not one who would suggest that CAFTA is a panacea for the problems in Central America or the Dominican Republic. I do not agree with most of your characterizations about the ramifications of the agreement. I would never say, though, that if you do not vote for CAFTA, that you do not care about Central America. I know that because I do not think you are going to vote for CAFTA and I am absolutely convinced that you care about Latin America and you always will.

But quite honestly, sir, and with all respect, I will say, though, that a defeat for CAFTA by the United States Congress would send such a profound message, negative message, to Latin America by which everything else that we have heard about criticizing our policy would pale in comparison.

But, again, it is on the merits and it is your job to make those decisions and I would not think for a moment to cast any doubt on your good faith in making those decision.

I think Ambassador Maisto is going to talk a little bit about the multilateralism, but I think the fact that we are so profoundly committed to multilateralism is a measure of our engagement and our respect for the partnerships that we are forging in Latin America. And the fact that we do recognize that this is a partnership that is well worth the effort. And multilateralism requires a lot of effort. It is not bilateral thunderbolts or sending our Ambassador in to browbeat governments. The United States is one of 34 countries around the table that negotiates every word, every sentence, every paragraph, every concept that is embraced in a declaration or reso-

lution of the OAS. This is the legislative process and the United States is just one member of that.

Now, the idea that we are criticized because we cannot impose our will and that that is a sign of American weakness, I think, is off point. I think the fact that we are engaged so intimately, that we have confidence in engaging in the multilateral process because we know that we share these values and because we know that we start from a common shared starting position, that is a testament to our commitment to the Americas. The way we work, in the summit process room, the OAS is sitting around the table, coming up with shared plans on how we are going to confront drugs or how we are going to confront terrorism or how we are going to promote human rights or defend democracy. And then we come up with a declaration, we come up with instruments, committees of the OAS, the summit process itself, to carry out those shared commitments that are negotiated as partners around a table in a multilateral process and how the United States and other donor countries provide technical assistance so that every country can live up to the commitments that it has made to fight drugs, to fight terrorism, to fight corruption.

And the fact that we do all of this in an organization that is driven by consensus, by and large, we very rarely vote at the OAS. We did on the election of the Secretary-General of the OAS and we are criticized because we did not impose our candidate as Secretary-General of the OAS. Those of you who know the region very well, and John Maisto is one of them, knows that the United States has never imposed its Secretary-General on the OAS. That is a myth. The fact is, we have always held back. We waited and saw who had momentum and we did the benediction at the very end and said, There is the U.S. blessing.

This time, we did something a little different. We had a couple of important countries that wanted to offer candidates. We had a good friend of the President of the United States, Paco Flores, who is a terrific, dynamic modern leader, and we thought enough of him and we were confident enough of our neighborhood, confident enough of our partnership, and thought the OAS was important enough that we said, We are for Paco Flores. And the bad news about that process was not that those three candidates were up there, but they were all three very good friends of the United States and all very good, competent people, and that we had to choose.

And the tribute to American diplomacy in our stature in Latin America is that we did choose and that it was Secretary Rice's personal leadership that resulted in a unifying result at the OAS. Not a divisive vote, but a unifying result. And I think that the IDB result reaffirms the fact that the United States is in the mainstream and is participating with our neighbors in making important decisions about our hemisphere.

I want to emphasize just a couple of things. I am sorry you did not start the clock, because I was going to stop right at 5 minutes, so if I am over, please let me know. Give me another minute?

Mr. BURTON. We will be glad to give you another minute. The reason we did not use the clock on you or Mr. Maisto is because you are so intimately involved with Central and Latin America

that we wanted to hear what you had to say. But we will use the clock on the second panel, so I thought I would warn everybody.

Mr. NORIEGA. Okay, thanks very much. First, on diplomacy and what is diplomacy, it is not just about talking and it is not just about talking to governments. And I think it is exactly right that we need to stress our engagement with the people of these countries as much as the governments. And sharing in a very open way a dialogue with civil society in these countries. We think that one of the strengths of CAFTA is that it did force an engagement or impose an engagement with the civil society to talk about that agreement. And that is very useful.

We do diplomacy in Cuba, but it is not with the government, it is engaging the people. And another example from our successes in diplomacy includes, I think, Colombia where we not only, thanks to Congress, in large measure, made extraordinary investment in helping the Colombian people save their country. But we also did the multilateral diplomacy and the regional diplomacy, to generate more support for Colombia, not only in the Americas, but from Europe, so that they can carry on. Bolivia is going through a very difficult time. The United States is not in a position to say that we are going to put so many resources in that we are going to pay the bills of Bolivia until they can sort out how to take advantage of these vast natural resources of natural gas. We are not in a position to tell mobs in the street, Well, look, the U.S. Embassy is not for you deposing this President.

But through private diplomacy, public diplomacy, we helped insure that the crisis that is going on there is within the constitutional framework. That you did not see a military coup and you did not see vast bloodshed and you see the constitutional process working and that puts them on a track to free elections, where Bolivians themselves would make decisions about the political organization of their country and of their economy.

On Venezuela, our diplomacy is, again, aimed at empowering the people of Venezuela and really fortifying the longstanding relationship that we have had with the Venezuelan people. That does not mean that we should not talk with leaders of that government, which is the democratically-elected representative of the people. And I speak with Venezuelan diplomats regularly. I will tell you, Mr. Chairman, that our dialogue is complicated by the fact that it seems to be sort of a one way spears being thrown, basically in one direction. And it makes it a little bit difficult to navigate the field.

But nevertheless, you are exactly right. And as you very well know, we are looking for strategies for engaging even more of the Venezuelan Government on the common issues that we know are important to us, both politically and economically. And I will talk at the question and answer period about the counternarcotics cooperation, a very important part of that.

Very briefly and finally, Congress is an absolutely essential partner in this whole process. The trips you take, the messages that you are able to reinforce and to deliver, some of you in a more blunt fashion than we are accustomed to, really is important in advancing our interests in the region, that is very important. Oversight itself is very important and the fact that you ultimately make the decisions about the amount of resources that we are going to

have available to us in our diplomacy is also very important. So this dialogue is essential and I applaud you for showing the leadership in organizing this hearing and welcome the opportunity to answer any questions that you might have.

[The prepared statement of Mr. Noriega follows:]

PREPARED STATEMENT OF THE HONORABLE ROGER NORIEGA, ASSISTANT SECRETARY,
BUREAU OF WESTERN HEMISPHERE AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. Chairman and Members of the Committee:

It is a pleasure to appear before you today to discuss United States diplomacy in Latin America—and more specifically how the Department of State is using the diplomatic tools at its disposal to advance our strategic, political, economic and trade interests in the Western Hemisphere.

The basis for United States policy in the Western Hemisphere can be summed up in one word: freedom. We aim to help the countries of Latin America and the Caribbean consolidate the impressive democratic gains they have made over the last two decades and to extend political power and economic opportunity to everyone, particularly the very poor. Our policy is anchored by four strategic pillars: strengthening democratic institutions, promoting prosperity, investing in people and bolstering security. We want to help countries that are prepared to help themselves and are willing to make the difficult decisions that will lead to truly open political systems and open economies. We are prepared to work with any country truly interested in strengthening its political institutions to encourage responsible policies and retooling its economy to take advantage of trade opportunities.

As a way of illustrating our approach and demonstrating its effectiveness, I would like to go through some concrete examples of diplomatic challenges that we have faced in the last few years and describe how we responded through bilateral and multilateral channels. I would like to stress that these are illustrative examples of the diplomatic efforts we carry out in the hemisphere on a daily basis and not an exhaustive list. As with most issues in the international sphere, there is no final conclusion to report. However, I believe in all cases we have significantly advanced U.S. interests, even where the results to date may be less than we would have hoped.

Diplomacy—in particular, multilateral diplomacy—is hard work. To succeed, one needs to understand not only one's own country's objectives and motivations but those of each and every other country involved in the process. In the OAS, multilateral diplomacy is further complicated by the commitment to work by consensus. We have to negotiate every comma with every country. While there is an expectation and a need for U.S. leadership on most issues, we must be careful not to overplay our hand, lest our role become an issue in the negotiations underway. Empathy—knowing what others want and need—is an essential element in diplomacy. It is certainly better to pursue and achieve our goals without making other countries unhappy, but we cannot always do so. In cases where there is simply no convergence of interests or values—such as with Cuba today—our diplomacy has a hard edge. There, as in all cases, our diplomacy should be evaluated against the desired outcome and the obstacles we must overcome to achieve it.

Free Trade with Central America and the Dominican Republic

Formation of a Free Trade Agreement with Central America and the Dominican Republic has been one of our top diplomatic priorities the last two and a half years. We believe that the elimination of trade barriers can be a transformative process for societies. By stimulating growth, making economic decision-making more transparent and opening new economic opportunities for workers, farmers and businesses, free trade not only increases prosperity but also strengthens democracy. It also enhances our security here in the United States. Crushing poverty is one of the root causes of political instability, migration and crime in Central America and the Dominican Republic. It is better to attack these problems at their source than to have to deal with them when they reach our shores through illegal immigration, the drug trade or terrorism.

The CAFTA–DR Agreement is not only a good thing for our neighbors; it's a good thing for us. How we achieved this Agreement, moreover, is a good example of our diplomatic process.

First, we emphasized a multilateral negotiating structure, while providing opportunities for bilateral negotiations to address the specific needs of each individual country. The CAFTA–DR will set up a single Free Trade Area with common rules for all six countries. At the same time, we consulted individually with each of our

partners and tailored the agreement to provide additional time or to modify some specific provisions when needed to secure the agreement of an individual country.

Second, we encouraged consultation with the private sector and civil society groups. In the U.S., we have established consultative arrangements between the Executive, the Congress, and a number of private sector groups. During the CAFTA-DR negotiations, we encouraged the other countries to set up similar arrangements to inform the negotiating process and explain the agreement to their citizens.

Third, we recognized their need for technical and financial assistance to meet the free trade objectives. We formed a Trade Capacity Building Committee to coordinate assistance aimed at improving their ability to implement the obligations of CAFTA-DR and to adjust their economies to free trade. In FY 2004, we are providing more than \$50 million from all U.S. government agencies for these purposes.

Finally, we made sure that this sub-regional agreement was consistent with our hemispheric and global policies. CAFTA-DR is fully consistent with the rules of the World Trade Organization and with our objectives in the current WTO negotiations, known commonly as the Doha Development Round. CAFTA-DR is an integral part of our strategy of moving toward a freer world trading system through complementary trade agreements on a bilateral basis (such as the US-Chile Free Trade Agreement and the negotiations underway with Panama), and on a regional and hemispheric basis (such as the negotiations underway with the Andean countries and for a Free Trade Area of the Americas).

A Security Emphasis in Colombia

In Colombia, U.S. diplomacy is clearly focused on advancing our security interests, among other issues. Colombia is one of our strongest allies in the region. Despite conducting a multi-front campaign against narcotics traffickers and terrorists, Colombia has remained a vibrant democracy and a force for progress and stability in the Andes, serving as an important counterweight to less positive trends in the region.

Our two countries face similar threats. The illegal drug trade claims victims, whether in Cali or Chicago. Both our countries are fighting terrorism, at the cost of American and Colombian lives lost or liberties stolen, including three American contractors held hostage by the FARC since February 2003.

Despite these threats, Colombia is remaking itself. As members of this committee have observed first hand, Colombia has made remarkable progress in recent years, under the leadership of President Uribe. Internal security is greatly improved. Drug crop eradication, narcotics interdiction, related arrests and extraditions are at record levels. FARC terrorists are on the defensive, ELN terrorists have been isolated and paramilitaries are laying down their arms. In addition to wresting territory back from narco-terrorists, the government is strengthening its democratic institutions, promoting respect for human rights and rule of law, fostering socio-economic development and addressing humanitarian needs. The result is a more peaceful and prosperous ally; this is clearly in the U.S. interest.

U.S. diplomacy plays an important supporting role in this effort, but not just in a conventional sense. We don't just *talk* to the Colombians (although that is important, as in this month's FTA negotiations or in last week's discussions with the vice president and foreign minister on human rights issues), we *work* with them, whether training prosecutors, judges and police investigators (Department of Justice); or managing alternative development projects (USAID); or advising counterterrorist units (Department of Defense) or spraying coca crops (Department of State). Our partnership is helping to transform Colombia.

Economic Diplomacy in Uruguay

Uruguay had a solid record of market-oriented economic policies in 2002 when the financial crisis in Argentina directly contributed to a bank run. The Treasury Department maintained close contact with the Uruguayan Government and IMF officials during the first half of 2002, tracking the decline in deposits and assisting in formulation of a response to it. Initially, Uruguay drew on its existing IMF program, and a new IMF program was launched in March and augmented in June. When it became clear in early summer that these measures would not be sufficient to bolster public confidence, Treasury began a series of intensive meetings with Uruguayan and IMF officials to develop a strategy for addressing the bank run decisively.

As a result, the United States joined with the IMF in supporting the Government of Uruguay's plan to fully back dollar checking and savings deposits while reprogramming dollar time deposits. The deposit guarantee plan was financed with additional funds from the IMF, World Bank and Inter-American Development Bank. The Government of Uruguay also determined that it would suspend the operations of four private domestic banks. To assist the banking system until the multilateral

assistance could be disbursed, the U.S. Treasury provided a short-term \$1.5 billion loan to the Government of Uruguay. The loan was repaid within one week.

These interventions—the result of sustained close coordination between the Treasury Department, IMF, the State Department, our Embassy in Montevideo and Uruguayan officials—combined with fiscally responsible policies of the Government of Uruguay helped the country avert a possible collapse of its banking system and default. In 2004, two years after the onset of the financial crisis and one year after a successful debt restructuring, Uruguay enjoyed real GDP growth of 12.3%.

Political Upheaval in Ecuador, Bolivia and Venezuela

A recurring theme in our relations with Latin America—and part and parcel of our support for democratic governance—is how to respond to threats to the constitutional order. Our policy in such situations is to seek authoritative information on what is required under domestic law and to urge all parties to work within those constraints, utilizing both bilateral and multilateral channels of communication. Ecuador and Venezuela both illustrate how difficult this can be when the institutional structure is weak, nontransparent, and subject to manipulation by elites.

This past April 20, the Ecuadorian Congress, acting with less than a quorum of members of the opposition, dismissed the Supreme Court and President Lucio Gutierrez and then swore in Vice President Alfredo Palacio as his successor. They claimed that, under the Constitution, they had sufficient votes to dismiss the president for abandonment, even though no actual abandonment of the post was evident. This action followed months of charges and countercharges among the political parties related to Congress' dismissal of the Supreme Court in December and subsequent actions of the new Court, rioting in the street, and the declaration by President Gutierrez of a brief state of exception.

While the situation was still fluid, we reached out to President Palacio and all sectors of Ecuadorian society to resolve the political crisis and restore the rule of law. We mobilized other countries in the region and within the European Union to help stabilize the situation and supported a special mission led by the Secretary General of the OAS to help the Government of Ecuador strengthen its constitutional processes. The OAS, working with the government, remains engaged in efforts to restore and strengthen the institutions of democracy in Ecuador. While the lack of a functioning Supreme Court remains a serious concern, the Congress and Executive Branch are generally functioning at this time. There is no more rioting. The international community has offered assistance to resolve the impasse over the naming of a new Court, and we remain hopeful that progress will continue to be made on other matters of public policy—reducing polarization so that the question of the Court can also be resolved in due course.

Like Ecuador, Bolivia has just experienced an unscheduled transition in government, but for different reasons. In June, President Carlos Mesa stepped down amid violent public protests and road blockages reflecting the political polarization of the country. The country remains deeply divided over how to exploit the country's vast natural resources, how to include the aspirations of the indigenous people within its democratic framework, and how to address regional calls for autonomy. We remain engaged bilaterally and multilaterally with the Government of Bolivia, now led by interim President Eduardo Rodriguez, who is committed to putting the country back on a path toward strengthening democratic institutions, beginning with national elections later this year.

In Venezuela, the United States worked intensively to facilitate reconciliation between the opposition and Chavez government from the temporary interruption in democratic governance in April 2002 to the August 2004 referendum. The referendum process focused international attention on the declining state of democracy in Venezuela and limited President Chavez's ability to curtail individual freedoms. Since August 2004, we have witnessed an increased concentration of power in the Executive, the packing of the Supreme Court, enactment of legislation curbing press freedom and civil rights, and the persecution of civil society, most notably the electoral watchdog organization Sumate.

The United States has led the international community in calling attention to these and other issues that have arisen—both through the OAS and through bilateral engagement within the hemisphere and with our European friends. While many share our concerns, other countries have been less inclined to speak out, preferring quiet diplomacy. Thus, sometimes alone and at other times in the company of international nongovernmental organizations, we have spoken out on threats to freedom of the press, packing of the Supreme Court, harassment of Sumate, the purchase of 100,000 AKM Russian assault rifles, and other noteworthy issues. We are also encouraging the OAS and the European Union to send observers and experts to

evaluate electoral conditions in advance of the December National Assembly elections.

We will continue to speak out on these issues, as warranted, as well as to voice our concerns privately to Venezuelan officials. During the past year, however, our access to senior Venezuelan officials has been limited, and this lack of access is having a chilling effect on our working level contacts as well. Thus, for the foreseeable future, our diplomatic efforts in Venezuela will aim primarily at influencing events through public statements and private contacts with other governments and organizations dealing directly with the Government of Venezuela.

