

LATIN AMERICA IN 2010: OPPORTUNITIES, CHALLENGES AND THE FUTURE OF U.S. POLICY IN THE HEMISPHERE

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WEDNESDAY, DECEMBER 1, 2010

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 2:35 p.m., in room SD-419, Dirksen Office Building, Hon. Christopher J. Dodd, presiding.

Present: Senators Dodd, Menendez, Lugar, Corker, and Risch.

**OPENING STATEMENT OF HON. CHRISTOPHER J. DODD,
U.S. SENATOR FROM CONNECTICUT**

Senator DODD. The hearing will come to order. Let me apologize to the witnesses and to my colleagues. I'm grateful to my friends and staff, as well as the witnesses. Some of you, once again, many of whom I've known for a long time, and I welcome you to the committee to have a discussion about Latin America in 2010, what we call "Opportunities, Challenges and the Future of U.S. Policy in the Hemisphere."

Normally, first of all, John Kerry would be here, and I'm deeply grateful to John for conceding the gavel to me here to allow me to chair this hearing. In fact, I notice there are caucuses and conferences going on. I know there is a Democratic caucus going on, and so I anticipate some of my colleagues will get a chance to come over here when that caucus concludes, to share their own thoughts and views.

My opening comments are a little bit longer than they normally would be since this will be my last hearing that I'll be participating in. Well, we may meet again; I don't know. But certainly chairing a hearing, on the Foreign Relations Committee. So I wanted to share a few more thoughts about a subject matter that I've obviously been deeply involved in and cared about from the day I arrived here, with a full head of black hair, 30 years ago. So with your indulgence, I'll take a couple of minutes and then turn to my great friend Dick Lugar for any thoughts he would have, and then we'll get to our wonderful witnesses to share your observations and thoughts as well as we kind of make an assessment of where we are here at the end of the first decade of the 21st century.

So let me begin by thanking again John Kerry for allowing me to take the gavel. Today will mark my last hearing as a member of the Senate Foreign Relations Committee. Thirty years ago—in

fact, when I arrived in the Senate in January 1981—I've often told this story, that Alan Dixon and I were the only two Democrats elected that year. I think there were about 16 Republicans that came in in that Reagan landslide of 1980.

Unlike others, when you arrive in the Senate and you go to the leadership and express your choices about committees and where you'd like to be, Alan Dixon and I were told the following: There are two seats on the Banking Committee, there's one seat on Agriculture, and one seat on Foreign Relations.

Well, needless to say, the Senator from Illinois had an interest in agriculture. Not that I didn't, but he had certainly more of a legitimate case to make. The two seats on Banking, we each took one. And I ended up with a seat on Foreign Relations.

Now, to put that in perspective for people, I've often told the story, Jacob Javits and John Fitzgerald Kennedy, both Members of this great body the Senate for years, waited 9 and 11 years respectively to get a seat on the Foreign Relations Committee. There was a time not long before I arrived here when this was one of the most coveted committees and you waited a long time, sometimes into your second term, before a seat would become available to you.

I say this with total politeness and respect. Today most of our members on this committee are in their first term on the Foreign Relations Committee, and good members, I might add. But just a difference in how the ground has shifted over the past number of years.

For me, this has been a remarkable experience, to be a part of this committee over the past three decades. So it is with a note of sadness, but also with tremendously fond memories of having been a part of this committee and all the work that's gone on, and particularly because I've had the wonderful pleasure of serving with the gentleman here to my left, who has just been a remarkable leader, inspiration.

I told someone the other day the only time I think in recent memory—someone correct me, the staff—that we ever actually had a foreign assistance bill that got out of this committee on the floor and we passed was when Dick Lugar chaired the committee, back a number of years ago. That and work on the Philippines and so many other issues.

So throughout my service I've had the opportunity to work with a number of people, obviously; also chaired or been the ranking member on the Subcommittee on the Western Hemisphere. My friend Bob Corker has been a great partner in recent days on that committee as well. Both Republicans and Democrats have served here; the most significant challenges facing our country in the last more than a quarter of a century.

There isn't the time to go into all of those details, but when I arrived Chuck Percy was the chairman of the committee, in January 1981. Then Jesse Helms was chairman, Claiborne Pell was chairman, and of course Dick Lugar, and Vice President Biden, as all of you recall, chaired this committee, along now with Senator Kerry. The committee has benefited from a truly illustrious group of Senators at the helm over the years, grappling with some of the most difficult questions of the day.

Again, I'm delighted that Dick Lugar is here, because again—I know there's an expectation we say these things, but if I had to list my pantheon of the several hundred people I've served with, I don't know who I would include in the top five necessarily, but I tell you who definitely would be in the top five and the fellow on my left without a any question in my mind would be in that list.

I believe that anybody that has talked to or watched the Senate for more than half a century would have to include the gentleman to my left as part of one of the most remarkable people that has ever served here. So I thank you, dear friend, for that.

Let me also—Bob Corker has been through. We traveled together to Central America and he went to Mexico with me a few years ago at an interparliamentary meeting when he first arrived here, and has been a wonderful friend. I am confident over the years, if he'll stay engaged in these matters—I hope he will—he'll play a real contribution to this committee.

Ms. Joy Olson, who's here with us—and I thank her—she's the executive director of the Washington Office on Latin America and has had decades of experience working to improve the human rights conditions in Latin America, raising issues that would otherwise have been ignored.

Mark Schneider and I have been great friends for almost—I think that entire time of 30 years or more. We go back to the days of his time at the Peace Corps and USAID, and he's now with the International Crisis Group, where he serves as the senior vice president and special advisor on Latin America; has a deep knowledge of Haiti, by the way. I look forward to hearing his thoughts on that matter and others.

Cynthia Arnson, Dr. Arnson, is the director of the Latin American Program at the Woodrow Wilson International Center for Scholars. Her academic work over the years on governance, human rights, conflict in Latin America, has been very significant, profound, and extremely important, and we thank you, doctor, for your work.

Finally, I'm happy to welcome Ambassador Jaime Daremblum, who is a senior fellow and the director of the Center for Latin American Studies at the Hudson Institute, and again someone I've spent a lot of time with over the years, listening to his thoughts and views; served as the Ambassador of Costa Rica when my brother Tom also served as Ambassador. He was the Ambassador there from 1988–1998, excuse me—to 2004.

In 1996—and I know my colleagues, some of them have heard me repeat this over and over again, but I can't say it often enough because they made such a profound effect on my life—I arrived in a very rural mountain village called Benito Moncion in the Dominican Republic as a volunteer with the Peace Corps, in 1966.

Today, nearly half a century later, I'm chairing my last hearing as the chairman of the Senate Subcommittee on the Western Hemisphere, the Peace Corps, and Global Narcotic Affairs. In that time, Latin America has undergone remarkable change, much of it positive, I would add. We're now seeing the development of a new middle class, the consolidation of democracy, the propagation of effective fiscal and social policies, as well as the rise of some new global powers that are occurring in this hemisphere as well.

Over the course of my service in the Senate, I've tried to play a role in shaping that policy toward our neighbors to the south and, although we've made progress, as I leave the Senate it's long past time for a fundamental shift, I think, in how we think and relate to this important region of the world, because Latin America is not our back yard; it is our neighborhood in a sense, and there's a very important distinction to make. When we focus exclusively on the challenges still faced by our neighbors and the related dangers we ourselves face, we run the risk of missing out on the opportunities their progress has created.

The Latin American economy, long defined as emerging, has finally emerged. In the 5 years leading up to the 2008 global financial crisis, Latin American economies experienced growth rates of 5.5 percent while keeping inflation in single digits. When the crisis did hit, Latin America stood strong, weathering the crisis better than any other region in the world. While income inequality remains a significant issue, as it does in our own country, I might add as well, 40 million Americans, Latin Americans, were lifted out of poverty, 40 million, between the years of 2002 and 2008.

It's not just the increasingly stable economies that is providing opportunities for historically poor Latin Americans. Governments are beginning to deliver the education, health care, and social services necessary for sustaining growth and progress. Additional cash transfers, such as Mexico's Oportunidades program and Brazil's Bolsa Familia, have reduced poverty, increased school attendance, and provided hope for a generation of low-income families that otherwise have remained marginalized.

Obviously, there's still much work to be done. I'm not trying to sound like a Pollyanna, but I think it's worthwhile to talk about progress. Too often all we talk about are the trouble spots and the difficulties. Drug trafficking and related violence on our Mexican border with our Mexican neighbors is compelling, to put it mildly. In many parts of Central America, citizens are forced to live and work behind barbed wire and blast walls because of the violence that is occurring.

Venezuela and Cuba remain examples of democracy denied in my view. Again, I want to thank Dick Lugar for initiating an effort we joined together on a few weeks ago, I believe it was, expressing our concerns about the denial of democracy and democratic institutions in Venezuela, and I thank him for his leadership on that and was pleased to join him in that effort. I have serious questions about the integrity of the November 28th elections as well, I might point out, in that area.