Security and Prosperity Partnership of North America

A special relationship continues to evolve with Mexico and Canada that increasingly addresses security along with the trade and related issues covered by NAFTA. On March 23, President Bush joined President Fox and Prime Minister Martin in launching the Security and Prosperity Partnership of North America (SPP). The SPP is intended to develop new avenues of cooperation that will make our open societies safer and more secure, our business more competitive, and our economies more resilient. It is based on the principle that security and prosperity are mutually dependent and complementary. The prosperity pillar seeks to enhance North American competitiveness through improved productivity, reducing the costs of trade and enhancing environmental stewardship. The security pillar confronts external threats, prevents and responds to threats within North America and facilitates the flow of traffic across borders.

Thus far, we have identified over 300 initiatives spread over twenty trilateral working groups on which the three countries will collaborate. Ongoing bilateral initiatives—such as the “smart border” programs with both Mexico and Canada—will be incorporated into this broader framework, giving greater cohesion to our overall border security program. Assistance to Mexico provided through the Bureau of International Narcotics and Law Enforcement Affairs is a significant part of our bilateral relationship with Mexico.

Cuba: A Different Challenge

In Cuba, the only country in the hemisphere without a democratic government or an open economy, we are actively engaged in helping the peaceful opposition create a democratic future. Our support is similar to what we have provided to civil society groups in Serbia, Georgia, Ukraine, and other repressive societies throughout the world. In contrast to other countries that insist on trying to hold a dialogue with the Government of Cuba, which has no desire to reform, we have chosen to work with the Cuban people instead. They will ultimately determine Cuba’s future.

To hasten the day of Cuba’s emergence from tyranny, the Commission on Assistance to a Free Cuba recommended a comprehensive approach, pairing more substantial support to the opposition with measures to limit the regime’s manipulation of humanitarian policies and to undermine its survival. We are providing \$8.9 million this year and are requesting another \$15 million next year to implement the Commission recommendations. Through this assistance, we aim to ensure that, when change comes to Cuba, it will be a transition to democracy and not the succession in kind being planned by the regime.

As these examples illustrate, we have an active diplomacy—on both bilateral and multilateral fronts—that addresses the specific challenges and opportunities as they arise in different countries. We are helping countries willing to help themselves to develop their human resources, sustain and strengthen democratic institutions and open economic systems, and protect their people and way of life from organized crime and other multinational threats. This approach requires mature relations with other governments as partners, based on shared values. While there is broad agreement in the Hemisphere on the values we share—they have been articulated repeatedly at Summits of the Americas—the practical challenges to their implementation are great. Our diplomacy often deals with those challenges and may not achieve the desired results in the short term. However, we are determined to stay the course and help other countries, where possible and as appropriate, achieve for their people the full benefits of the same freedoms we have long enjoyed in the United States.

I would be pleased to take your questions, about the issues I have addressed or any others. Thank you for your attention.

Mr. BURTON. We will ask some questions in a couple of minutes, some very important ones. Mr. Maisto?

TESTIMONY OF THE HONORABLE JOHN MAISTO, UNITED STATES REPRESENTATIVE ON THE COUNCIL OF THE ORGANIZATION OF AMERICAN STATES, U.S. DEPARTMENT OF STATE

Mr. MAISTO. Thank you, Mr. Chairman. Thank you for the opportunity to be with you this afternoon to discuss our multilateral diplomacy efforts and the vital role of the Organization of American States in promoting democracy throughout our hemisphere. Mr. Chairman, on December 1, 2004, in his first foreign policy address, shortly following his re-election to a second term, President Bush stated in Halifax, "The success of multilateralism is measured not merely by following a process, but by achieving results." And he pledged "to work as far as possible within the framework of international organizations to make those institutions more relevant and more effective in meeting unique threats of our time."

Multilateral diplomacy, then, is an essential, indeed, a vital element of our policy in the Western Hemisphere, to pursue goals in key strategic areas, including democracy, regional stability, economic prosperity and job creation, security, counterterrorism and international crime and drugs. This is an agenda that clearly enjoys bipartisan consensus in our country. Through the work of the Mission of the United States to the OAS, the OAS is playing an increasingly important role advancing these important U.S. interests in the hemisphere, through policies and programs that complement and help achieve, in measurable ways, U.S. bilateral policy objectives.

We all must always remember, as the Assistant Secretary just said, that the OAS is a one-country, one-vote institution. We strive for consensus. There is no Security Council, there is no veto. Now, we manifest this policy approach in various ways: Through our support for the Office of Promotion of Democracy and its programs to strengthen democratic institutions, most importantly through electoral observation missions, through our support for OAS Special Missions, acting under the Inter-American Democratic Charter to address internal political conflicts in such countries as Haiti, Nicaragua, Venezuela, Ecuador, Bolivia and Colombia; through our role as the largest financial supporter of the Inter-American Commission on Human Rights and through its thorough country reports on human rights situations throughout the region, including in the last year, with regard to Venezuela, Haiti, Guatemala, Colombia, and Cuba.

And by addressing the war on transnational organized crime, including terrorism and national security, multilaterally, cooperatively, through the Inter-American Committee Against Terrorism, called CICTE, and through advancing our ongoing effort to combat drug trafficking and drug abuse in the Americas through the Inter-American Drug Abuse Control Commission (CICAD), which is the principal venue for counternarcotics cooperation and its multilateral evaluation mechanism, where experts evaluate individual country performance, documenting efforts to combat drug abuse and trafficking. And through our, albeit modest, development assistance through the OAS to leverage larger external contributions from member states, from observers and from the private sector.

Mr. Chairman, as evidenced by the Secretary's leadership at the OAS General Assembly in Ft. Lauderdale last June 5 to 7, the U.S. values multilateralism. For the first time since 1974, the United States hosted a General Assembly with the participation of the President and the Secretary. Under the theme "Delivering the Benefits of Democracy," that assembly spoke to the challenges facing the hemisphere. The General Assembly succeeded in reaching some very important objectives to help strengthen democracy, promote prosperity, enhance security and protect human rights.

We were looking for ways to put teeth into the Inter-American Democratic Charter and here is what the foreign ministers did to achieve that. They tasked the Secretary-General to propose initiatives. Some may refer to this as a plan of action or even a mechanism for the timely application of the provision of this Inter-American Democratic Charter to address threats to democracy. And, in a reaffirmation of the Secretary-General's authority, the ministers charged him with bringing to member states' attention situations which may require action under the Inter-American Democratic Charter. And the ministers created openings for civil society input into the efforts of the Secretary-General and Permanent Council for action under the charter. And this assembly also set a new and important marker, establishing that adherence to the charter is the standard for member states' full participation in the inter-American system. In other words, the charter is the way into the OAS and the way out.

To promote prosperity, the General Assembly also approved a U.S.-sponsored resolution convoking a special meeting to channel the efforts of all inter-American agencies into a coordinated, strategic plan for economic growth and development, much in cooperation with civil society and the private sector that will provide improvements in education, science and technology, in public-private partnerships, gender equity and social mobility. And to improve security, the assembly mandated tighter controls on man pads, greater transparency in arms and light weapons transfers between countries, which will help safeguard them from use by criminals and terrorists. This is a huge issue in the hemisphere.

They also instructed further cooperation to combat gangs, drug trafficking, trafficking in persons and other manifestations of transnational crime. Now, we look forward to taking the next steps at the Summit of the Americas to be held in Mar del Plata, Argentina, in early November, where the theme will be "Creating Jobs to Fight Poverty and Strengthen Democratic Governments." Over the last decade, the hemisphere and, indeed, the OAS have made enormous progress, but we have not managed to erase the legacy of decades of poverty and corruption and even wrong-headed policy.

The United States stands ready to work side-by-side with our partners in the region and with and through the OAS to meet these challenges. This is an approach that emphasizes partnership. As President Bush said at the last General Assembly in Ft. Lauderdale:

"To give our children a better tomorrow, our citizens must see that democracy delivers more than it promises. They need to see in their daily lives that their hard work and enterprise are rewarded. And when the people of the Americas see that op-

portunity and social mobility are real, they will know that in a free and democratic society the only limit of how far they can go is the size of their dreams.”

Thank you, Mr. Chairman.

[The prepared statement of Mr. Maisto follows:]

PREPARED STATEMENT OF THE HONORABLE JOHN MAISTO, UNITED STATES REPRESENTATIVE ON THE COUNCIL OF THE ORGANIZATION OF AMERICAN STATES, U.S. DEPARTMENT OF STATE

Mr. Chairman, Members of the Subcommittee:

Thank you for the opportunity this afternoon to discuss with you United States multilateral diplomacy efforts, and the vital role of the Organization of American States (OAS) in promoting democracy throughout the Western Hemisphere.

On December 1, 2004, in his first foreign policy address shortly following his reelection to a second term of office, President Bush stated in Halifax, Nova Scotia, that: “The success of multilateralism is measured not merely by following a process, but by achieving results,” and pledged “to work as far as possible within the framework of international organizations . . . to make those institutions more relevant and more effective in meeting the unique threats of our time.”

Indeed, President Bush’s commitment to effective multilateralism goes back to the very beginning of his first term. Less than 3 months after taking office in 2001—and just before attending the Third Summit of the Americas in Quebec—President Bush addressed the OAS Permanent Council in Washington, where he laid out the guideposts for what he called “our shared future and the important role the OAS will play in helping to shape it.”

It is important to underscore that this early commitment to working with and through the inter-American system to advance U.S. foreign policy in the region served as a building block for the solid accomplishments that the OAS has achieved in recent years in addressing the critical issues facing the people of the Western Hemisphere. The OAS agenda is broad and sometimes daunting. And while much work and significant challenges are ahead, the record of achievement is impressive and speaks for itself.

Through the work of the U.S. Mission, the OAS is playing an increasingly important role in advancing U.S. interests in the hemisphere through policies and programs that complement and help achieve, in measurable ways, U.S. bilateral policy objectives. Past experience has demonstrated the advantages of working multilaterally with our partners in the hemisphere to promote mutual objectives, especially as free trade expands and regional initiatives, such as the Summit of the Americas commitments and the Inter-American Democratic Charter, are more broadly applied and accepted. In many ways, we are able to achieve consensus among the active members of the OAS, which share similar democratic values, more quickly than in larger multilateral bodies like the United Nations or the World Trade Organization.

Multilateralism that Works

Multilateral diplomacy is an essential, indeed a vital, element of Bush administration policy in the Western Hemisphere to pursue goals in key strategic areas, including democracy, regional stability, economic prosperity and security, counterterrorism, and international crime and drugs.

While most U.S. bilateral and multilateral goals in the region have remained constant for a decade or more, the enhanced hemispheric commitment to these goals has resulted in greater demand for the OAS to implement new and innovative policies and programs that require additional resources. This is due to a confluence of factors: a growing consensus among member states in favor of like-minded political action, the success of the Summit of the Americas process and the OAS secretariat’s role in facilitating implementation of Summit initiatives, and an active U.S. Mission able to gain acceptance by other OAS member states of key U.S. priorities.

Multilateralism works in the Hemisphere because of its long history and by the OAS staying true to the principles upon which it was founded: representative democracy, respect for human rights, and the recognition that all states are equal partners. The nations of the Western Hemisphere, including the United States, understand that we are bound together by common interests and values. Today, these common interests and values converge on democracy, economic growth through free trade, and good governance. With the exception of Cuba’s lone tyrant, the hemisphere has embraced democracy—a right of all peoples and which governments all must promote and defend—as the *sine qua non* of social, political and economic de-

velopment. There is, in fact, no other region of the world that has such an explicit commitment to democracy.

A Commitment to Democracy

With the advent of the Inter-American Democratic Charter in September 2001, no OAS member state can be a disinterested spectator to what occurs in our Hemisphere. Any actions that undermine democratic order or that threaten the security and well being of the region are of legitimate concern to all.

Today, the notion that winning elections alone is sufficient to be permanently considered a democracy has been challenged in the Americas. Elected leaders must now govern justly and democratically to maintain their legitimacy. Those who flout democratic institutions and principles or fail to meet the rising expectations of electorates can unleash forces that threaten regional stability, thwart democratic development, and stand in the way of economic growth.

Most citizens of the Hemisphere become aware of the OAS through its work in promoting democracy and human rights, specifically OAS electoral observation missions; special missions to address internal political conflicts, such as in Haiti, Nicaragua and Venezuela; and, increasingly, through the application of the Inter-American Democratic Charter, which established a graduated series of preventive and remedial measures to promote and defend democracy.

Member states have come to rely on OAS programs to strengthen democracy and democratic practices and institutions, given the long-term progress achieved in that area in the past two decades. The United States is thoroughly cognizant of the value of multilateral efforts in this regard and regularly supports OAS democracy programs with funding from many different foreign operations accounts.

Acting under the Democratic Charter, or in the spirit of the Charter, the OAS has helped and is helping those member states where democratic practices or institutions are challenged, including Haiti, Venezuela, Ecuador, Nicaragua, Bolivia and Colombia.

Haiti

In Haiti, working through the OAS our focus has been on helping the transition to a functioning democracy. Last Fall, the acting Secretary General led a mission there with USOAS participation. To prepare for a series of elections scheduled to begin in October of this year, OAS and UN technical experts are working with Haiti's Provisional Electoral Council (CEP). In particular, OAS is handling voter registration, a complex and difficult task in Haiti. Despite earlier delays, registration is finally proceeding efficiently.

While registration has not been easy, with the security situation marred by violence, we are already seeing tangible results. As of July 26, the OAS now has 310 permanent voter registration centers, and 23 mobile centers, open around the country. Approximately 800,000 voters have been registered to date. While registration is scheduled to end in early August, it is likely to be extended by the CEP.

Venezuela

In Venezuela, the OAS undertook months of negotiation with the government, opposition and civil society groups to reach an agreement on a way ahead to overcome the political polarization that led to political upheaval in that country in 2002 and 2003.

Working through the Friends of the OAS Secretary General—a *bona fide* multilateral effort to reach a negotiated resolution to the political impasse in Venezuela—the U.S. and our hemispheric partners helped clear the political way for the August 15, 2004 recall referendum on the Venezuelan president. OAS monitors then observed that process.

Has Venezuela's political polarization faded away due to these OAS efforts? Certainly not. Political tensions still fester, human rights concerns still abound, and the increasing concentration and exercise of power by the duly-elected Executive branch remains worrisome. But OAS member states remain engaged and the Inter-American Human Rights Commission remains vigilant.

On July 12, 2005, OAS Secretary General José Miguel Insulza sent OAS Special Envoy Ruben Perina to Venezuela, and just this past week has confirmed that the OAS will have a small presence on hand in Venezuela during the upcoming municipal elections in August. This will not be an electoral observation mission. Rather, the visit will serve to begin preparations for a full OAS observation of Venezuela's national legislative elections in December. Considering the level of polarization in Venezuelan society today, only a significantly hands-on mission that can operate under internationally recognized standards can expect to achieve its objectives.

Ecuador

After the April 2005 change of government of Ecuador, the OAS Permanent Council sent a high-level mission, at the invitation of Ecuadorian authorities, to work with officials of that country and with all sectors of Ecuadorian society in their effort to strengthen democracy. This mission also included U.S. participation. During this visit, April 26–30, the OAS mission met with government authorities and political party officials, as well as with representatives of the private sector, nongovernmental organizations, the Catholic Church, unions, indigenous groups and others. Secretary General Insulza is now preparing a follow up mission.

Nicaragua

On June 15, Secretary General Insulza led a high-level OAS mission to Nicaragua at the request of government of President Enrique Bolaños. The visit was intended to help find a solution to the country's political and social crisis.

The four-day mission came on the heels of a Declaration of Support to Nicaragua, adopted by the hemisphere's foreign ministers at the OAS General Assembly in Fort Lauderdale, Florida, one week before. The OAS delegation met with officials of government, political parties and civil society and religious organizations, as well as representatives of the international community.

The Secretary General subsequently named former Argentine foreign minister Dante Caputo as the OAS special envoy to facilitate dialogue in Nicaragua and work to strengthen that country's democracy. Mr. Caputo traveled to Nicaragua on June 29 to continue discussions initiated during the Secretary General's visit two weeks earlier. His mission succeeded in helping the parties to the crisis to resume their dialogue, and to spur national dialogue between various segments of Nicaraguan society. This will help safeguard representative democracy in the period leading up to the 2006 presidential elections which the OAS is expected to observe.

Bolivia

Through statements by the Chairman of the Permanent Council and other outlets, the OAS has consistently expressed hope that the political crises in Bolivia be resolved and that agreement will be reached through dialogue to bring about national reconciliation and respect for the rule of law and constitutional order, in accordance with the terms of the Inter-American Democratic Charter.

Just yesterday, July 26, a special envoy of the Bolivian Government addressed a Special Meeting of the Permanent Council. Inter alia, Bolivia has asked the OAS to adopt a program of cooperation with the Government of Bolivia to assist with its upcoming elections for Congress, President and Vice-President. Through a resolution, adopted by consensus, the OAS agreed to this request.

The OAS is also expected to agree to monitor December's elections in that country.

Colombia

In Colombia, the OAS plays a critical role through its mission on the ground by helping the Colombian government institute a transparent, internationally monitored peace process that results in a cessation of hostilities and the demobilization, disarmament and reintegration of illegal armed groups as an important means of promoting human rights for all Colombians.

Pursuant to its most recent quarterly report to the Permanent Council, the OAS Special Mission stated that nearly 4,000 members of the United Self Defense Forces of Colombia (AUC) have laid down arms since last November, and the territories where they once operated are now ready to be occupied by the institutions of government, paving the way for civilian status for thousands of people.

The OAS has also made the protection of human rights in Colombia a top priority. Through a Permanent Council resolution last year, the members states mandated the Inter-American Human Rights Commission to ensure that the role of the OAS in the peace process is fully consistent with human rights and international humanitarian law. These safeguards have allowed the Colombian peace process to move forward in a credible and efficient fashion..

Election Observation Missions

Election observation is a key element in OAS efforts to strengthen democracy in the Hemisphere. The OAS enjoys a longstanding reputation for impartiality and technical competence in election observation. Over the last 18 months the OAS fielded election observer missions in Grenada, Guatemala, Suriname, the Dominican Republic, Panama, El Salvador, Ecuador, Venezuela, and in Nicaragua.

These missions, however, are not infallible and pose significant challenges for the OAS and its credibility in ensuring the transparency of the process. In light of last

year's protracted referendum process in Venezuela, we must take a strong look at the future of electoral observer missions as guardians of free and fair elections.

The OAS must review the function these missions will play, and ask the questions: What is the future role of electoral observation missions as guarantors of democracy? Is it acceptable for these missions to scrutinize the results, but only to be present for selected parts of the process? Is it appropriate for electoral observation missions to have to negotiate their size and the modalities of their work?

The response is that for these missions to continue they must be afforded timely and unfettered access from the beginning through the entire process. The OAS must identify the problems that arose in Venezuela, learn from them, and prepare accordingly for future missions.

Human Rights

The Inter-American Commission on Human Rights (IACHR) is often referred to as "the crown jewel" of the inter-American system, and the United States is proud to be its largest financial supporter.

The U.S. is the largest financial supporter of the IACHR. Our continued support for the Commission stems from our firm belief in the unique value and utility of the Commission as a defender of human rights and fundamental freedoms. It provides a forum for persons—whether acting through NGOs or on their own—to seek redress of alleged human rights abuses. Members of the Commission or its Special Rapporteurs also make site visits to countries in the hemisphere where abuses of human rights have been reported.

One of the most important things it does is produce country reports—well documented assessments of human rights conditions and issues in countries throughout the region. Over the last year alone, the Commission has issued thorough reports on the human rights situation in Cuba, Venezuela, Haiti, Guatemala and Colombia. The visits, press releases and reports issued by the Commission works to reduce the incidence of human rights abuses in the hemisphere by focusing a spotlight on trouble spots.

In one recent example of its work, the Commission and its Rapporteur for Freedom of Expression expressed concerns about the implications for freedom of the press posed by a new law on media responsibility in Venezuela. We find it unfortunate that the government of that country, in response, opted to publicly attack the Commission, rather than take the concerns of the Commission on board in an effort to perfect its draft legislation.

Two other OAS specialized organizations also address human rights issues of women and children: The Inter-American Commission of Women (CIM) and the Inter-American Children's Institute (IIN). CIM focuses its efforts on the promotion and protection of Women's Human Rights. It also follows closely trafficking in persons, violence against women, and gender equity and equality issues in the hemisphere. The IIN addresses matters related to children, and has identified the following key areas as its chief priorities: Children's Rights, International Parental Child Abduction, and National Child Care Systems. The Institute has also performed studies on commercial child sexual exploitation and is shifting its focus to the child and the family.

Security: OAS Counterterrorism and Counternarcotics Initiatives

The war on transnational organized crime, including terrorism and national security are critical elements in our hemispheric agenda to preserve democratic order and another area where the OAS has enacted important effective new approaches. U.S. efforts have proven to be effective at promoting hemispheric cooperation through the OAS by encouraging governments to improve their efforts and capacities in a number of security related areas, while achieving a "multiplier effect" in our bilateral relationships. These efforts have proven especially significant with countries where we were unable to mount a significant bilateral program on certain key national security objectives.

The Western Hemisphere responded to the events of 9/11 with greater resolve than any other area in the world, largely working through the OAS, the first international organization to mobilize in response to the attack on the U.S. homeland. Less than a year after the 9/11 attacks, the OAS adopted the Inter-American Convention Against Terrorism.

Implemented through the Inter-American Committee Against Terrorism (CICTE)—established in 1999 to coordinate member states' activities against terrorism—this vigorous new convention seeks to strengthen border and financial controls, increase cooperation among law enforcement authorities, and address threats to airport, seaport and cyber security. A continuing positive trend in the hemisphere has been the high-level of political will to combat terrorism. Although

counterterrorism capacity and expertise remain lacking in many states in the hemisphere, countries actively continued efforts to strengthen their counterterrorism regimes along all fronts, with an emphasis on cooperation.

Since 9/11, CICTE has moved from the sidelines to the center of hemispheric counterterrorism cooperation. CICTE has been recognized by the UN Security Council as a model regional counterterrorism organization. To date, CICTE has delivered over \$4 million in counterterrorism capacity-building assistance in the hemisphere, of which 85% has been U.S. voluntary contributions.

On another front to secure our hemisphere from new and traditional threats is the ongoing effort to combat drug trafficking and drug abuse in the Americas. Leading the charge is the Inter-American Drug Abuse Control Commission (CICAD).

CICAD is the principal venue in the Western Hemisphere for advancing counter-narcotics cooperation. The Commission serves as both a policy forum for governments and its Secretariat provides a wide range of practical program and technical support to the Member States. CICAD has many component part, but the one that stands out is the Multilateral Evaluation Mechanism (MEM). Under the MEM, experts evaluate individual country submissions documenting efforts to combat drug abuse and trafficking. The first full round of evaluations was published in January 2003.

Under Canadian chairmanship—and strong U.S. support—in 2004–2005 CICAD has paid special attention to enhancing cross-border cooperation between neighboring states, combating transnational organized crime, and intensifying domestic demand reduction programs.

The OAS also has been a leader in addressing many of the different manifestations of transnational illicit activities such as humanitarian mine action programs, the adoption of inter-American treaties on illicit trafficking in firearms and transparency in conventional arms acquisitions, and combating the problem of trafficking in persons.

In 2004, in an effort spearheaded by the United States, the OAS created the Office of the Coordinator on Trafficking in Persons. It is estimated that between 600,000 and 800,000 individuals, mainly women and children, are trafficked around the globe every year—18,000 to the United States alone.

The United States is proud to be in the forefront of these OAS efforts, which aim to sensitize governments to these problems and to the dangers posed by criminals and terrorists, to suggest courses of action to confront the problem, and to foster regional cooperation against all illicit transnational activities and their connections among them.

Development

The OAS has been involved in development since the days of the Alliance for Progress, an objective the U.S. continues to support.

The relatively small voluntary fund receives an average of \$8.0 million dollars a year that provides grants which the OAS secretariat and member states leverage to obtain external funds from observer states, the international development banks and other donors. The office of Sustainable Development of the OAS is particularly successful in leveraging World Bank Global Environment Fund resources which it manages on behalf of the member states. The OAS also has an \$8.0 million fellowship program which finances graduate level education for citizens of all member states. The Fellowship program has partnered with the Fulbright Program and the LASPAU programs which has allowed a pooling of resources to the advantage of all. The member states that have the smallest and more vulnerable economies benefit the most from these programs since they are not all members of the larger financial institutions and benefit also from the assistance that OAS specialists provide in developing projects and obtaining additional funding for them.

The OAS development council also sponsors ministerial level meetings in the areas of education, science and technology, labor, sustainable development, and culture. Ministers and other high level representatives discuss best practices and new policies which have been particularly successful. These meetings are linked to the Summit of the Americas process and serve to advance the implementation of initiatives approved by the democratically elected heads of state.

Besides the OAS development council, the specialized organizations of the OAS also play an important role meeting development needs of the member states.

OAS General Assembly

On June 5–7, the United States hosted the 35th annual OAS General Assembly (OASGA), for the first time since 1974, with the participation of both President George W. Bush and Secretary of State Condoleezza Rice, signaling the Bush Ad-

ministration's continued commitment to bolster democracy in the Americas multilaterally.

Presiding over the inaugural ceremonies, Secretary Rice framed the discussion, stating: "Delivering the benefits of democracy is a dramatic challenge indeed. And the OAS has an essential role to play—a role that is defined by the Inter-American Democratic Charter . . . The Democratic Charter must become the core of a principled, effective multilateralism for the Americas."

As the Secretary noted, we must act on the Charter to secure democracy where it is threatened, and wherever a free society is in retreat. We must act on the Charter to secure democracy with the rule of law. And we must also act on the Charter to advance democracy where it is absent.

Under the theme "Delivering the Benefits of Democracy," the assembly spoke to the challenges facing the hemisphere. The citizens of the Americas have embraced democracy as the best form of government, and have reasonable expectations that it will deliver a better quality of life.

To that end, the OASGA succeeded in reaching some very important objectives to help strengthen democracy, promote prosperity, enhance security and protect human rights.

The Declaration of Florida is a multilateral commitment to advance the hemisphere's democratic agenda and give "teeth" to the Inter-American Democratic Charter in order to strengthen its application. Building on previous achievements of the inter-American community in defense of democracy—Resolution 1080, the Washington Protocol, the Quebec Summit, and the Democratic Charter—the Declaration, and the accompanying Chilean Resolution, empower and give the Secretary General a new mandate to move the hemispheric commitment to the Charter and its principles beyond rhetoric towards concrete, measurable outcomes that give the document practical relevance in order to help fulfill its promise.

Among the important achievements set forth in the document, it:

- Tasked Secretary General José Miguel Insulza to propose initiatives—some may refer to this as a Plan of Action—for the timely application of the provisions of the IADC to address threats to democracy;
- In a reaffirmation of the Secretary General's authority, charged him with bringing to member states' attention situations that may require action under the Inter-American Democratic Charter (IADC);
- Charged the Permanent Council with considering the Secretary General's recommendations and working with him in applying the IADC;
- Created openings for civil society input into the efforts of the Secretary General and Permanent Council for action under the IADC.
- And it also set a new and important marker, establishing that adherence to the IADC is the standard for member states' full participation in the inter-American systems. In other words, the IADC is the way into the OAS, and the way out.

To promote prosperity, the General Assembly also approved a U.S. sponsored Resolution convoking a special meeting to channel the efforts of all inter-American agencies into a coordinated, strategic plan for economic growth and development that will provide for improvements in education, gender equity, and public/private partnerships.

To improve security, the General Assembly mandated tighter controls on Man Portable Air Defense Systems (MANPADS); greater transparency in small arms and light weapons transfers between countries will help safeguard them from use by terrorists. They also instructed further cooperation to combat gangs, drug trafficking, trafficking in persons, and other manifestations of transnational crime.

On human rights, three distinguished candidates were elected to serve on the Inter-American Commission on Human Rights, including Paolo Carozza of the United States, a law professor at Notre Dame University, and an expert on international human rights law and Latin American legal systems. The General Assembly also adopted an inter-American plan for the protection of the human rights of migrants and immigrants, which includes large numbers of retired Americans living in the hemisphere.

As evidenced by our leadership at the OASGA in Fort Lauderdale and our active participation, the U.S. values multilateralism. We look forward to the new dynamic Secretary General to take this mandate and run with it. And we also look forward to taking the next steps at the next Summit of the Americas, to be held in Mar del Plata, Argentina on November 4–5.

Summits of the Americas

The Summits of the Americas are the pinnacle of U.S. multilateral engagement in the region. Held every 2–3 years, the Summits are the only meetings of all democratically-elected Heads of State in the Western Hemisphere. They enable the President to strengthen ties with hemispheric leaders. Furthermore, the Summits underscore our government's commitment to democracy, growth, and proactive multilateralism in the region.

The active defense of representative democracy has been in the forefront of the Summit process since the Quebec Summit in April 2001. As a result of the Summit, Secretary Powell was in Lima, Peru on the momentous day of September 11, 2001 to sign the Inter-American Democratic Charter. On that day, while terrorists tried to send a message of hate, we were working with our partners in the Americas to send a message of hope and freedom.

President Bush took the initiative to fight corruption in the Hemisphere by issuing Proclamation 7750 immediately before the Special Summit in Monterrey in 2004, where leaders committed themselves to “deny safe haven to corrupt officials, those who corrupt them, and their assets.”

Building on initiatives to strengthen the quality of education in our own country, President Bush pledged to support Centers of Excellence for Teacher Training in the Caribbean, Central America, and South America. These Centers have trained 12,500 teachers in literacy education so far, benefiting about 415,000 children.

As of April 2005, roughly 640,000 individuals in the hemisphere were receiving HIV/AIDS treatment. The United States took the lead in this effort, providing antiretroviral therapy to approximately 350,000 persons domestically. Furthermore, through the President's Emergency Plan for Aids Relief, the United States has supported treatment for 4,500 persons in the focus countries of Guyana and Haiti, and will spend over \$72 million in FY 2005 for continued efforts in these countries.”

At these Summits, we urge leaders to commit their governments to concrete, achievable, short-term initiatives so that we can hold them accountable. Some excellent examples from our last Summit in Monterrey include:

- cutting in half the cost of sending remittances by 2008;
- tripling private sector lending through the Inter-American Development Bank to micro, small, and medium-sized enterprises;
- strengthening property rights and expanding the use of property as collateral; and
- significantly reducing the time and cost to start a business.

The next Summit will address the theme of “Creating Jobs to Fight Poverty and Strengthen Democratic Governance.” The challenge of this Summit will be to build on the past pro-trade, pro-growth, and pro-democracy consensus to reach new heights in the Summit process.

At this Summit, there will be a debate on the role of international financial institutions, and the overall atmosphere will be linked to the status of our trade agenda. That is another important reason CAFTA is so important. CAFTA will strengthen our ability to credibly promote free trade in the region. We also need to help countries which invest in their own people, by providing broad, high-quality access to education, training, and business opportunities. We must also continue to press forward on democracy, which remains fragile in the region.

At this year's Summit in Argentina, we will send the message that we will continue to work constructively with our neighbors to secure democratic freedom and create more and better opportunities for all citizens of the hemisphere.

The Challenges Ahead

Over the last decade, the hemisphere, and indeed the OAS, have made enormous progress, but we have not, however, managed to fully erase the legacy of decades of poverty, corruption, and, even, wrong-headed policies.

The hemisphere today faces very serious challenges. Economies in the region are not growing fast enough to generate sufficient jobs for growing populations, let alone deal with extreme poverty. Corruption and inefficiency have stunted development and spawned popular discontent. All of this has combined to give rise to questions concerning the value of democracy in the Americas.

Surmounting these challenges will require leadership on the part of individual hemispheric presidents and prime ministers, their governments, their societies and, particularly, the political elites of each country. Today, the OAS is poised to tackle the substantive challenges facing the nations of the Western Hemisphere, but it will require political will by the member countries if it is to succeed.

It is critical that the OAS remain engaged and proactive. And from the U.S. standpoint, this means continuing to ensure that multilateralism in the Americas is not pursuing the lowest common denominator but, rather, pressing the OAS to practical, achievable objectives that produce tangible, measurable results.

To that end, the United States is firmly committed to working and strengthening the OAS and remains its largest contributor. We pay almost 60% of the OAS operating budget each year (\$44,395,000) and contribute between \$10M—\$15M annually to specific OAS activities, such as development projects, promoting transparency, fighting drugs, terrorism and trafficking in persons, and electoral observation missions, to name but a few.

The OAS provides significant value-added and can play an important catalytic role in these efforts. Among the primary challenges ahead for the Organization:

- Acting on the Declaration of Florida's mandates, and effectively applying the Inter-American Democratic Charter to all the countries of the hemisphere, leaving no country out;
- Expanding the participation of civil society organizations in the work of the OAS, pursuant to existing OASGA resolutions and the Declaration of Florida;
- Looking for ways to bolster the effectiveness of OAS Electoral Observation Missions;
- Providing institutional capacity building initiatives in each country to complement efforts toward the Free Trade Area of the Americas, which is the key to generating jobs, fostering growth and fighting poverty effectively;
- Finding additional ways to address the post-9/11 security threats from internal and home-grown terrorists, and international crime;
- Modernizing the Inter-American Defense Board and the Defense College to meet the security challenges of our era;
- Helping countries deal effectively with burgeoning domestic crime rates at a time of high citizen insecurity;
- Implementing the mandates that emerge from this year's Summit;
- And what I call "giving teeth" to the Inter-American Convention against Corruption.

The U.S. stands ready to work side by side with our partners in the region, and with and through the OAS, to meet these challenges.

As President Bush said at the OAS General Assembly in Fort Lauderdale: "To give our children a better tomorrow, our citizens must see that democracy delivers more than promises. They need to see in their daily lives that their hard work and enterprise are rewarded . . . And when the people of the Americas see that opportunity and social mobility are real, they will know that in a free and democratic society, the only limit of how far they can go is the size of their dreams."

Thank you very much.

Mr. BURTON. Thank you very much to both of you. Secretary Noriega, I have been down in Central America and Latin America and so have members of our staff. I and my staff and others are not trying to be critical. What we are talking about is perception down there. The perception, according to a number of the leaders that I have talked to, is that when we discuss issues of significance with them, that we are pretty much telling them what to do. Now I am sure that that is not the intent and I am sure that you do not feel like that is what you do or any of the other diplomats do when they are down there. So the diplomacy that we are talking about, I think, requires as much tact as possible when you are talking to these people.