Out of the spotlight, there are still developmental challenges. Productivity is growing too slowly. Savings are too low and much of the labor force remains in the informal economy. Women and indigenous populations still face discrimination and the poor still often live in excluded parts of the economy.

But that old metaphor, Latin America is the United States back yard, is indicative I think of our habit of viewing the region solely in terms of problems to be solved, not opportunities to be celebrated. In turn, our neighbors too often see us as paternalistic, instead of recognizing our commonality. What a shame that is,

because, despite these challenges, there is much opportunity to be found in Latin America.

After all, we are the No. 2 nation in the world in Spanish speakers. Our enormous and influential Latin community has brought cultural and familiar ties to the forefront, along with our geographical proximity. Not only do we share a common colonial history; there's reason to believe that our paths forward may converge as well.

But to harness these opportunities, each of us of course must play a role. Latin American and Caribbean nations have concerns about sovereignty and I appreciate those concerns. But the challenges we face respect no border, and we must be able to encourage our neighbors to strengthen their social programs, invest in their infrastructure, trust in democracy, and to work together in a collaborative fashion if we're going to effectively meet these challenges that are so compelling.

The Obama administration's work to integrate Central American regional security initiative and the Caribbean Basin security initiative with the Merida program is a step, I believe, in the right direction, as is the administration's new, though long overdue, focus on vital institution-building and civil society programs in Mexico.

But the militarization of our responses to the challenges we face in Mexico I think can also be a large mistake, and I remain deeply concerned that not enough effort, creativity, and attention is being focused on tackling the root causes of these problems that exist in Mexico and other parts of Central America.

We must look beyond the elites with whom we traditionally engage and work with new emerging leaders, including the dynamic mayors, governors, and other local leaders who have emerged in a region where 75 percent of the population live in urban centers. This outreach must also include women, the indigenous populations that I've mentioned, poor and minorities, who have traditionally been excluded from the public square. I know this is a priority of Secretary Clinton and I applaud her for her leadership in this area.

To strengthen our economic ties, I urge Congress to pass the Colombian and Panamanian Free Trade Agreements. I was sort of hoping that might happen in this lame duck session. They're due, they're ready. It would be an incredible message with the new government in Colombia under President Santos, and in Panama, which has been a great partner, has gone through several transitions peacefully and democracy, I think a warning of our support.

In Venezuela there is a real cause for concern. We cannot bury our heads in the sand. We've got to address this challenge collectively in a smart and sophisticated way. Earlier this year, the Inter-American Commission on Human Rights released a report that raised serious concerns regarding the further degradation of human rights in Venezuela.

The situation is unacceptable, not just to us, but to all in the region, in my view. But this is not a case of the United States versus Venezuela, but rather Venezuela versus democracy and those who embrace and cherish those principles.

The same principle applies to Cuba. I returned from Cuba just a few weeks ago, stunned to see that the country is finally making

some of the critical changes in its own society that many of us, including the Cuban people, have wanted for years and years. The Cuban Government recently announced that 1 million Cubans have been let go from the government payrolls and instead will be allowed to run their own businesses.

With the help of Cardinal Ortega and the Spanish Government, what played very important roles, political prisoners are also being released. So we welcome that.

No, you don't have to approve the way Cuba is run, and I certainly don't. Cuba clearly has a long way to go, and it was quite obvious and apparent to me just walking the streets of Havana and visiting other communities out in the far west of that island nation that there is a deep sense of frustration that people on that island feel, after 40, almost 50, years of the rule under Fidel Castro.

Nobody's arguing to the contrary, I might add. But the simple truth is that Cuba is changing, so I question—the question I have to ask is, why shouldn't we also be thinking about how we can help this change occur and move it further along. I count my extensive travel through Latin America as one of the great privileges of my life as a Senator, and the recent trip, as I said, to Cuba, and before that throughout the region last winter, to meet with heads of state and others to get a more current reading of the present situation as it exists in this hemisphere.

So today I apologize for what is normally a little longer statement on the issues, but I wanted to at least share with my colleagues and the committee sort of my observations at the end of this 30-year career on this side of the dais, and I again look forward to hearing from the witnesses. Before doing that, I ask my colleagues if they have any thoughts.

**OPENING STATEMENT OF HON. RICHARD G. LUGAR,
U.S. SENATOR FROM INDIANA**

Senator LUGAR. Well, I thank Senator Chris Dodd, a truly trusted and thoughtful partner on this committee during three decades of our service together, for chairing this important hearing on Latin America.