I have not just heard from one country that they feel like they are being dictated to. It has been a number of them and I am sure that is not your intent or the intent of the State Department, but that is the perception. And when leaders of these countries have that kind of perception, then it gets into the media and gets into their rhetoric and it becomes a bigger problem than what anybody anticipated. And so this is not in the form of a question, it is just

a suggestion, if you will. That is, when our diplomats do talk to these people down there about issues of mutual concern and the United States' position, if we could do as Ambassador Maisto just said, couch it in terms of partnership and goals of mutual concern, I think it will probably garner a lot more results than them perceiving that we are telling them what to do.

And you know, it is very difficult when you are talking from a position of strength to somebody that does not have that strength, to not leave that impression. And I used the analogy earlier about a rich relative and a poor relative. You know, it is awfully difficult when you are talking to them sometimes for them to not perceive that you are saying, Hey, by golly, if you want my help, this is what you have to do. It is hard to get that perception across, that if you want our help, we need to work together and we want to work together and we want to be your partner and we need to discuss these things.

So I am just throwing that out as a suggestion. My first question is, and we are going to try to keep these questions to 5 minutes in this first go round, what do you perceive to be the scope and the extent of anti-Americanism in Latin America? You mentioned Bolivia a while ago. We have a problem there. We have a problem, I think, in Venezuela. We have problems in some of the other countries that we have been told have been instigated by countries other than the one we are talking about, where money has come in and maybe tried to foam in a little revolutionary attitude. So I would like to know from your perspective what the anti-American sentiment is in Central and South America and what the source of that anti-American sentiment might be?

Mr. NORIEGA. Well, thank you very much, Mr. Chairman. There has been an overall shift in perceptions of the United States that I think we have to recognize is attributable in a large measure to our policy in Iraq, which does not enjoy widespread support in the region. And where they see a perception of unilateral action which you and I know is not accurate, but a perception of unilateral action and then these small countries say, in some cases, I have actually had foreign ministers say this, "Am I next?" Well, it is a ridiculous assertion, that some Caribbean country that has not violated 17 UN Security Council resolutions and used weapons of mass destruction against their own people, has not invaded a neighbor, would be next. But there is this perception that the United States acted in an imperious way and that it could happen to them.

We have recovered some ground on that as people recognize that what we are doing in Iraq is producing, slowly but surely, some results where people can make decisions for themselves in a democracy. And we have certainly achieved great strides in Afghanistan. So we are rebounding. In a poll last summer, the United States had favorable, positive ratings, that is to say, in 11 of 17 countries. In other countries, it was a little closer than that, but this is not all new. There has been some strain of anti-Americanism in the southern cone that has been sort of persistent over decades.

But if you look at the countries that we have the closest commercial ties to and look at Chile, Peru, through the Andes and in Central America, the United States is actually quite popular, well

above 60, 70 percent in terms of a positive image of what the United States represents. We can get you some of those numbers.

Regarding your comment about how the United States is perceived as imposing our will, I think that is very interesting. I have actually said to my staff on occasion—and this is an analogous phrase—we do not practice the chokehold diplomacy that we did in the 70s and 80s. And face it, and I am an observer of our policy and I have seen how some of our Ambassadors have behaved in certain cases in a pretty imperious way, but we do not practice that. I have used that expression internally and I have said, “Can I make that assertion in testimony to the Hill because I want to do that?” And then they start pointing out examples, well, wait a minute, what about certification on trafficking of persons? What about ASPA and you do not get any money until you sign an Article 98 Agreement. What about the certification on anti-drug cooperation, which is an annual process? What about the annual human rights report?

I am not on purpose giving examples where these things are mandated from the Congress, where we have to go in and work countries over because they are not doing enough on trafficking of persons. Or they are not doing enough and we are basically micro-managing their military justice systems as a condition for receiving continued assistance. These are things that are imposed by the Congress.

Now, I used to work for the Congress, I have immense respect for the Congress and I also work for the American people. We will do our job. We will do those things. And I drive our folks very hard that these are things, these are standards of the law. We have to push them. We are not going to do waivers on Article 98. I am not going to advocate for short cuts on trafficking in persons. I am not going to help somebody jump bail on counternarcotics certification and we understand that.

I hope in this dialogue we can also understand that sometimes these congressionally-mandated restrictions on funding are the reason we are in there delivering these sort of hard messages.

Mr. BURTON. Let me just say that I do not disagree with our Secretary of State and our State Department sticking to the will of Congress. I think sometimes it is how it is conveyed. And I understand that is a very difficult thing. Not everybody has the ability of Johnny Carson, to make everybody like them when they give them bad news or give them a tough, tough statement. So it is very difficult to do.

All I was stating was that we have talked to some of these leaders down there and they have been very candid with us and it is not just one country. And so what I was saying is that when we talk about diplomacy, I hope that we will try to couch our rhetoric in a way that is as diplomatic as possible while still adhering to the rules and regulations passed by the Congress. Mr. Menendez?

Mr. MENENDEZ. Thank you, Mr. Chairman, I appreciate the testimony of both the Secretary and the Ambassador. Let me first start off with a comment about your opening remarks, Mr. Secretary, about how you hope that our views are not divisive, was your word. I get concerned about that characterization. It is not my responsibility to rubber stamp the policies of this or any other Administra-

tion. It is my responsibility to the 600,000 people who elect me to both promote their views, as well as to support and question when, in fact, those views are diverse from that of an Administration.

And we do have a very different fundamental view, maybe not for the ultimate goals. I think those we share. But there are many of us who have a very different fundamental view, which is not divisive but, in fact, a principled view that is different as to how we achieve those goals. So I would like to caution you to how you categorize the comments of those of us in public office who have a different view than the Administration.

I am concerned. I am concerned. In the tools of peaceful diplomacy, there are a handful of things that you can do related to your aid and your trade. There is world opinion to the extent that some of these countries are moved by world opinion and there is a denial of your aid and trade. This is ultimately pretty much your arsenal for peaceful diplomacy. And one of the core elements that I think is a real problem for us is on the question of the use of our aid and the decreasing ability to use aid in a way that is helpful in promoting our diplomacy in this part of the world.

I do agree with you. In your written testimony, you say crushing poverty is one of the root causes of political instability. It is better to attack these problems at their source than to have to deal with them when they reach our shores through illegal immigration or drug trade or terrorism. We are totally in agreement.

But then the Administration goes and it cuts core development funding which would address many of these problems at a disproportionate rate for Central America. Central America bore 44 percent of the cuts to the entire region, even though they are only 4 of the 12 to 15 countries that receive this aid. Development assistance to El Salvador was cut by 30 percent, to Guatemala by almost 22 percent, to the Central American Regional Account by almost 50 percent since fiscal year 2004. And I could go on. And we have yet to see a penny flow from the Millennium Challenge Account. We can keep talking and signing all the documents we want. We have yet to see one penny flow 2 years later. The MCA has been criticized on a bipartisan basis for being too slow and the director has resigned.

We also look at what some of these cuts mean even more specifically. This is why I asked for the CRS report, because we have a lot of double talk here before the Committee. That 12 percent cut to core development funding, however, does not even tell us the whole picture—those are the macro numbers. When we look at some of these cuts, they are even more severe. Over the past 2 years, funding has been cut dramatically in virtually every category. The Administration cut agricultural and basic education programs by 28 percent, environment programs by 20 percent. The only category that has actually grown is an increase in trade funding.

And then we look at under-the-table funding-cutting that exists across the board. For example, what do I mean by under-the-table fund-cutting that exists across the board? The overall numbers for global health programs in Latin America indicate a 12 percent increase in funding. But when we look below the surface, we find this is only because of an increase in funding for an HIV/AIDS program

which is very important and laudable, and I support that. But we cannot do this by then cutting the funding for other infectious diseases by 30 percent, when most HIV/AIDS patients die of infections from other diseases. So the increase for HIV/AIDS also masks a 37 percent cut to funding for vulnerable children.

So, in my mind, with one of the key tools of peaceful diplomacy, we are sending messages there, too. And I am sure that no one—I am glad to hear that you do not quote that CAFTA is the panacea. But we seem to focus on a continuous effort in which we believe trade is going to solve all of these problems and then we cut the development assistance to the very countries who need it the most. And I think when they get that message, those are messages, too, they are very strong messages.

Now I know another one of our witnesses is going to talk about hand-wringing and this and that and begging and all that. Well, that is true throughout the world. We could characterize virtually all the money that we give to the world in that regard, that we do not choose not to make our own investments in our own interests. I think this is a real problem and I think it really undermines our ability to do the type of diplomacy we would like to do within the hemisphere. Thank you, Mr. Chairman.

Mr. BURTON. Thank you, Mr. Menendez. Mr. Weller?

Mr. WELLER. Thank you, Mr. Chairman, Secretary Noriega. Prior to your testimony, I made some comments regarding what I saw as continued instances of reduced or lack of cooperation by the current Venezuelan Government in the area of narcotics. I was wondering, can you comment on the current conditions of our cooperation with Venezuela and, frankly, what do we need to be doing to move forward?

Mr. NORIEGA. Thank you very much, Mr. Weller. This is an area that is quite disturbing in terms of our relations with Venezuela and how they are evolving. Since I think the beginning of this year, we have seen a pattern of a policy decision, a conscious decision on the part of the Venezuelan Government to reduce their cooperation with us on drugs. And that is extraordinarily important because of the way, geographically, Venezuela reaches out over the Andean countries in that transit zone through which so much of the cocaine and heroin reaches the United States.

Almost from the beginning of his time in office, President Chavez eliminated the cooperation on the interdiction of illicit aircraft and suspicious aircraft. They would not allow our aircraft to pursue these suspicious aircraft and they would not pursue them, either. That is continuing and that has been going on for years, that lack of cooperation on that very important area. So as a result, we see the tracks of suspicious aircraft going straight up through Venezuela and it is at a pretty impressive clip.

In May of this year, we communicated with the Venezuelan Government with some very specific expectations on what they could do to help pull their weight on drugs. And I know that this is against the backdrop of a history of cooperation with the DEA with vetted units among Venezuelan security forces. And so we had a level of expectation on what we could get from them in terms of seizures and breaking down these criminal organizations. And that has disappeared. So, against that backdrop, we went in and com-

municated with them that we would like to work with them to target traffickers, to restore over flight of our counternarcotics aircraft, to have access to drug seizures, so that we could account that these seized drugs are actually taken out of the flow of drugs, to improve their border inspection, to improve their border security. That they pass drug legislation, including organized crime laws.

Not only have we seen no progress, you cited the specific dismantling of some of the institutions with cooperation that we had before. And we have not received any answer to this communication. So we are expecting to make a judgment, an assessment that is mandated by Congress, on whether or not a country has demonstrably failed to make substantial progress or substantial efforts. And across the board, as I have cited some of these areas, you have seen deterioration on the part of the Venezuelan Government. But I would not be in a position to prejudge what decision will be made by the State Department eventually, but is not a very good, not a very positive story.

Mr. WELLER. Well, Mr. Secretary, you know, you cited a couple of examples of what appears to be deliberate reduction in cooperation in counternarcotics. I guess since we are discussing the issue of diplomacy, you know, in view of our relationship with the Chavez Government, what is the solution to change that trend to improve? What initiatives do we need to be taking to make a difference?

And, as a follow up to that, could you also discuss, you know, what is the cooperation level between the Chavez Government in Venezuela and its neighbors on the issue of counternarcotics? Have they maintained or increased their cooperation or have they reduced the counternarcotics efforts in cooperation with their democratically-elected governments in the neighboring countries?

Mr. NORIEGA. I think it is very important in order to improve or enhance the possibility of improving that cooperation, that the Venezuelans understand precisely what we would like to see by way of steps and measures by them. And so that is what this communication was, to lay down a marker about expressing our concerns that there have been deterioration in these areas and asking for their involvement, their engagement and their response on how we can improve the cooperation in these areas. It is difficult when they do not respond. We are going to have to go back and communicate with them on this. I think, frankly, the attention of Congress on this score is helpful, because they have to understand that this is a national priority and not just the State Department or the Executive Branch, vis a vis that government, but that it is a national commitment. It is also an international commitment, so you can use international organizations like the Inter-American Drug Abuse Control Commission to assess whether Venezuela is pulling its weight in meeting its own commitments to UN counterdrug standards and priorities. And we have to use those tools, as well.

I do not think we want to move necessarily to a sanctions scenario. It is not going to ultimately be my decision, but that is one way where they would be listed as not making—

Mr. WELLER. Mr. Secretary, and I realize my time is running out here, but could you comment, how does this level, or I should maybe say lack of cooperation that is emerging with the Chavez

Government and the United States on joint counternarcotics effort, compare with the Chavez Government's cooperation with counternarcotics Panama, Colombia, Guyana, Brazil, the other nations that are all our friends who are bordering them? What is the status and cooperation level there?

Mr. NORIEGA. I can tell you, Mr. Weller, that the representatives of the very governments that you cited have communicated to us privately their concern that the Venezuelan Government is not doing everything it can to deny its territory to terrorist organizations and drug traffickers and are not doing enough to address the trafficking over flights. And this is a grave concern, because this is a life or death struggle that these countries are engaged in and so I think it is not just a matter of cooperating with the United States for ideological reasons or for bilateral reasons. I think they are letting their guard down. I think Venezuela is letting its guard down and this will be a terrific threat to their own security. It will implicate corruption within their own forces, if they turn a blind eye to this threat of narcotrafficking. So that is one of the messages we hope to deliver and we can do that along with our neighbors, or, as a matter of fact, encourage them to do that on their own so we are not muddying the channels. But let them communicate and say we need to do a little bit more on drugs.

Mr. WELLER. Thank you, Secretary. Mr. Chairman, you have been very generous.

Mr. BURTON. No, that is okay. If you or Mr. Menendez have additional questions, we will certainly allow you to ask them. I only have one more question and this is for Ambassador Maisto and that is regarding Nicaragua. The OAS, because of some of the unrest in Nicaragua, I think, has sent some emissaries up there to try to pour a little oil on the water. Can you give us an update on the situation there regarding the President and the liberal party and the Sandinistas and where it stands as far as any change in governmental structure?

Mr. MAISTO. Thank you, Mr. Chairman. Mr. Chairman, the Secretary-General of the OAS in his second visit to the region, went to Nicaragua and came back and came to the conclusion that it was a good idea to respond to the request of the Government of Nicaragua for an OAS Mission on the ground in Nicaragua. The OAS Mission is there. It is being headed by the former foreign minister of Argentina, Dante Caputo, who is on the scene. The approach of the OAS in Nicaragua is one, to try to help facilitate dialogue among all the political players and, number two, to lay the groundwork for participation in the upcoming Nicaraguan elections at the end of next year.

In the meantime, you still have a standoff in Nicaragua with the liberal party, the traditional liberal party on the one hand, former President Aleman's party, along with the Sandinistas, who control the national legislature and they are still at odds with the Bolaños Government. It is something that is being worked at and it is an example of how the OAS can contribute to helping the sides work their way through some arrangement that is going to permit the Nicaraguans to work out their political differences at the ballot box at the end of President Bolaños' term. In the meantime, the election tribunal has to be looked at very carefully. The justice system

as well. These are all areas of institutional weakness in Nicaragua that must be addressed. And the OAS, in its efforts, is helping that process along.

Mr. NORIEGA. Mr. Chairman, if I may comment very briefly on this?

Mr. BURTON. Yes, sure.

Mr. NORIEGA. Very briefly, we recently dispatched a special representative to Nicaragua, O.P. Garza, former Ambassador O.P. Garza, who is going to be making recommendations to us on how we can help Nicaraguans overcome this crisis and get the decent elections the great people of Nicaragua deserve.

One final comment on the aid issue, Mr. Menendez, let me say, and I do not think that you do either, that aid is the answer to every problem and that aid is not going to be a substitute for good leadership and hard decisions by countries in the region. But I will say that I believe, I accept personal responsibility for doing a better job justifying increases in aid in certain areas for this hemisphere. This is a hemisphere where our central interests are at stake, where we have partners that want to help and want to work with us, where we are essentially giving people resources to help them do things that we need them to do, not want them to do, but need them to do. So this is a good investment and we need, I need to do a better job, frankly, convincing decision-makers within the Administration that this is a place where we need to invest more resources. I am not suggesting for a moment that money is the answer to everything, but it would be insincere of me to suggest that we could not do with more resources in this region.

Mr. BURTON. Well, that is what we need to know and we need to have the State Department, you, as the spokesman for this region, to let us know what there needs to be done so we can tell our appropriators, as well as us as the authorizing Committee, what needs to be done. So if you have suggestions, we would like to hear them.

And regarding Nicaragua, Mr. Maisto, I hope you will keep us apprised of this as much as possible, you and the Secretary. Because I have been told by people down there who live there, they call me. They are concerned that there is going to be civil strife between the military controlled by the Bolaños Government and the possible and the Aleman's segment and the Sandinistas. I do not know how accurate that is, but they are very concerned about it. We do not need another civil war down there. We have been through that in the 80s, so if you could let us know in advance of anything that you think is important, we would sure like to know about it.

Did you have any more comments?

Mr. MENENDEZ. Just very briefly. I appreciate the Secretary's statement and take it in the good faith that I think it is offered. And no, I do not believe that—just like I do not believe that trade alone can do it, I do not believe that aid alone can do it. I do believe that we need leadership from the Latin Americans, that they must have leadership, that they must insist on good governance, that there must be responsibility and a whole host of other values that we would share. So I share with you in that. And I appreciate the recognition of what we need to do and I look forward to work-

ing with you and with the Chairman and with others in this Committee. We have made constructive offerings along the way as to how to improve this and that is all I seek to do at the end of the day. And with that, Mr. Chairman, I will stop there, but I appreciate the Secretary's comments.

Mr. BURTON. Thank you, Mr. Menendez. Mr. Weller, you had another question?

Mr. WELLER. Just one more question, but I think it is an important one. Haiti has been off the radar screen the last few months, particularly in the Congress and in the news, but from the standpoint of how much progress has been made in Haiti from creating a type of condition that would attract investments and economic growth, that is a big question mark.

We have seen others from our hemisphere step up to the plate and play a leadership role. Brazil, the Peruvians have both served with distinction. Others have contributed to this effort in lending police assistance in Haiti. But as an outsider looking at this region, what has been sort of lacking is involvement of the Caribbean nations, particularly involvement in CARICOM. What is your perception, Mr. Secretary, of why there is a lack of involvement by CARICOM in helping Haiti recover from its current situation? And second is, what should we in the Congress and the Administration be doing to enlist a greater involvement by the CARICOM nations?

Mr. NORIEGA. Sure. Well, the CARICOM nations, there are a few that are starting to emerge and say, Look, we need to help our Haitian brothers and neighbors to turn the corner and build a more stable democratic situation there.

But there are some who have grave doubts of their own about the scenario of Aristide's departure and I respect that, although I have made an effort to bring them along in that regard. But they are prepared to help, I think, some are prepared to help on the elections and on the public administration challenges and we want to continue that engagement. I reach out to them all the time. We use the OAS. We have asked Secretary-General Insulza quite explicitly to help bring the Caribbean countries along and he treats this as a priority, too.

Haiti has been off the radar screen, but it is very much on ours. I would like to come and visit with you about that. It is a country where we have invested an awful lot of attention, intense engagement on our part and working with our neighbors. I will say candidly, there is a recognition that the UN engagement there has not produced the kind of results on the security side that we had hoped for and there is an overhaul in the leadership on that side of things. And we need to be prepared as donor countries to provide assistance in a timely fashion so you can give people hope. But we are looking at some changes on the security side and have a detailed action plan that Secretary Rice instructed me to prepare to get Haiti out of a ditch, because they are in a ditch right now. I can tell you that.

A year after the departure of Aristide, I will not sugar coat it, we have serious problems and we are not where we need to be. But we do need to stay on track for elections this year, because the interim government does not have much tread on it.

Mr. WELLER. Mr. Secretary, there are 8 million people in Haiti that are suffering from the current situation. What are the two or three things specifically that our friends in the CARICOM area, the region, where do you see where they can make their greatest contribution and make a difference for the people of Haiti?

Mr. NORIEGA. They need to recognize the Government of Haiti and recognize the constitutionality of the process that is underway. That would be an important message to those in the camp of former President Aristide who hold out hope that he is going to be restored to power. And, in fact, as long as he has that hope and as long as some of his radical followers have that hope, they are going to continue to sow chaos, insecurity, and undermine confidence in the democratic transition there. So that is a key element that they can be helpful on and that is really the most important thing.

But what we need to do is get MINUSTAH doing its job on the security side to confront these thugs, not all of whom are directed by Aristide, but some of whom are. To confront them, to hold them accountable.

But I just want to make it very clear, we are heavily engaged, intensely engaged in trying to move things forward. But I am also going to be very candid with you that I hope we have hit a nadir right now and that things are going to improve in the situation there. The security situation has been tranquil in the last 3 weeks and on the voter registration side, we are at 800,000 registered voters. A month ago, we were at 40,000. So things are starting to pick up on that side, too. People are having more confidence.

Mr. WELLER. Well, Secretary, in closing, just a quick comment here, you know, as we debate and move toward ratification and DR-CAFTA this evening. I would note there is an estimated 800,000 to 1 million Haitians who depend on the economy of the Dominican Republic for their livelihood. And we know that they are the last hired and they are the first fired. So clearly, DR-CAFTA will make a difference for the people of Haiti, particularly those who are dependent on the DR economy.

Mr. NORIEGA. The passage of that CAFTA-DR agreement will send a very positive signal, not only in that part of the world, in Haiti, in Central America. It is going to infuse some momentum in our negotiations with the Andes and it is probably going to get people serious about a regional trade agreement. It is going to demonstrate that we are serious about trade, as one aspect of our integrated policy of encouraging economic growth, prosperity and stability in this part of the world.

Mr. BURTON. Thank you, Secretary.

Mr. WELLER. Thank you, sir. Mr. Chairman, thank you.

Mr. BURTON. Thank you both for your testimony. We appreciate you being here and we appreciate your input and hope you take seriously some of the comments that we have made here today.

Our next panel consists of Stephen Johnson, Jerry Haar and Luis Lauredo. Did I pronounce that correctly? Okay. Mr. Stephen Johnson has testified before the Subcommittee and we welcome him back. He is a former State Department officer. He has worked at the Bureaus of Inter-American Affairs and Public Affairs and is the Senior Policy Analyst for Latin America at the Kathryn and

Shelby Cullom Davis Institute for International Studies at The Heritage Foundation. He is a recognized expert on counternarcotics and counterterrorism policy in the Western Hemisphere, as well as domestic issues.

Mr. Haar is Professor of Management and International Business at Florida International University. He serves on the Executive Committees of the Business Association of Latin American Studies, U.S.-Mexico Chamber of Commerce, and the Central American-U.S. Chamber of Commerce. He has had numerous research appointments at the Wharton School, University of Pennsylvania, the North South Center, University of Miami and visiting appointments at Harvard and Stanford. He has written extensively about Latin American markets.

Luis Lauro is a former U.S. Ambassador to the Organization of American States. His career spans both the public and private sector and his current work focuses on international and governmental affairs in the United States, EU, and Latin America. He served as the Executive Director for the Free Trade Area of the Americas Trade Ministerial held in Miami, Florida, in 2003. Ambassador Lauro is president of Hunton & Williams International, L.L.C. Would you please rise and be sworn?

We will start with you, Mr. Johnson. And if we could, for the record, we will take your whole statement. We would like for you, if possible, to keep your comments to 5 minutes so we can get to questions.

TESTIMONY OF MR. STEPHEN JOHNSON, SENIOR POLICY ANALYST FOR LATIN AMERICA, THE HERITAGE FOUNDATION

Mr. JOHNSON. Chairman Burton, Ranking Member Menendez, thank you very much for inviting me to testify again on this timely subject. Your hearing comes at a time when incomplete political reforms and limited market openings have triggered dissatisfaction with democracy and limited liberal economies. Now supporters of populism and activists from a reawakened hemispheric left are rallying sentiments against this progress so painstakingly achieved over the last 20 years.

As the United States has become increasingly dependent on foreign oil and impacted by migrating populations, troubles in Latin America have taken on greater importance. Yet, our engagement within the region has been uneven, I beg to differ a little bit with some of the previous speakers, guided more by tactical response than comprehensive strategy.

While its peoples and leaders bear the burden of managing their own affairs, the United States should have a comprehensive plan of engagement, practice hands-on diplomacy and nurture enduring partnerships that protect U.S. interests and stability and prosperity. Over the last 20 years, we have moved away from comprehensive agendas toward tactical response. The last broad approach was the Reagan Administration's Central America policy. It sought to roll back Soviet advances in the hemisphere, establish stable democracies and introduce economic reforms. It had political, military, economic, labor, diplomatic, public outreach and multilateral organization tracks. But it was also controversial and hard to control.

As soon as elections took hold in the region, the first President Bush pushed Mr. Reagan's policies aside to end partisan rancor in Congress. And when the Soviet Union collapsed, he shifted aid to Eastern Europe, even though democracy in Latin America had barely developed beyond elections. The White House proposed the enterprise for the America's initiative to refocus hemispheric relations on a less polemical note on trade.

President Bill Clinton was even more tactical. He fought brilliantly for the approval of the North American Free Trade Agreement which doubled trade between Mexico, Canada, and the United States, but elsewhere, improvisation led him down blind alleys. Budget cuts prompted him to scale back Andean counter-narcotics efforts and reduce the staff of the Office of National Drug Control Policy. A pledge to help ousted President Jean-Bertrand Aristide caused him to invade Haiti in 1994. And eventually he had to reverse those decisions.

Taking over in 2001, President George W. Bush promised to return to strategy in his Century of the Americas concept. He said the United States should work closely with its neighbors to build a Western Hemisphere of freedom and prosperity. But soon occupied by the war on terrorism, he took 2½ years to assemble his Latin America team and chose to build on Clinton-era initiatives rather than adopt a broader agenda. Still, President Bush won bipartisan backing for trade promotion authority, enabling him to conclude a free trade agreement with Chile in 2003 and negotiate a similar pact with the Dominican Republic and Central American countries known as DR-CAFTA, which encourages these countries to develop an industrious, modern economy.

Congress passed initiatives to expand Colombian counter-narcotics programs to include counterterrorism and strengthen public institutions, as well as extend greater security assistance to other Andean nations. And finally, this Administration has tied accountability to development needs by offering Millennium Challenge Account grants to governments that have already undertaken substantial reforms. Sadly, programs to jump-start political reforms where needed have waned. Rule of law and property rights are minor priorities in United States assistance programs. As an indirect result, many Latin Americans are wondering why democracy and limited market openings have not made their governments any more accountable or their societies more prosperous.

As disturbing, vigorous public diplomacy programs that provided news, speakers, book translations and thousands of academic and cultural exchanges at the beginning of the 1990s were cut. The end of the Cold War prompted Congress and three Presidents to reduce funding and in 1999 merged the U.S. Information Agency into the Department of State. There it has languished without leadership. Fortunately, bi-national cultural centers in American libraries still operate on their own in 18 Latin American countries. Yet, the Broadcasting Board of Governors has gutted Voice of America Spanish programming to pay for American pop culture broadcasts to the Middle East. To his credit, Assistant Secretary Roger Noriega has tried to integrate public diplomacy into the functions of his bureau and it is one of the better bureaus in State in that regard.

Since the Reagan era Iran-Contra scandal, successive Administrations have opted for narrower agendas and have limited policy-making authority to a smaller number of appointees. The current Bush Administration has even placed career foreign service officers in key National Security Council positions. I do not quibble with that. But I should say that pragmatism and limited authority might seem like a useful combination, yet surprisingly, they do not often mix. Today's reactive diplomacy and improvisation require hands on direction from senior political leaders who often have little time to become involved. In their stead, most careerists promote the status quo and only a few dare to think outside the box and get something done.

For all its faults, United States diplomacy has had notable success. Just 25 years ago, military dictatorship outnumbered civilian-elected governments by two-to-one. Today, all Latin American countries except Cuba and Haiti hold competitive elections and have adopted some market oriented reforms. Pretty much on its own, Chile has become a first world leader in trade and market liberalization. With help, Colombia is back from the brink of a collapsing state.

But challenges abound. Outside actors like China are willing to trade and deal with corrupt leaders who maintain control over their markets, thus promoting statist economic models. Poor social integration threatens fledgling political and economic reforms in Bolivia, Ecuador, and even Peru. Venezuelan President Hugo Chavez is providing energy subsidies to Caribbean nations in return for support in multilateral organizations, is building parallel party organizations in Central and South America under the banner of citizen power and has established a satellite TV channel to beam anti-American propaganda throughout the region. Meanwhile, 44 percent of the region's inhabitants still live below the poverty line.

To confront these problems, the United States must return to a more comprehensive approach to foreign policy and to diplomacy toward Latin America. A multitrack strategy to strengthen democratic governance, promote competitive economies and solidify cooperation against transnational threats. It should employ consistent hands on diplomacy that involves more political decision-makers to guard against engagement paralysis and nurture enduring partnerships in which the United States has something to offer, similar to our involvement with Colombia.

In sum, sustained United States engagement is essential to assure Latin America's stability and continued peaceful democratic development, all very much in our national interest. Thank you again for this opportunity to testify on this important subject.

[The prepared statement of Mr. Johnson follows:]

PREPARED STATEMENT OF MR. STEPHEN JOHNSON, SENIOR POLICY ANALYST FOR
LATIN AMERICA, THE HERITAGE FOUNDATION

Chairman Burton, ranking member Menendez, distinguished members of the Committee:

Thank you for inviting me to testify on this timely subject—an assessment of recent U.S. diplomacy toward Latin America. Your hearing comes at a time when incomplete democratic reforms and limited market openings have triggered dissatisfaction with democracy and liberal economies. Now supporters of populism and activists from a reawakening hemispheric left are rallying against this progress so painstakingly achieved during the past 20 years.

As the United States has become increasingly dependent on foreign oil and impacted by migrating populations, troubles in Latin America take on greater importance. However, our engagement with this region has been uneven—that is, less guided by strategy than by tactical response. Perhaps Latin America is not as important as trade partners in Europe and Asia, or the problematic Middle East. But it is a close and populous neighbor, and one that teeters between stable self-sufficiency and chaotic menace. More significant, it is being drawn into the orbits of other global actors.

That doesn't mean we have to solve the region's problems. Its peoples and leaders should bear the burden of making their own choices—reaping the benefits of good ones and learning from the bad. But the United States can be more consistent in cultivating relations that serve our own interests as well as those of our neighbors. To stave off future problems, the United States should have a comprehensive plan of engagement, practice hands-on diplomacy, and nurture enduring partnerships.

Between Strategy and Tactics

The Monroe Doctrine and building the Panama Canal were strategic decisions. Sending Marines to Nicaragua and the Dominican Republic were tactical responses. In recent years, the best example of a strategic agenda toward Latin America occurred during the Reagan Administration. Even so, it was focused mainly on Central America and the Caribbean. It sought to roll back Soviet advances in the hemisphere, establish stable democracies, and introduce economic reforms.

Reagan's strategy had political, military, economic, labor, diplomatic, and multilateral tracks. Even Charles Wick, Director of the U.S. Information Agency and presidential confidant, toured Central American posts to ensure that public diplomacy units were explaining the administration's policy. Meanwhile, the Agency for International Development handed scholarships to needy Central American students so they could attend college in the United States.

Because it took sides, President Reagan's approach generated controversy. Some in Congress sympathized with the communist insurgents, a few with once-friendly right-wing dictators, while most were skeptical of the middle ground of promoting democracy in a region that had not known it.

Assuming the presidency in 1989, the the elder George Bush switched from offense to defense. He pushed aside Reagan's Central America policy as soon as elections took hold, in part to end partisan rancor, and in part because communism seemed to be a fading threat with the fall of the Berlin Wall. When the Soviet Union collapsed, aid money for democracy programs was shifted from Latin America to Eastern Europe, even though democracy in Latin America had barely developed beyond elections. The White House proposed the Enterprise for the Americas Initiative to refocus hemispheric relations on less polemical trade issues. In the background, the White House quietly ramped up counter-narcotics assistance to Colombia—in tactical response to the growing power of narcotics cartels. Thus the first Bush administration replaced comprehensive strategy with an emphasis on trade and reaction to everything else.

President Bill Clinton was also reactive but guided less by a strategic formula. He fought hard in Congress for approval of the North American Free Trade Agreement (NAFTA), which doubled trilateral trade in eight years and helped Mexico create enough new jobs for its ballooning labor force to temper what would have been a deluge of migrants into the United States. But elsewhere, improvisation led his administration down blind alleys. Budget cuts prompted him to scale back Andean counter-narcotics efforts and drastically reduce the size of the Office of National Drug Control Policy. A pledge to help ousted President Jean-Bertrand Aristide caused the administration to invade Haiti in 1994.

Eventually, President Clinton had to reverse those decisions. When U.S. security assistance and the United States decertified Colombia as cooperating on counter-narcotics, independent drug traffickers forged alliances with communist rebels and paramilitary groups that expanded their ranks and power in the countryside. In 1998, Colombian President Andrés Pastrana made resumption of U.S. assistance his priority. The Clinton administration helped him shape what became known as *Plan Colombia* in 1999. The Plan obliged the United States to provide approximately \$3 billion in security assistance and development aid over six years while Colombia would contribute \$4 billion of its own.

In Haiti, U.S. officials believed they could quickly intervene and then hand the situation over to United Nations peacekeepers to maintain order. In fact, the Clinton Administration's eagerness to ensure President Aristide's personal success led him to misinterpret U.S. actions as a license to subvert development efforts, politicize the police, and go back to old habits of unleashing violent mobs against his opponents—a history the Clinton Administration had overlooked. Aristide broke nu-

merous promises to assistance donors and the Organization of American States, causing political opponents and foreign donors to distrust him. In 2000, President Clinton suspended U.S. assistance.

Taking over in 2001, President George W. Bush promised a more strategic approach encompassed by his theme “Century of the Americas.” Speaking to State Department personnel before his first trip abroad to Mexico in 2001, he said the United States should work closely with its neighbors to “build a western hemisphere of freedom and prosperity, a hemisphere bound together by shared ideas and free trade from the Arctic to the Andes to Cape Horn.” But occupied by the war on terrorism after 9/11, he took two-and-a-half years to assemble his Latin America team and chose to build on Clinton-era policies rather than adopt a broad agenda.

Even so, some good came from this fragmented approach. The Bush White House won bipartisan backing for trade promotion authority, enabling it to conclude a free trade agreement with Chile in 2003 and negotiate a similar pact with the Dominican Republic and five Central American states in 2004 (DR-CAFTA). Congress approved initiatives to expand Colombian counter-narcotics programs to include counterterrorism and strengthening public institutions, as well as extending greater security assistance to other Andean nations. When his regime collapsed, Bush officials refused further support to President Aristide, ushering in a fresh start in Haiti and ending a policy of supporting personalities over institutions. Finally, it has tied accountability to development aid by offering Millennium Challenge Account grants to governments that have undertaken substantial democratic and free market reforms.