Given recent developments, today's hearing is especially timely. Our foreign policy in Latin America continues to struggle with perceptions that the United States has neglected the region in the past. These perceptions often have been inaccurate or incomplete, but there is little doubt that United States engagement with Latin America over a period of decades has been crisis-driven.

If we are going to achieve stronger regional cohesion and prosperity, we must establish a clear sense of our interests and develop a more comprehensive means of engaging with our neighbors. This engagement must go beyond managing perceptions in the region. We need to underscore that the United States is dedicated to working with our Western Hemisphere partners on economic development and growth, strong democratic institutions, the rule of law, energy security, environmental protection, human rights, and many other objectives.

An immediate step in this direction would be passage of the Colombia Free Trade Agreement, which would provide new markets and additional jobs for the United States and Colombia alike.

Similarly, we need to conclude a United States-Brazil Tax Treaty, which would expand business opportunities in both countries and equalize the playing field for many American firms doing business in Brazil.

Our collaboration with Mexico has helped to create an institutional framework that did not previously exist to fight organized crime and drug trafficking. This framework is essential if progress against the cartels is to be sustained over time. But much more coordination may be required to help Mexico degrade the capacity and influence of the cartels, which has become a near, existential national security objective for our neighbor.

The situation in Venezuela requires more attention to building a regional consensus on opposing that government's challenges to international norms. The erosion of democracy in Venezuela is now accompanied by rising crime and economic stagnation. Senior Venezuelan military officials have been implicated in narcotics activities and the government increasingly makes common cause with Iran, Syria, Burma, and North Korea regarding international security and weapons of mass destruction issues.

Our hearing also coincides with elections in Haiti. I and others urged President Preval to enact much-needed reforms to ensure the credibility of these elections. He refused to do that. As a result, the elections have been fraught with numerous reports of irregularities and fraud.

Political uncertainty now threatens to exacerbate the human suffering in Haiti, where more than 200,000 people died as a result of the January earthquake and 1.3 million people continue to live in tents. A cholera epidemic has killed more than 1,700 people in the past month.

The United States has an interest in helping to address the ongoing humanitarian problems in Haiti, and we will continue to do that through various means. But our willingness to direct funds through the Haitian Government depends on the fair, transparent, and legal resolution of the current political crisis.

Today's hearing is an opportunity to discuss our relations with Latin America, but it's also Senator Dodd's last appearance as chairman of the Subcommittee on Western Hemisphere, Peace Corps, and Global Narcotics Affairs. He has served with distinction as chairman or ranking member of this key subcommittee for more than 20 years. Even when others have lost focus, he has been a consistent and passionate advocate for strengthening United States ties with Latin American nations.

I have appreciated greatly the opportunity to work with my good friend over many years on issues pertaining to Latin America and broader national security questions. Recently, these collaborations have included a bipartisan resolution expressing concern regarding transgressions against freedom of expression in Venezuela and legislation urging multilateral banks and development institutions to cancel Haiti's debts. Although I know Senator Dodd will continue to play an important role in Latin American affairs from some other vantage point, his departure from the Senate will be felt deeply by all people who are working to expand mutual respect, security, and prosperity in the hemisphere, and I thank the Senator.

Senator DODD. Thank you, Dick, very much. Thank you, my good friend. That's very gracious of you in your comments.

I turn to my friend from Tennessee.

**STATEMENT OF HON. BOB CORKER,
U.S. SENATOR FROM TENNESSEE**

Senator CORKER. I don't think I've ever given any introductory comments in the Foreign Relations Committee, but I'll do it this time. I first of all want to thank our witnesses for coming. I know some very familiar faces here, offering very credible testimony.

But I'm really here because this is the last hearing that Chairman Dodd will participate in. The Foreign Relations Committee is an odd committee, especially from the Republican side, as Senator Lugar knows, in that it's a committee that in order to stay on it you have to bypass other very desirous and important committees. For that reason, we haven't had the tenure on the Republican side that you might have on your side of the aisle and certainly that we have on other committees.

You know, each of us has to figure out a way of making a mark in the Senate. There are 100 Senators and each of us sort of choose different avenues as to how to do that. Senator Lugar with arms negotiations certainly has been a leader for our country and certainly here in the Senate.

But I want to say to Chairman Dodd, I had the privilege of traveling with him to Latin America and to Mexico and throughout Central America, and I have to tell you that the thing that was so impactful was seeing the long, long-term personal relationships that existed between you and the leaders of these countries; the fact that when we entered these countries it wasn't just the leaders that you knew and had personal relationships; it was people throughout the country that you continue to talk to on cell phone, back and forth to the airport.