Sadly, diplomatic pressure and programs to pursue political progress beyond elections have waned. Rule of law and property rights are minor priorities in U.S. assistance programs. As an indirect result, many Latin Americans are wondering why democracy and limited market openings have not made their governments any more accountable or societies more prosperous.

As disturbing, vigorous public diplomacy programs that provided news, speakers, book translations, and thousands of academic and cultural exchanges at the beginning of the 1990s, were cut. The end of the Cold War prompted Congress and three presidents to reduce funding and, in 1999, merge the U.S. Information Agency into the Department of State. There, without leadership for much of the Bush presidency, it has been unable to respond to the war on terror, much less reach out to publics in regions like Latin America.

Autopilot Diplomacy

The Reagan Administration may have handled broad strategies and multiple policies well, but, in one instance, lost control over personnel which resulted in the Iran-Contra arms-for-hostages scandal. Thus successive administrations have opted for narrower agendas and have limited policy-making authority to a smaller number of appointees. The current Bush administration has placed career officials in what would have been political positions—such as naming Foreign Service officers to key National Security Council positions in western hemisphere affairs. Putting them in political positions preserved continuity, but also ensured that little would happen to make news. Careerists specialize in implementing policy, not making it, which can break a 20-year career in a heartbeat if something goes wrong.

Pragmatism and limited authority might seem like a useful combination in diplomacy but, surprisingly, do not mix. Reactive diplomacy and improvisation require hands-on direction from senior political leaders who often have little time to become involved. The Middle and Far East have taken most of the attention of President Bush’s policymakers. Occupied there, stasis has taken over U.S. diplomacy in the western hemisphere. George W. Bush’s first term was nearly over before a confirmed Assistant Secretary of State for Western Hemisphere Affairs was in place.

The current Assistant Secretary is thoughtful, intelligent, and capable of conducting an array of initiatives toward the Americas, that is, if there were broad guidelines and delegated authority to make personnel decisions and oversee programs. However, today’s administration permits very little discretion at the assistant secretary level, while most personnel actions fall to the Foreign Service’s self-serving personnel system, that allows officers to lobby for assignments, make deals, and opt out of hardship assignments with little consequence.

Missed Opportunities

Tactical decisions unguided by strategy have led to conflicts over goals. Since 9/11, the United States wanted its hemispheric allies to participate in the global war on terrorism, which is hard for small countries like Costa Rica, with limited financial resources. Washington could provide assistance to buy scanning equipment to enhance port security and offer intelligence training, except that Costa Rica refuses

to sign an Article 98 agreement. Named after a section of the Rome Statute of the International Criminal Court (ICC), such a pact exempts U.S. service personnel from jurisdiction under the ICC, established in 2002. America's reservations are justifiable since the Court is accountable to no one and uses legal procedures unfamiliar in the United States. Yet Congress and the White House approved a law that would bar crucial security assistance if governments refused to sign—a shot in the foot.

Short-term thinking has led to sudden impasses. In February 2004, mobs once loyal to Haiti's president Aristide joined with thugs from previous governments, forcing him to resign. Rightly dissatisfied with Aristide's despotic performance, the Bush Administration chose not to intervene. Haitian Supreme Court Justice Boniface Alexandre assumed the presidency, and on March 13, former United Nations official Gerard Latortue replaced Aristide's prime minister and named a new cabinet. Some 3,300 peacekeepers arrived to help reconstruct Haiti's tiny police force, collect weapons, and secure humanitarian aid. Yet a year and a half later, Haiti's interim authority lacks adequate supervision and promised aid from donor nations. Haitians are only marginally better off and hardly prepared to elect a new government.

Myopic insistence on coca crop eradication—to the exclusion of help in dealing with growing political problems contributed to the Bolivian government's breakdown in 2003. Now populist agitators are rolling back democratic governance and market reforms achieved over the past decade. Absent a new approach, Washington may lose influence on coca eradication and access to Bolivian natural gas exports. Similarly, containing drug trafficking and terrorism in Colombia are holdover issues that dominate U.S. relations with Ecuador, despite its equally pressing governance troubles. U.S. programs to help political parties address these matters but are inactive in both nations.

A tight inner circle seems to have shut out possible sources of advice. President Bush chose to channel U.S.-Mexico relations through his friendship with Mexican president Vicente Fox, yet seemed puzzled on how to deal with him. Fox has been thwarted in achieving important political and economic reforms by a divided congress and his quirky first foreign secretary, who kept him silent after September 11 and then inexplicably pushed him to ask for U.S. concessions on Mexican migrants. Someone outside the inner circle might have recommended taking Fox aside to express dissatisfaction with the foreign minister, as well as offer to address the Mexican congress to advocate approval of Fox's promised economic reforms to create jobs at home.

Nowhere has Washington had more difficulty than in dealing with Venezuela's populist leader Hugo Chávez. In 2002, Chávez took advantage of a popular uprising against him to temporarily disappear from office, smoke out his enemies, and return consolidating his grip on power. The Bush administration was embarrassed by statements that appeared to accept Chávez's ersatz ouster. Seeking a dignified exit, Secretary of State Colin Powell turned to former U.S. President Jimmy Carter and the Organization of American States to broker a referendum on Chávez's presidency. Although Chávez held a recall vote, Carter accepted limits on monitoring, declined to comment on the regime's massive effort to pad voter lists, and hastily reported a free and fair result. The Administration was forced to accept a flawed assessment.

Whose Responsibility?

Latin America may be predominantly rural, Catholic, and poor. Ireland is also rural and Catholic, but no longer poor, nor a net people exporter.¹ By most indices, including The Heritage Foundation's *Index of Economic Freedom*, Ireland is now an economic powerhouse. Its democratic and recent economic choices have made the difference.

Despite average poverty rates running about 50 percent, Latin America has felt too little pressure to reform. Foreign assistance and loans make it easy to get by without change. Outside actors, such as China, are willing to trade and deal with corrupt governments that maintain control over markets. China's state-owned companies need raw materials to feed expanding production quotas. Although selling commodities to China may fill government coffers, it will not boost industrial growth to lift Latin America's workers out of poverty.

¹ Ireland's GDP per capita is now 122 percent of the European Union's average, its economy having grown 80 percent during the last decade. See Marc A. Miles, Edwin J. Feulner, Mary Anastasia O'Grady, *2005 Index of Economic Freedom*, The Heritage Foundation, *The Wall Street Journal*, Washington, DC, New York, 2005, p. 225.

For all its faults, U.S. diplomacy has had notable success. Just 25 years ago, military dictatorship outnumbered civilian-elected governments by two-to-one. Today, all Latin American countries, except Cuba and Haiti, hold competitive elections and have adopted some market-oriented reforms. Pretty much on its own, Chile has even become a first-world leader in trade and market liberalization. With help, Colombia is back from the brink of a collapsing state.

Where U.S. diplomacy has failed, officials may have underestimated the extent to which some societies and their ruling elites are unwilling partners. The signs are at our borders. Each year, about one million illegal migrants come from Latin America to create wealth in the United States, largely because they cannot do so at home. Desiring a better future, they leave behind some of the world's worst public schools and bizarre laws that prevent them from going into business.

Doing What It Takes

Except for Mexico, the United States probably could survive without Latin American markets, which account for less than 6 percent of U.S.-world trade. American refiners can buy oil from other suppliers besides Venezuela, which provides roughly 7 percent of U.S. consumption.² But U.S. peace and security depend on a stable neighborhood and on more prosperous neighbors. Alarming, as Latin America's population has expanded from 503.1 million inhabitants in 1999 to 534.2 million in 2003, its aggregate economy declined slightly from \$1.8 trillion in to \$1.7 trillion.³ Nearly 44 percent of the region's citizens live below the \$2-per-day poverty line. Such factors impact the United States in lost potential trade, states that teeter on the edge of instability, and migrants who illegally enter the U.S. seeking safety and economic opportunity.⁴

Except for Europe and some Asian countries such as India, Japan, and the Philippines, no region *should be* as favorably disposed toward democracy and open economies as Latin America. Latin American leaders have generally aspired to Western-style democracy and markets, exemplified by numerous constitutions and laws that mirror the U.S. system. Yet individual rights, free choice, and equal opportunity clash with older traditions of imposed rule and corporatist segregation of economic classes and ethnic groups. Without adequate support for reforms that go beyond elections and free trade, the region's democratic progress could backslide.

To ward off future problems, the United States must:

- *Implement a more comprehensive strategy*—one based on three pillars: to promote stability through more democratic governance, to help open economies through the rule of law and the establishment of pro-business policies, and to improve security by strengthening police and military capabilities. All diplomacy, foreign assistance, and public outreach programs should be judged by these goals. While participation in multilateral institutions may enhance agreement on broad hemispheric agendas, they should not substitute for bilateral engagement. Summitry has produced hundreds of obligations that weigh on the hemisphere's governments. Few are ever satisfied because leaders cannot follow up and promote them all when they return to local capitals.
- *Practice consistent diplomacy.* Each U.S. administration must decide how much it can do. The government cannot take on so many tasks that it loses control of some of them. Nor should it limit engagement to certain objectives despite evidence that other problems must be solved. Appointments to positions in the National Security Council and cabinet agencies with foreign affairs responsibilities should be made considering whom would best promote the president's policies. If the administration desires continuity, career officials should be guided by a comprehensive strategy to avoid paralysis. If Reagan-style, proactive engagement is desired, political appointees should

²Mexico is America's second-largest trade partner behind Canada, with \$220.2 billion in merchandise trade in 2002. Brazil ranked 15th with \$26.8 billion. In 2002, most bilateral trade between Latin American countries and the United States ranged between \$3 billion and \$9 billion. See U.S. International Trade Commission, "Interactive Tariff and Trade DataWeb," at dataweb.usitc.gov (August 29, 2003).

³Although the population of Latin America and the Caribbean has increased from 503.1 billion to 534.2 billion from 1999 to 2003, gross national income has declined from \$1.8 trillion to \$1.7 trillion, according the World Bank, "Latin America & Caribbean Data Profile," at www.worldbank.org/data/countrydata/countrydata.html (March 5, 2005).

⁴According to the National Intelligence Council's new study, Mapping the Global Future, ineffective governance and the backwardness of ruling elites could decrease Latin America's influence in world affairs and bar many of its countries from participating in the global economy. See National Intelligence Council, Report of the National Intelligence Council's 2020 Project, *Mapping the Global Future*, p. 78 (Washington, D.C.: December 2004), at www.cia.gov/nic/NIC-globaltrend2020-s3.html#page78 (March 3, 2004).

have enough authority and supervisory interest to achieve it. Above all, assistant secretaries and subordinate advisers should be better integrated into the policy-making process.

- *Nurture enduring partnerships.* NAFTA (with Mexico) and bilateral trade relations (with Chile) are building a basis for common experience and economic success. The Bush Administration has acted strategically to enhance counter-narcotics assistance to Colombia to include counterterrorism and help strengthen public institutions. Stovepiped counter-drug aid ignored deeper problems that have produced the country's crime and terror problems. Today's more comprehensive approach, coupled with a willing partner in the Uribe government, has weakened rural bandits, strengthened the economy, and laid the foundation for a new justice system that should be able to process Colombia's criminal terrorists. More countries besides Colombia need this kind of relationship.

Congress can help by crafting legislation that does not promote conflict between policies. For example, Washington might withhold development aid—not security assistance—as a lever to promote Article 98 agreements and yet help erstwhile allies strengthen their counterterrorism capabilities. Section 660 of the Foreign Assistance Act of 1961 should be amended to permit judicious training and assistance to foreign law enforcement agencies to ensure interoperability with U.S. counterparts. Congress should exercise oversight of security programs such as counter-drug assistance to prevent waste and human rights abuse, but refrain from excessive restraints that turn U.S. Embassy program sections into micro-managers that relieve host countries of their responsibility for running initiatives.

Both the White House and Congress should help repair America's faltering public diplomacy capabilities. The State Department's Under Secretary of Public Diplomacy and Public Affairs should have personnel and budgetary authority to carry out programs, instead of acting in the current advisory capacity. Declining foreign broadcasting efforts like Voice of America service to Latin America should be revitalized to offer programs that discuss how to maximize political and economic reforms as well as offer balanced news. This is particularly important as Venezuela's President Hugo Chávez inaugurates his satellite television channel, Telesur, to disseminate anti-U.S. propaganda throughout South America and the Caribbean.

Conclusion

The United States and its hemispheric neighbors face new challenges on the horizon. In places where shallow democratic reforms and market liberalization have served to paper over autocratic practices and statist economies, publics are losing faith in pluralism and free markets. Latin America's population continues to grow without a healthy increase in jobs. Cuban dictator Fidel Castro is sending ideologue teachers and doctors to Belize, Honduras, Mexico, Nicaragua, Uruguay, and Venezuela. Venezuelan President Hugo Chávez has become his new sponsor, making up for lost Soviet-era subsidies. Moreover, Chávez is spreading petroleum profits around Latin America to advance populist, leftist parties and has aided terrorist groups such as Colombia's guerrillas. China is making deals with any government it can to obtain raw materials and establish its influence in the hemisphere.

Sustained U.S. commitment is essential to assure Latin America's stability and continued peaceful, democratic development—all very much in our national interest. In a nutshell, the ships in our diplomatic armada need rust-proofing, a clear course, and courageous captains to weather the storms ahead.

TESTIMONY OF JERRY HAAR, PH.D., PROFESSOR OF MANAGEMENT & INTERNATIONAL BUSINESS, LATIN AMERICAN STUDIES PROGRAM, FLORIDA INTERNATIONAL UNIVERSITY

Mr. HAAR. I would like to thank the Chairman and the Subcommittee for the opportunity to testify here today. From the beginning of my graduate studies at Columbia University more than three decades ago through the present time, the one refrain that I have heard most often when the issue of hemisphere relations comes up is: The United States does not pay enough attention to Latin America.

Well, contrary to popular belief, this lament and admonishment is dead wrong. For more than four decades, a steady flow of billions

of dollars of United States assistance, bilateral and multilateral, private investment, NGO resources and philanthropic donations to Latin America and the Caribbean have clearly demonstrated significant attention to the region. From John F. Kennedy's Alliance for Progress, to Bill Clinton's launch of the Summit of the Americas process, through George W. Bush's Millennium Challenge Account, both Democrat and Republican Administrations have manifested genuine concern for the well-being of our neighbors to the south.

I submit that the Western Hemisphere's problems exist not because the United States does not pay enough attention to Latin America and the Caribbean, but because the region does not pay enough attention to itself and its own problems, 99 percent of which are homegrown. It is far easier for our neighbors to the south to displace their frustrations toward the Colossus of the North, whining, moaning, hand-wringing and begging for them to embark on the path of self-reliance, good governance, institutional reform, social justice and democratic capitalism. With the exception of Chile and Trinidad and Tobago, that highway remains the road less travelled for most of the Americas.

If there is one factor that largely explains political and economic success and failure in Latin American and Caribbean nations, it is leadership. And while the United States has a sordid past in influencing elections and backing friendly despots, particularly in Central America, the scoundrels, thieves, thugs and incompetents who have paraded their way into a Latin American Hall of Shame during the past decade were elected to power by their own people—Aristide, Aleman, Fujimori, Menem, and Chavez being the most famous.

Within this rogue gallery of elected leaders, the most tragic case of all is Venezuela. Lieutenant Colonel Hugo Chavez, Fidel Castro's "mini-me," has committed slow motion larceny of democracy, wreaking havoc on a nation once considered South America's strongest democracy. But this ill-fitting chavista garment is 100 percent made in Venezuela. No United States inputs here.

Turning to Latin America's unfinished economic reform agenda, the subject of my testimony, the region's record is one of mixed performance. Much remains to be done in the areas of tax reform, property rights and deregulation, as well as rural education, social safety nets, infrastructure and public services. How can the United States best support the region's quest for economic freedom, growth and development in the Western Hemisphere? Quite simply, by addressing four priority areas.

Number one, economic liberalization. The U.S. should insure continued deeper efforts at macroeconomic reform. The U.S. should intensify its support of trade investments, finance and services liberalization, not only regionally, bilaterally and multilaterally, but unilaterally, as Chile wisely undertook.

Number two, focus heavily on second generation reforms. Liberalizing trade and economic policies are necessary, but insufficient conditions for curing societal ills and creating economic opportunity. The U.S. should strongly urge governments in the region to do far more in allocating revenues to attack problems such as poorly funded schools and vocational training centers, inadequate primary healthcare and outmoded transportation systems.

Three, the U.S. should support targeted development assistance. USAID should continue to support cost effective results-oriented projects and programs that have high impacts, produce multiplier effects and incorporate best practices. Mechanisms such as the Global Development Alliance and Development Credit Authority are imaginative vehicles for mobilizing the resources of public private partnerships to stimulate economic growth. What Latin America does not need is a massive north to south wealth transfer program called for by economist Jeffrey Sachs in his book, *The End of Poverty*, although “The Beginning of Fantasy” would be a more apt title. The region lacks the absorptive capacity to judiciously and effectively use a doubling of aid money.

Fourth, microeconomic reforms. Microeconomic issues are also ones that are felt most directly by business, workers and consumers. This is here in the auto trade, the rubber hits the road.

Let me go over some of those very quickly. One, regulations. The most recent World Bank Doing Business Study, this is Doing Business 2005, benchmarked business regulation in 145 countries. Whereas bankruptcy proceedings can take 2 years in Mexico and Peru and 10 years in Brazil, countries like Hong Kong, the U.K., and New Zealand can do this relatively quickly. In Brazil, it takes 152 different steps and 5 months to start a business. Even in Russia, one can complete all the requirements for launching a business in a month.

Beyond regulations, another area is taxation and property rights. Most tax systems are characterized by high rates and low collection and regressive taxes, like the value-added tax, punish both the poor and the productive sector, where corporate tax rates of 35 percent are higher than China, that is anywhere from 15 to 24 percent.

Another area, the administration of justice and public safety. With a backlog in cases, the best judges money can buy and incessant rule bending, investors in the region have little faith in the court system. Not just multinationals, but local investors, who are the most important. There is also the added feature of criminal gangs that Mr. Johnson has written about extensively. These are a threat to citizens of the region and businesses, as well. A study just last month by the UN on urban violence reveals that multinational corporations plan to invest more in Poland and the Czech Republic over the next 5 years than in Mexico, the main reason being lack of security in Mexico.

Then there is the area of labor. Many of the rules that govern labor markets in Latin America and elsewhere raise labor costs, create barriers to entry, and introduce rigidities in the employment structure. Hiring a worker, like getting married, is relatively easy and inexpensive. Firing a worker, like getting a divorce, is very lengthy and extremely costly.

Another area is financial. Latin American banking, consumer and small business, is grossly inadequate, complicated and cumbersome. Were it not for the proliferation of credit cards and retailers providing credits to customers like Elektra’s Banco Azteca in Mexico, the working class would have even less access to consumer goods.

Overall, the greatest contribution the United States could make to shore up political, social and economic stability in the region is to channel the greatest portion of its development assistance resources to institutional reform and exhort Latin American governments to do the same. Douglass C. North, a Nobel Laureate in economics, drives home the point in his compelling book, *Institutional Change and Economic Performance*.

So, the U.S. can support, guide, encourage and applaud reform efforts, but it cannot substitute the self-reliance and responsibility that the region's public and private sectors and citizenry in general must embrace and manifest themselves. In closing, let me congratulate Congressman Menendez who actually was spot on in his comments. It is not trade alone, it is not aid alone, it is not even trade and aid together. But it is trade, aid and leadership, and that leadership that will make sure there is honest, clean, transparent government and institutional reform and not crony capitalism, but democratic capitalism in the region. Thank you.

[The prepared statement of Mr. Haar follows:]

PREPARED STATEMENT OF JERRY HAAR, PH.D., PROFESSOR OF MANAGEMENT & INTERNATIONAL BUSINESS, LATIN AMERICAN STUDIES PROGRAM, FLORIDA INTERNATIONAL UNIVERSITY

Thank you Mr. Chairman and distinguished Members of this Subcommittee for inviting me to testify before you today.

Before addressing the U.S. role in Latin America's unfinished economic reform agenda, I wish to address the vitally important context of this theme.

From the beginning of my graduate studies of Latin American economics and politics at Columbia University more than three decades ago through the present time, the one refrain I have heard most often when the issue of Hemisphere relations comes up is: "The United States does not pay enough attention to Latin America!"

Contrary to popular belief, this lament (and admonishment) is dead wrong. For more than four decades, a steady flow of billions of dollars of U.S. assistance (bilateral and multilateral), private investment, NGO resources, and philanthropic donations to Latin America and the Caribbean have clearly demonstrated significant attention to the region. From John F. Kennedy's Alliance for Progress, to Ronald Reagan's Caribbean Basin Initiative, to Bill Clinton's assistance to Mexico during the 1995 peso crisis and the launch of the Summit of the Americas process, through George W. Bush's Millennium Challenge Account and support of CAFTA and the FTAA, both Democrat and Republican administrations have manifested genuine concern for the well-being of our neighbors to the South.

I submit that the Western Hemisphere's problems exist not because the United States does not pay enough attention to Latin America and the Caribbean but because the *region does not pay enough attention to itself and its own problems—99% of which are homegrown*. It is far easier for our neighbors to the South to displace their frustrations towards the "Colossus of the North," whining, moaning, handwringing, and begging, then for them to embark upon the path of self-reliance, good governance, institutional reform, social justice, and democratic capitalism. With the exception of Chile and Trinidad and Tobago that highway remains the road less traveled for most of the Americas.

If there is a one factor that largely explains political and economic success and failure in Latin American and Caribbean nations—not only in recent times but since independence nearly two hundred years ago—it is *leadership*. And while the U.S. has a sordid past in influencing elections and backing friendly despots (particularly in Central America), the scoundrels, thieves, thugs, and incompetents who have paraded their way into a Latin American Hall of Shame during the past decade were elected to power by their own people—Aristide, Alemán, Fujimori, Menem, and Chávez being the most infamous.

Within this "rogues gallery" of elected leaders, the most tragic case of all is Venezuela—a resource-rich nation presently ruled by an authoritarian and megalomaniacal buffoon who sees himself as the reincarnation of Simón Bolívar, Venezuela's nineteenth-century liberator. With a copy of Fidel Castro's totalitarian playbook at his bedside, Lt. Col. Chávez has committed slow motion larceny of democracy, packing the Supreme Court, manipulating elections, harassing the press,

taking control of the central bank, organizing civilian militias (“territorial guards”) and intimidating and brutalizing those who stand in his way of creating a “socialist paradise” (the quintessential oxymoron!). Sky-high oil prices of over \$58 per barrel and cohorts of Cuban intelligence agents, health workers, and teachers enable the Venezuelan leader to consolidate his rule in a country where poverty rates and infant mortality have increased since the former coup leader came to power and where the average citizen lives worse than his or her grandparents did. With high unemployment and underemployment, the flight of billions of dollars in capital, the closing of over 7,000 private companies—half the country’s industrial sector—and a significant drop in oil sector productivity, Venezuela’s autocratic president is wreaking havoc on a nation once considered South America’s strongest democracy.

It is vital to note that the materials, machinery, and assembly of this badly-designed, poor quality, and ill-fitting *chavista* garment are “100% Made in Venezuela.” No U.S. inputs here. Hugo Chávez and his followers are the end-game of a morally bankrupt political system in which two political parties (Acción Democrática and Copei) and their kleptocratic infrastructures treated the nation’s resources as a giant *piñata* for nearly three decades. With the full support of the nation’s elites and the *nouveau riche*, these two parties and the “nanny state” they established—fueled by oil largesse—created a society of conspicuous consumption, corruption, moral decay, and a blatant disregard for the poor and disadvantaged. Ergo, if Chávez did not exist, he would have had to be invented.

Turning to Latin America’s unfinished economic reform agenda, the region’s record is one of mixed performance. On the positive side, the last two decades have witnessed the adoption and implementation of neoliberal reform measures: prudent fiscal and monetary policies, the selling off of state enterprises, and economic liberalization (trade, investment, finance). Inflation is in check in most countries, primary school enrollments have been rising, infant mortality is down, life expectancy is up, and poverty rates (although not inequality levels) have fallen.

On the other hand, the region has only partially implemented the macroeconomic reform agenda of the Washington Consensus and performed poorly in addressing relevant non-economic problems. In their quantitative study *Reform and Growth in Latin America: All Pain, No Gain?*, IMF economists Eduardo Fernández-Arias and Peter Montiel found insufficient depth and breadth of macroeconomic reform and a lack of structural and institutional second generation reforms. Much remains to be done in the areas of tax reform, property rights, and deregulation, as well as rural education, social safety nets, infrastructure, and public services.

As Latin America confronts the daunting economic challenges facing it, how can the U.S. best support the region’s quest for economic freedom, growth and development in the Western Hemisphere? Quite simply by addressing four priority areas:

1. *Economic liberalization.* Ensure continued, deeper efforts at macroeconomic reforms, including arenas in which there has been slippage in recent years, such as public sector financial management. In countries like Costa Rica and Uruguay, for example, the federal government owns and controls utilities; and in Mexico and Colombia, the government dominates and greatly restricts foreign participation in the oil sector, despite the irrefutable evidence that privatization efforts would significantly boost national wealth. The U.S. should intensify its support of trade, investment, finance, and services liberalization—not only regionally, bilaterally, and multilaterally, but *unilaterally* (as Chile wisely undertook). Other than the lack of political will, there is nothing preventing the nations of the Americas to design and implement sweeping measures to make their economies most welcoming and attractive for foreign and domestic business alike. Economically and commercially it is short-sighted and foolhardy to wait for the FTAA to become a reality (probably a year or more from now) or the WTO’s Doha Round to be completed (most likely at the time of the next appearance of Halley’s Comet) before acting. Specifically in the trade area, the U.S. should work with Hemisphere nations to implement the FTAA business facilitation measures agreed to at the 1999 Toronto Trade Ministerial meeting—customs-related measures that traders agree are of greatest and most immediate benefit to them.¹

¹These include in particular: streamlined procedures for the temporary importation of goods related to business travel; procedures to expedite express shipments; simplified procedures for low-value shipment transactions; accessible electronic systems for the trading community and a set of common data elements to foster expedited clearance procedures; dissemination of information on customs procedures, laws and regulations; and development of national codes of conduct applicable to customs officials.

2. *“Second Generation Reforms.”* Two decades’ experience with neoliberal economic reforms demonstrates clearly that liberalizing trade and instituting prudent fiscal and monetary policies are necessary but insufficient conditions for curing societal ills and creating economic opportunity. More important is the need to put in place “second generation” reforms—non-economic measures that address needs and bottlenecks in the areas of education, health care, housing, social services, and infrastructure. Development assistance is responding to this challenge; however, the U.S. should strongly urge governments in the region to do far more in allocating revenues to attack problems such as poorly funded schools and vocational training centers, inadequate primary health care, and outmoded transportation systems. Market economics can achieve its intended effects only if these other dimensions of societal development are afforded significant the attention and resources.
3. *Targeted development assistance.* In recent years, USAID has improved its management, monitoring, accountability, and program evaluation systems. It should continue to support cost-effective, results-oriented projects and programs that have high impacts, produce multiple effects, and incorporate best practices that can be disseminated and diffused throughout the region. Trade capacity building, small business assistance, improving governance, and rural development are prime examples. Leveraging resources through USAID mechanisms such as the Global Development Alliance and Development Credit Authority are an imaginative vehicle for mobilizing the resources of public-private alliances to stimulate economic growth. Other U.S. government entities such as the U.S. Trade and Development Agency (USTDA) are also supporting creative projects to achieve the highest return on invested resources. One such USTDA program about to get under way in Guatemala assists the leading export association (AGEXPRONT) by training their trainers who teach business skills and international trade to managers, support staff, and executives in small and medium size firms.

What Latin America does not need is a massive North-to-South wealth transfer program called for by economist Jeffrey Sachs in his book *The End of Poverty* (although *The Beginning of Fantasy* would be a more apt title). The region lacks the absorptive capacity to judiciously and effectively use a doubling of aid money. Moreover, this largesse would invariably lead to a cut-back or suspension of locally financed reform efforts in recipient countries.

4. *Microeconomic reforms.* Attention towards economic reform efforts has focused almost exclusively on macro-level issues, ignoring the fact that micro-level issues are of even greater importance. These constitute the “electrical wiring” and “plumbing” of the political economy of nations and the grease that fuels (or clogs) the engine of growth. Microeconomic issues are also ones that are felt most directly by business, workers, and consumers. Foremost among the microeconomic issues in dire need of reform are: regulations, taxation, the administration of justice, labor, and financial services. To illustrate:

Regulations. The World Bank’s *Doing Business in 2005* benchmarks business regulation in 130 countries—regulations that enhance or constrain business investment productivity, and growth. Latin America’s performance, while not as miserable as Africa’s, is poor nonetheless. Whereas bankruptcy proceedings can take 2 years in Mexico and Peru and 10 years in Brazil, countries like Hong Kong, the UK, and New Zealand enable creditors to recover bad debts relatively quickly. In Brazil it takes 152 different steps and five months to start a business versus 2 days in Australia, 3 in Canada, and 4 in U.S. Even in Russia, one can complete all the requirements for starting a business in less than a month. Regulatory burdens are most harmful to small businesses and start-ups—the largest private sector employers in Latin America.

Taxation and property rights. Steep value-added taxes (VAT), though easy to collect, elevate retail costs and depress sales. Argentina even taxes its own exports, further restraining domestic growth. Throughout the region, inadequate protection of property rights keeps poor citizens from titling real estate, denying them the right to sell it or use it as collateral for credit. Most tax systems are characterized by high rates and low collection. (Mexico for example collects only 12% of GDP from taxes, the lowest of any OECD country.) Regressive taxes like the VAT punish both the poor and the productive sector, where corporate tax rates at 35% are higher than China (15–24%), Malaysia (28%), and Japan (34%). It is not surprising that tax evasion and capital flight are rampant.

And what do taxpayers get for their tax dollar? Argentine economist Ricardo López Murphy summed it up when he complained that Argentines pay Swedish level taxes in exchange for public services of African quality.

Administration of justice and public safety. As for judicial reform, much still needs to be done. With a backlog in cases, the best judges money can buy, and incessant rule-bending and unreliable dispute settlement mechanisms, both local and foreign investors have little faith in the court system. In the area of public safety, criminal activity has been increasing in recent years. Criminal gangs in large major metropolitan areas like Rio de Janeiro, São Paulo, and Mexico City, and the infamous Mara Salvatrucha network in Central America are a threat not just to the citizens of the region-rich and poor alike—but to businesses as well, both domestic and foreign. A recent UN study on urban violence reveals that multinational corporations plan to invest more in Poland and the Czech Republic over the next five years than in Mexico—the main reason being “lack of security” in Mexico.

Labor. Many of the rules that govern labor markets in Latin America (and elsewhere) raise labor costs, create barriers to entry, and introduce rigidities in the employment structure. These include the exceedingly restrictive regulations on hiring and firing practices, as well as burdensome social insurance schemes. While salaries may be low by industrialized nation standards, non-salary costs such as benefits, labor production taxes, and severance can actually double the cost of labor. Hiring a worker, like getting married, is relatively easy; firing a worker, like getting a divorce, is very lengthy and extremely costly.

Financial. Despite merger and acquisition activity and the widespread use of technology (including online banking), Latin American banking—consumer and small business—is grossly inadequate, complicated, and cumbersome. For the most part, bank activity is dominated by trading government paper. When they do provide financing, it is often in syndicate, for large preferred corporate borrowers. Were it not for the proliferation of credit cards and retailers providing credit to customers, or setting up their own financial service firms like Elektra’s Banco Azteca in Mexico or kiosk banking like Brazil’s Lemon Bank, the working class would have even less access to consumer goods.

Overall, the greatest contribution the U.S. could make to shore up political and social stability in the region and enhance the likelihood that the benefits of neoliberal economic reforms are felt by all in society, not just a few, is to channel the greatest portion of its development assistance resources to institutional reform and exhort Latin American governments to do the same. Douglass C. North, a Nobel Laureate in economics, drives home this point in his compelling book *Institutional Change and Economic Performance*. Institutions provide the structures and delivery mechanisms for a society’s social, economic, political, and legal functioning. If microeconomic reforms, so urgently needed, are to achieve their expected results, Latin American nations must build efficient, effective, transparent, and accountable institutions. The U.S. government should be relentless, via the power of the purse and incessant jawboning, in getting this message across and increasing the likelihood that our Hemisphere neighbors will act.

The greatest challenge Latin America faces in overcoming the impediments to economic freedom, growth, and development is *cultural*. Lawrence Harrison and Samuel Huntington make this compelling argument in their edited volume *Culture Matters*, along with the contributions of nearly two dozen other academic experts. Despite progress in the region in political, economic, social and legal development, Latin America is still experiencing a 500 year-old hangover from Spanish and Portuguese colonization which transplanted to the New World the Iberian Peninsula’s same repressive, exploitative, unjust, and corrupt societal structures and institutions.

Cultural change can and does take place the world over; and if Latin America can broaden, deepen, and expand its reform agenda and ignite across the region what George Gilder calls “the spirit of enterprise”—namely, entrepreneurship—our Hemisphere neighbors will experience the progress they hope for.

The U.S. can support, guide, encourage, and applaud these efforts but it cannot substitute the self-reliance and responsibility that the region’s public and private sectors and citizenry in general must embrace and manifest themselves.

Mr. BURTON. Thank you. Ambassador Lauredo?
Ambassador LAUREDO. Thank you, Mr. Chairman.

**TESTIMONY OF THE HONORABLE LUIS LAUREDO, FORMER
U.S. AMBASSADOR TO THE ORGANIZATION OF AMERICAN
STATES AND PRESIDENT, HUNTON & WILLIAMS INTER-
NATIONAL, L.L.C.**

Ambassador LAUREDO. Imagine an area that supplies the United States 50 percent of its oil imports, by far the biggest region. It has never boycotted the United States on oil. Forty percent of our total trade and the fastest growing trading area in the world contains two of our top trade partners, it includes one third of our total U.S. investments and about one in five residents of the United States come from the region. We share a culture and democracy and the region has contributed troops both in World War II, Korea, and even as recently, Iraq. If you are thinking of Europe or the Middle East, you are wrong. I am speaking of the neglected Hemisphere of the Americas and I am glad that you are having this hearing and you are interested in this area.