I think that that's something that we here in the Senate don't do enough of. I think it's an era that is passing in some ways and certainly should be refocused upon, if you will.

But I want to thank you for your commitment, especially to this part of the world, to the way that you've shown the rest of us who are coming along the real way of engaging in foreign relations. That is actually having those personal relationships that both of you have.

So I want to thank you for that and, as I said earlier today, thank you for your general nature, your aspirational nature, in causing all of us to want to be better Senators.

Senator DODD. Well, thank you very, very much. I appreciate that.

Senator, any comments

Senator RISCH. I just want to associate myself with those remarks.

Senator DODD. Take as much time as you like. [Laughter.]

Senator RISCH. Thank you.

Senator DODD. Thank you, my friend, as well. I thank my colleagues, and we'll hear from our witnesses. Again, I'm very honored you're all here, and to be a part of this discussion. As I said, almost everyone at this table, we've been an ongoing discussion for many

years about this area. So why don't I just begin in the order we introduced you.

Joy, we'll begin with you if that's OK and go down. Is that OK with you? Good.

**STATEMENT OF JOY OLSON, EXECUTIVE DIRECTOR,
WASHINGTON OFFICE ON LATIN AMERICA, WASHINGTON, DC**

Ms. OLSON. Well, Senator Dodd and other members of the committee, thank you for inviting me to testify today on the future of United States-Latin American relations.

Senator Dodd, it's an honor to testify at your final hearing. Among the many accomplishments in your distinguished career, you will be remembered for your courageous support for democracy and peace processes in Central America, and for the beginnings of change in United States-Cuba policy. You've drawn on your own deep knowledge and commitment to Latin America to challenge the Congress to adopt policies that would form the basis of a more cooperative relationship with the region. It's been a privilege to work with you. You leave the Senate having made concrete improvements in United States-Latin American relations.

I would also like to recognize the staff that you've had over the years. I've worked many years with Janice O'Connell and now with Fulton Armstrong, and I remember Bob Dockery. You've had great staff.

Senator DODD. And Josh Blumenthal, who is here today.

Ms. OLSON. And Josh as well. I'm sorry.

I will take this opportunity to reflect on some of the issues you've worked on over the years and how change will produce both challenge and opportunity in the years ahead. Change in the region is taking place at every level. This is not the Latin America of the 1970s. Parts of Latin America, for example, are the most violent in the world, but the causes of violence are quite different. Violence today is generally not created by guerrilla movements or state-sponsored human rights violators, but by street criminals, youth gangs, or organized crime.

The challenge today is to make police and justice systems function in a rights-respecting fashion. These systems must work to hold accountable both organized crime and human rights abusers. Governments must have the political will and ability to arrest and prosecute criminals while not committing human rights violations of their own, and the will to implement tax structures while supporting a functioning justice system.

Poverty alleviation is another example of change. Innovative conditional cash transfer programs have made progress in reducing poverty. There is evidence that children stay in school longer and are healthier. The question is will these programs be sustainable and lead to economic development, or will kids stay in school longer and then enter the work force to find little opportunity in the formal sector. These are some of the challenges today.

Notably, most of Latin America has weathered the economic downturn much better than the United States. The economies that are less dependent on the United States have been the least affected. While of course there are many contributing factors to this, what has been demonstrated is that the region's stability,

prosperity, and, in many ways, its future, are not dependent on the United States.

While Latin America is facing long-term problems in new contexts, it's also developing new political organizations, like UNASUR, which do not include the United States. The challenge for the United States is to be relevant to Latin America.

While the problem of drugs is old, the good news is that there is a vibrant drug policy debate happening in Latin America. Information is being shared between countries about drug control strategies that have reduced the harm caused by drugs, and drug policies are beginning to change. Unfortunately, in the region the United States is seen as the enemy of an open drug policy dialogue. There is real opportunity for greater collaboration and cooperation in Latin America on drug policy.

While changes in the drug certification process that you shepherded through the Congress, Senator Dodd, were an important step forward, more affirmative actions need to be taken. One step the Senate could take during the lame duck session would be passing the bill to establish a Western Hemisphere Drug Policy Commission, which has already cleared the House.

Unfortunately, prevailing debates in the U.S. Congress about Latin America are often polarized and seem somewhat stuck in the past. The polarization we see in Congress and in politics here today has a damaging effect on foreign policy. Its spillover distorts our understanding, diminishes our credibility, and complicates our relationship with the region. The debate in Congress too often reinforces an "us against them" mentality.