My perspective is a lot less intellectual, a lot more, I guess, based on my private sector experience and the experience in having been an OAS Ambassador, and I also ran two of the Presidential Summits of the Americas. So I will be brief and I will make some recommendations to follow up on my written report and also be subject to your questions.

First, CAFTA is not perfect, but it is a step in the right direction. It is respectful dissent in this Congress and a debate that has gone on that has actually helped focus the debate. Nevertheless, the treaty cannot be amended and I think it is important for this hemisphere that this be approved this evening.

Let me just give you a perspective and I am sure you know, Congressmen, it is very difficult. It has been very difficult and it has a very high political cost for these Congressmen of these regions to pass their own agreements in their countries. Sometimes we are so self-centered in this country we forget that the people also pay a political capital as they move forward in this very controversial area of trade.

Congressman Menendez, I could not agree with you more. I think if the compelling lack in this Administration has made an over-emphasis on trade, it does not detract from my support for it, but you are right. It should be accompanied by a stronger commitment to social and economic development aid.

Second, I would urge that you help the Administration and your own deliberations to what I call sustained engagement. The biggest problem in United States/Latin American history, it is constant engagement when there is a crisis and disengagement when there is peace. We were, as you know, a very divided country in the 80s in Central America. I remember, I lived through it. The Democratic Party was split in 20 different ways. We almost caused the Presidency resignation and yet, I remember distinctly, once we "won the war in Central America," we literally, the next day, disbanded almost all of the USAID projects and abandoned that region to its own faith.

Well, with God's help and a few other people, democracy, shaky, but nevertheless is in the area. And we should be conscious of our constant benign neglect and engaging and disengagement in the area needs more than anything your constant attention. I may

want to add that, as we press for, as we should, democracy, be assured that democracy is a process and is not an end unto itself. And our own democracy is not very pure and took over 100 years before we gave Afro-Americans their vote. So we should be a little less imperialistic. There is a growing perception of what I call benevolent imperialism, a great idea that we tried to impose. I have to tell you that I encourage you to take the risks that I know you personally take for taking these trips to the region. Every time I travel through the area and when delegations from the Congress travel, they are making a great impact with the area.

Poverty. Nothing that we can discuss is more important than this underlying sickness in this hemisphere. Forty-five percent of the people in this hemisphere live in poverty. Fifty percent live with less than \$2.00 a day; 20 percent with less than \$1.00 a day; and, get this, 20 percent of the population have about 60 percent of the gross income. And, folks, from the United States' perspective, we are so delighted that free enterprise is taking hold and we always applaud ourselves, Democrats and Republicans, that free market economies are thriving. But you must understand that capitalism, entrepreneurialship capitalism, as we understand it, is not taking hold. I call it oligarchical capitalism. We privatized enterprises, we opened up the market and the rich are getting richer and the poor are getting poorer. So just do not get too excited that we won the war on communism. We need to focus more on the kind of entrepreneurialship, some of which you alluded to in your commentaries about access to capital.

My beloved OAS, folks, it needs drastically and urgently, deep reforms. I do not want to go so far as to say that it is broken, but it needs to be reformed, both financially as well as its procedures. We need to reinstitute and be more active, proactive in preventive democracy. As you know, the Inter-American Democratic Charter was a step in that direction. We must abandon the old non-intervention theory that allowed people to hide behind bad practices and, more importantly, we need to impose a sense of responsibility, share responsibility. And as a matter of parenthetical reality, also, I sadly have to tell you that we also, and you need to be helpful, is that we do not have enough U.S. citizens in the Organization of American States. In fact, we sadly lost probably one of the most capable U.S. diplomats in our recent history, Luigi Einaudi, as recent Secretary of the OAS, which is one of my greatest accomplishments in putting an American, a qualified American, as number two. So hopefully, you will be conscious of that.

Public diplomacy is by far the biggest problem that we have. Do I have another minute, Mr. Chairman? Chairman Burton, I think, hit it right on the head. Notwithstanding what my friend, Secretary Noriega, said, whatever the reality, the perception is that this area is being neglected. In 1968, I took my first trip to South America. I went to Bolivia, paying my way through college, selling airplane parts, and I was always struck that, as I went into the hinterlands of Bolivia, in huts of indigenous peoples, there was a picture or a cross of Christ and a picture of John F. Kennedy. Far were they to know who John F. Kennedy was, but to me, it always symbolized that he had, through the Alliance of Progress and his perception of the area, kindled some degree of hope that actually

allowed these people to identify him as the hope of the United States.

It was an identification with the fact that we cared, that we cared for their individual problems, and we had won their hearts and their minds. We have lost that fight. I do not need to bother you with details that you know. There is a premeditated campaign against our values. As you know, Telesur has launched a new TV station that our friend, President Chavez, has called an empty American network and you are aware.

Let me just conclude on a personal note. I think our need to develop a bipartisan foreign policy in general, and a bipartisan policy to this hemisphere is critical. Tonight we have a critical vote and after that I am sure we will all get together on the things that we agree. The hemisphere is our natural sphere of influence, it is our natural allies. We share values, people, a continent and they are hungering for not only attention, but sustained attention to the problems that can be mutually resolved by sharing values and sharing responsibilities. I would be happy to answer any questions.

[The prepared statement of Mr. Lauredo follows:]

PREPARED STATEMENT OF THE HONORABLE LUIS LAUREDO, FORMER U.S. AMBASSADOR TO THE ORGANIZATION OF AMERICAN STATES AND PRESIDENT, HUNTON & WILLIAMS INTERNATIONAL, L.L.C.

My name is Luis Lauredo, and I have served as U.S. Ambassador to the Organization of American States, as well as Coordinator for the Presidential Summits of the Americas I (Miami 1994) and III (Quebec City 2001) attended by President Clinton and President Bush respectively.

I come to give you my reflections on the state of U.S.—Latin America relations today as someone who has spent most of his career in the private sector, combined with public office, and has traveled and continues to travel extensively in the area.

First, the good news. This Hemisphere is enjoying democratic governments in 34 of its 35 nations, and a commitment to open market economies, free trade and economic integration.

The bad news is that this democracy is increasingly fragile, threatened by a new wave of populist and undemocratic governance fueled by the despair arising out of growing poverty and economic disparity between the very rich and the very poor. In short, the loss of hope.

A little background on how we got here. A new era of U.S.—Latin American relations was launched with the NAFTA agreement negotiated by President George Herbert Bush. Inherited by newly elected President Bill Clinton, who, against almost unanimous and aggressive opposition in his own party, fought for and obtained Congressional approval.

While much has been written about NAFTA, its most important result was the psychological impact of the admission of a Latin country into full and equal partnership with the two dominant “Anglo” powers, the U.S. and Canada. This had significant resonance in Latin America.

This spirit led to the calling of the first meeting of all democratically elected leaders in the Hemisphere, the First Summit of the Americas in 1994, which launched a new architecture of hemispheric relations based on two mutually agreed pillars: (i) democracy and reinforcement of democratic institutions; and (ii) economic prosperity based on a recognition that free market economies and the integration of the hemisphere (Free Trade Area of The Americas—FTAA), which would serve to alleviate and eliminate poverty.

This policy architecture has been ratified and re-enforced in the two subsequent Summits.

It is important to remember that this is not a U.S. designed policy, but one mutually arrived at by 34 sovereign democratic nations on three different occasions.

It is important also to highlight that it has served as the framework of U.S. policy with three U.S. Presidents of different parties. It has been a rare case of bi-partisan policy which has raised expectations that the U.S. was finally on its way to what is most needed in our Latin America diplomacy; what I call “sustained engagement”.

I personally experienced this phenomenon. I served a Democratic President as U.S. Coordinator for the III Summit of the Americas. The newly elected Republican White House asked me to stay on, and the policy positions worked on in the preceding period were accepted, with few changes, by the new President.

I lived the enthusiasm and vision launched by President Clinton in the Summit process in 1994 and witnessed the interest of President Bush for Latin America and his extraordinary personal dynamics with his hemisphere colleagues in Quebec City in 2001.

A new era was dawning.

And then something happened.

It is ironic that Secretary of State Colin Powell was in Latin America (Lima, Peru) signing the historic InterAmerican Democratic Charter when tragedy struck: September 11.

Latin America receded into the background. While we correctly focused on the war on terrorism, there was strong support from our hemisphere allies, and understanding of our immediate priorities. But as months turned into years, our hemisphere neighbors felt we were sliding back to our regretful historical pattern towards Latin America: benign neglect.

Well, that is the past, and how we got here. Our challenge today is not to look for blame, but to fix a new course for the future.

I offer the following suggestions and concrete recommendations

- (1) Sustained engagement. Return our U.S. policy towards Latin America to a consistent and bi-partisan approach that assures continuity of our sharing vision of democracy and economic prosperity for the people of Latin America and the Caribbean.
- (2) CAFTA-DR. I urge the members of the House of Representatives to approve the agreement between Central America, the Dominican Republic and the U.S. this week. CAFTA-DR should have strong bi-partisan support. It is an initiative born out of the FTAA process, initiated by Democratic President Bill Clinton and negotiated by Republican President Bush. Failure of the Congress to ratify CAFTA-DR would have devastating psychological and real effects on our relationship with our neighbors in the Hemisphere. It will be viewed as a breach of trust and a frustration of a common vision.
A lot of us still remember the 1980's in Central America when we struggled to establish democracy. We poured millions of dollars in military assistance that divided this Congress and this nation and almost brought down a President. The region is now governed by democracy and the hope of creating economic prosperity through trade. We need to stand by our friends. CAFTA-DR is good for the region and is good for the United States.
- (3) Public Diplomacy. Our biggest failure in the area today is our inability to articulate the ideals of our country based on our heritage of democracy and liberty while our enemies promote sophisticated campaigns of dis-information and outright lies while we have unilaterally disarmed the institutions and vehicles that expressed our values to the people of the Americas. We must return to a strong program of telling America's story in our hemisphere.
- (4) New threats to democracy. Today's threats to democratic institutions are more subtle but more dangerous. The days of military coups are over, but the phenomena of democratically leaders governing undemocratically is a serious threat to the political stability of our Hemisphere. Just as dangerous, and operating under the guise of "participatory democracy", a new era of mob rule is emerging. By mobilizing relatively small segments of disaffected citizens to take to the streets, governments have been toppled. This is particularly concerning when losers in democratic elections lead these demonstrations in the pursuit of personal power.
We must also dedicate more resources to helping build political parties. Democracy cannot be institutionalized and stable in the face of collapsing political parties being replaced by populist movements usually led by a new breed of caudillos.
- (5) Fight Poverty. As stated before, democratic stability is shaken by profound poverty. We must take the lead as the economically dominant nation of the hemisphere, and one in which economic opportunity and upper mobility is a big part of our heritage, and take the lead to address these unacceptable conditions. We must more forcefully disclose and attack corruption, promote entrepreneurship and attack oligarchic capitalism prevalent in the area.

- (6) Increase and promote Americans of Hispanic heritage in the development and implementation of U.S. foreign policy in the Hemisphere. The United States is the fourth largest Spanish speaking nation in the world. Our talented Hispanic-American population is a natural asset grossly under utilized by the foreign policy establishment in the United States.
- (7) Multilateralism. We must re-dedicate and re-focus our efforts to work more closely in the Hemisphere through the Organization of American States. Here, the Congress has a special role for our commitment to this organization should be combined with a serious effort of reform and modernization of its operations and procedures. If properly re-tooled, the OAS can be the most effective way to carry out our common goals. We should insist, however, on the concept that shared values must be accompanied by shared responsibilities.

In my view, the Americas is the most important strategic part of the world for the United States. It is our natural sphere of influence. We share a continent, values, culture and people.

The U.S. Congress and the Administration must work together to make our common dreams a reality.

Mr. WELLER. Well, let me thank our panel here. We have four votes on the Floor, and out of respect to each of you, Mr. Menendez and I are going to quickly focus on a question, take turns, and then we are going to have to recess and then resume the hearing following these votes. I hope you are able to stay. It will probably be a half hour.

Ambassador Lauredo, you are a supporter of CAFTA. You indicated that in your testimony and, you know, clearly from talking with my friends in Latin America, this vote tonight is something that anybody that has access to cable is going to have turned on so they can watch the U.S. Congress on C-SPAN because of the interest. As a supporter of CAFTA and as someone who is a strong believer in multilateral cooperation, what do you see as the consequences to the United States and what do you see as the consequences to our relationship with Latin America should CAFTA fail this evening? And also, how do you respond to those that say that CAFTA is inadequate, particularly in the area of labor and worker rights?

Ambassador LAUREDO. Well, first of all, the last first. CAFTA is inadequate. The problem is that it is the best we have and it is a step in the right direction. So where I break with some who would vote against it or consider it, is that inadequacy is not in itself a reason to vote against it. It is a step in the right direction.

As Chairman Burton had outlined before, perceptions, as you know, of elected officials are more important in politics than reality. This has taken a weight that is quite probably disproportional to its impact. As you know, economically it has a relatively minor impact, because most of those prior authority come duty free. It is a symbolic vote of our overall commitment that we jointly, in three Presidential Summits, agreed on all of this. As I said in my written testimony, the shared architecture of relations in this hemisphere, not the U.S. architecture but the joint architecture, is based fundamentally on democracy and free trade and economic integration. This is a big part of it, with all its imperfections.

So the sign or the defeat of this will be, in my view, and I do not use this word lightly, devastating from the psychological and the perception point of view. And it is particularly in the content of what we talked about earlier, which is, we are basically on the defensive because of a lack of attention to this area. We are sliding

backwards in all the things that we share and there is a growing anti-Americanism. And not a growing anti-Americanism from the traditional leftist parts, it is coming from some of our strongest allies and our strongest populations.

So, the short answer is, it would be a very bad vote and I respect very, very much those who have reservations about it and I share the fact that it is not perfect. But sometimes in politics, things take a value that is beyond the reality and this is truly the case with this vote tonight.

Mr. WELLER. Thank you, Ambassador. I wish we had time to explore this a little further, but we do have a vote on. Mr. Menendez, do you want to ask a question before we recess?

Mr. MENENDEZ. Sure, Mr. Chairman. Actually, what I want to do is go ahead and make a comment. Actually, in respect of everybody's time, I will submit my questions for the record and not have to come back so that we can let these gentlemen go.

I want to say this. I think there is a bad vote and a bad vote is going to take place when—I find it really hard when the whole world is going to come apart because of any single action. I find it really hard to accept and Mr. Chairman, I understand, but I did not interrupt any of the time that anybody had, including the Chair.

And the other point that I want to make, Mr. Haar, I think you are a very interesting writer. I appreciate the humor that you weave into your presentation. I have to be honest with you. I read the very end of your statement where you said the greatest challenge facing Latin America is cultural and you refer to Mr. Huntington. Mr. Huntington, who believes that, in fact, Hispanic immigrants in this country are a threat to the United States. I do not share that view or that philosophy and I think it is fundamentally flawed for a variety of reasons. And I just could not let the record go without recognizing that I certainly do not believe that Mr. Huntington is right on any of those counts—witness Ambassador Laredo, witness this Member of Congress.

Thank you, Mr. Chairman.

Mr. HAAR. May I respond quickly?

Mr. MENENDEZ. I do not have enough time. So if I do not have enough time, you know—I am sure you can submit your response for the record.

Mr. WELLER. And thank you, Mr. Menendez. Out of courtesy to our panelists, we are going to close this hearing. First I want to say thank you for your participation, for your testimony. And Mr. Menendez has unanimous consent for an opportunity for Members of the Subcommittee to submit to our witnesses written questions to be responded to for the record. And with that, this hearing is adjourned. Thank you very much.

[Whereupon, at 4:30 p.m., the Subcommittee was adjourned.]

A P P E N D I X

MATERIAL SUBMITTED FOR THE HEARING RECORD

WRITTEN RESPONSE FROM JERRY HAAR, PH.D., PROFESSOR OF MANAGEMENT & INTERNATIONAL BUSINESS, LATIN AMERICAN STUDIES PROGRAM, FLORIDA INTERNATIONAL UNIVERSITY

I wish to make the following points in response to criticism of my having cited “Samuel Huntington” and “culture” at the June 27th hearing “U.S. diplomacy in Latin America” of the Western Hemisphere Subcommittee.

The Huntington book I cited, *Culture Matters*, is a co-edited volume published in 2000 in which nearly two dozen scholars address the importance of culture in shaping political, economic, and legal institutions. Praised by the late Senator Daniel Patrick Moynihan and former World Bank president James Wolfensohn, this book is a serious work of social science and is completely unrelated to Huntington’s single author 2004 work *Who Are We: The Challenges to America’s National Identity*. That book is a xenophobic, venal, and racist diatribe that insults not only Hispanics and immigrants but all Americans.

As for “culture,” I indeed referred to *political* culture as being of primary importance in explaining a nation’s or region’s development. Carlos Alberto Montaner, Mario Grondona, and the late Carlos Rangel have written extensively on this issue vis-à-vis Latin America. The political culture of late 19th century Cuba ushered in an independence movement, lead by José Martí; six decades later, however, a communist tyrant changed the political culture for the worse. *Change in the political culture*—precisely what I called for in my testimony—is what began in Mexico in 2000 with the election of PAN candidate Vicente Fox after 71 years of one-party year; in Chile, after Pinochet; and in the United States following Franklin Roosevelt’s New Deal. In recent years, a changing political culture in the U.S. has felicitously resulted in an increasing number of women, blacks, Hispanics, and other minorities being elected to public office.