The immigration debate is one example. We build higher and longer walls to keep "them" out, and the tone and the visual here is enormously offensive to Latin Americans. Missing from the U.S. policy debate on immigration is an analysis of why people leave their homes. We need to start thinking "intermestically" about domestic immigration and international economic development policies at the same time, because thinking intermestically we will make better policies, and not thinking intermestically can create downright dangerous policies. For example, dramatically increased border control at the U.S. southern border has inadvertently contributed to the consolidation of organized crime, as human and drug trafficking routes have merged.

Overcoming polarization will be the challenge for this next Congress. I had the privilege of testifying before the Western Hemisphere Subcommittee of House Foreign Affairs after the coup in Honduras, and the polarized nature of the debate was like a flashback to the Central America years of the cold war. Lingering cold war frameworks that see the region in black and white terms are likely to get substantial air time in the next Congress, and this cold war conceptualization can distort our relationship with Latin America by placing too much emphasis on extremes, instead of marginalizing them, and inhibiting our ability to work together with the other 90 percent of the region on common problems.

Finally—and I hate to say this—but the United States has lost its credibility on human rights in Latin America because we haven't practiced what we've preached. The United States is seen as hypocritical. Our government uses human rights to beat up its

adversaries and soft-pedals when it comes to its friends. The region thinks we consider ourselves above the law. We haven't ratified the Inter-American Convention on Human Rights. We have the posse comitatus law here in the United States that divides policing and military functions, but with Latin America we routinely promote the opposite. And let's not forget, Guantanamo is in this hemisphere and, while many U.S. citizens have forgotten that we're imprisoning people for years without trial, Latin America certainly has not.

This is a moment of tremendous opportunity in United States-Latin American relations. We need not lead Latin America. We need to convince Latin America that it's worth partnering with us, and that the United States wants to be a partner in the solution of regional problems. To seize these opportunities, we must change. We must think intermentally and develop policies that demonstrate it. We must be consistent on human rights at home and in foreign policy, and we must demonstrate that Latin America matters to our future, even if it means spending some money, using up some political capital, and confronting hard-liners who want to relive cold war conflicts of the past.

Senator Dodd, you were instrumental in fighting for peace, human rights, and democratic governance in the Americas, and it is my hope that others in the Congress, in the Senate in particular, will rise to the occasion upon your departure and help focus the U.S. attention on this new agenda.

Thank you.

[The prepared statement of Ms. Olson follows:]

PREPARED STATEMENT OF JOY OLSON, EXECUTIVE DIRECTOR, WASHINGTON OFFICE
ON LATIN AMERICA, WASHINGTON, DC

Senator Dodd and other members of the committee, thank you for inviting me to testify today on the future of United States/Latin American relations. Senator Dodd, it is an honor to testify at your final hearing. Among the many accomplishments in your distinguished career in the Senate, you will be remembered for your courageous support of democracy and peace processes in Central America and for the beginnings of change in United States/Cuba policy. You have drawn on your own deep knowledge and commitment to Latin America to challenge the U.S. Congress to adopt policies that would form the basis of a more cooperative relationship with the region. It has been a privilege to work with you. You leave the Senate having made concrete improvements in United States/Latin American relations.

I will take this opportunity to reflect on some of the issues you have worked on over the years and how changes taking place today will produce both challenge and opportunity in the years ahead.

NAVIGATING CHANGE

Change in the region—new political dynamics, new economic patterns—is taking place at every level. This is not the Latin America of 1970. The issues confronting the region are changing, and regional leaders—governmental, civil society, and business—at many levels are working on solutions.

Parts of Latin America are the most violent in the world, but the causes of violence are different now. The violence that still afflicts too many in the region is generally not created by guerilla movements or state sponsored human rights violators, but by street criminals, youth gangs and/or organized crime. Organized crime groups, which include contraband smugglers, extortionists, and robbery rings along with drug traffickers, are not only engaging in violence, but corrupting government officials and undermining democratic institutions. Cities like Ciudad Juarez, San Salvador, Medellin, Caracas, and Rio de Janeiro are all trying to figure out how to cope with these powerful groups that, in extremes, can rival or replace state structures. Too much of this violence is rooted in the trafficking of illicit drugs, destined for the U.S. market—an issue that must be addressed anew in the policy arena.

In Latin America, the challenge today is to make police and justice systems function in a rights respecting fashion. These systems must work to hold accountable both organized crime and human rights abusers. There has to be the political will and the ability for governments to arrest and prosecute criminals while not committing human rights violations. And, the will to implement tax structures to support a functioning justice system

Poverty alleviation is another example of change. Innovative targeted cash transfer programs (CCTs) have made progress in reducing absolute poverty. This model—new to Latin America in the last decade—makes much-needed financial resources available to poor households, but requires certain actions from the cash recipients, such as keeping children in school and having health checkups. Twenty-six countries in Latin America have now implemented CCTs. There is evidence of children staying in school longer and being healthier. The question now is, will these programs be sustainable and lead to economic development? Or, will kids stay in school longer and then enter the workforce to find little opportunity in the formal sector?

If Latin America is facing long-term problems in new contexts, it is also developing new approaches. There are exciting moves to develop institutions that will facilitate regional solutions to regional problems. One can critique UNASUR or the Mexican-sponsored Summit of Latin America and the Caribbean (CALC), but it is clear that Latin America, or a large part of it, is seeking to manage regional conflicts, development and trade on its own. The United States needs to recognize this reality.

Notably, most of Latin America has weathered the “economic downturn” much better than the United States. And economies that are less dependent on the United States have been the least affected. While of course there are many factors contributing to this, what has been demonstrated is that the region’s stability, prosperity, and in many ways, its future need not depend upon the United States.

Of course there are exceptions to everything I’ve said, but the point remains the same. The challenges and opportunities Latin America faces have taken new shapes under new circumstances. The challenge for the United States is to be relevant to Latin America.

And yet, I’m sorry to say this, but many of the prevailing attitudes and debates in the U.S. Congress about Latin America policy tend to be polarized and seem stuck in the past.

POLARIZATION, COLLABORATION AND THE NEED FOR “INTERMESTIC” POLICYMAKING

President Obama, in addressing the last Summit of the Americas, pledged that, “. . . the United States will be there as a friend and a partner, because our futures are inextricably bound to the future of the people of the entire hemisphere. And we are committed to shaping that future through engagement that is strong and sustained, that is meaningful, that is successful, and that is based on mutual respect and equality.”

In foreign policy circles, we all talk a good game about “partnership” and “collaboration” with our neighbors to the south, but the United States hasn’t really figured out how to play by the new rules. And, many policymakers haven’t figured out that, for better or for worse, the United States doesn’t write those rules anymore. The United States has to change how it conceives of its role with the region and incorporate that into how it makes policy. It means thinking more “intermestically”—attempting to conceive of domestic and international U.S. policy at the same time. It means working with our neighbors to develop common solutions to common problems.

The polarization we see too often in Congress today has a damaging effect on foreign policy. This polarization distorts our understanding, diminishes our credibility, and complicates our relationship with the region. The debate in Congress too often reinforces the “us” versus “them” mentality.

The immigration debate is a good example. In the United States, immigration is currently at the forefront of polarizing issues, and it spills over into our relationship with Latin America. We build bigger and longer walls to keep “them” out. The tone and the visual here is enormously offensive to Latin Americans.

Missing from the U.S. policy debate on immigration is an analysis of why people leave their homes to make the treacherous journey north. Migrants are certainly central to economic growth in the United States, and sending countries certainly depend on the remittances sent by migrants. But people leave their homelands and face terrible hardships, even death—as we saw recently with the massacre of 72 Central American migrants in Mexico—because they are desperate, facing a lack of economic opportunity that enables them to sustain themselves and their families at home.

We need to start thinking about migration and development as one. And realize that immigration isn't only about domestic U.S. policies. Economic development that will create more and better paying jobs in Latin America is in our interest. If we think more intermestically, we will make better policies for the United States.

Not thinking "intermestically" can create dangerous policies. Dramatically increased border control at the U.S. southern border is one example of a policy with serious unintended consequences. Those who follow migration patterns in Mexico will tell you that as the United States made it harder to cross our southern border, the way people crossed the border changed. Now migrants need more sophisticated knowledge of the weak links in the system. It is organized criminal networks who have that information. And so the migration networks that were once "mom and pop" operations have given way to drug trafficking networks that control routes into the United States. Let me be clear. The migrants are not criminals. They are the victims of organized crime.¹ And with those criminal networks come a much greater abuse of migrants and more violence on the border. Although we once thought it would keep us safer, more border security has led to the consolidation of organized crime on our border.

So many of the issues we face today cannot be addressed by us alone, but require new ways of thinking—ones that embrace understanding transnational issues and develops national policies that are mutually reinforcing.

Drug policy is one of the easiest issues to understand and one of the hardest to affect. Drugs are a part of our societies and are not going away. We can't win a war against them. Drugs and our policies to control them create tremendous damage at many levels—consumption, crime, disease, expense, and violence—with an often devastating impact on families. The United States has spent years focusing its international drug policy on source country eradication and regional interdiction. When "successful," these strategies have moved production and transport to new areas. Every time it moves, some new region of Latin America has been devastated by the violence and corruption that follow the drug trade.

There is a vibrant drug policy debate happening in Latin America. WOLA has been facilitating informal intergovernmental drug policy dialogues for the past 3 years, and they are exciting. Information is being shared between countries about drug control strategies that have reduced the harm caused by drugs. Drug policies are being changed. The consequences of drugs and drug policy are as controversial in Latin America as they are here in the United States, and in some countries like Mexico, even more so. But there is an underlying understanding that the status quo is not good enough. Next week WOLA is releasing an eight-country study looking at the impact of drug laws on incarceration and prison overcrowding in Latin America. The study has revealed that prisons are bursting at the seams with low-level/nonviolent drug offenders who are easily replaced in the drug trade. The human and financial cost of the drug war is too high, and basically something's got to give.

In the region, the United States is seen as the enemy of an open discussion of drug policy. For too long the United States has judged and conditioned other countries on their adherence to prescribed approaches to drug policy.

There is a real opportunity for greater collaboration and cooperation with Latin America on drug policy. While changes in the drug certification process that you shepherded through Congress, Senator Dodd, were an important step forward, more affirmative actions need to be taken to change this dynamic. One small step the Senate could take during the lame duck session would be passing the bill to establish a Western Hemisphere drug policy commission, which has already cleared the House.

Overcoming polarization will be the challenge for the next Congress and the rest of this administration.

I had the privilege of testifying before the Western Hemisphere Subcommittee of House Foreign Affairs after the coup in Honduras. This hearing was a disturbing experience, not just because the region had not seen a military coup in years, but because the subcommittee's analysis of the situation broke down along party lines. All of the Democrats described the events in Honduras as a coup, and none of the Republicans were willing to make that determination. The debate was like a flashback to the Central America years of the cold war.

In Latin America, calling what happened in Honduras a coup was a given. All the region's governments condemned it in those terms. In some ways, the congressional debate here complicated efforts at collaboration and engagement with Latin America on Honduras. Lingering cold war frameworks that see the region in black and white

¹In December WOLA, in conjunction with the Mexico-based Miguel Agustin Pro Juarez Human Rights Center, will publish a paper on the kidnapping of migrants in Mexico.

terms are likely to get substantial air time in the next Congress, including spending too much time on Venezuela and Cuba.

This cold war conceptualization can distort our relationship with Latin America by placing too much emphasis on extremes—instead of marginalizing the extremes—and inhibiting our ability to work together with the other 90 percent of the region on common problems.

To work together across party lines and with governments of different political inclinations in the hemisphere, we should think in terms of good government. Good government should not be a partisan issue.

Finally, and I hate to say it, but the United States has lost its credibility on human rights in Latin America. We have not practiced what we preached. If you try to talk about human rights in Latin America, which I do and I'm sure many of you do as well, you are constantly reminded of this.

The United States is seen as hypocritical. Our government uses human rights to beat up its adversaries (Cuba and Venezuela) and soft-pedal when it comes to its friends (Colombia, Honduras, and Mexico). Cuba and Venezuela deserve criticism, but so do Colombia, Honduras, and Mexico. We need to confront the fact that we are not taken seriously on human rights matters. The State Department writes in-depth annual human rights reports and then both Republican and Democratic administrations turn around and flout the human rights conditions that Congress has imposed on aid to Colombia and Mexico.

The region views us as considering ourselves above the law. We won't submit to the Inter-American Court on Human Rights. We have the posse comitatus law here that divides police and military functions, but in our engagement with Latin America we routinely promote the opposite, encouraging militaries to take on policing functions.² We even train Latin American police at U.S. military schools. And let's not forget that Guantanamo is in this hemisphere. While many U.S. citizens may have forgotten that we are imprisoning people for years without trial, Latin America has certainly not.

CONCLUSION

This is a moment of tremendous opportunity in United States/Latin American relations. Prosperity in the region is increasing, and we are one of its main trading partners. It is developing its own policies and leadership and focusing on regional solutions to regional problems. We do not need to "lead" Latin America. We need to convince Latin America that it is worth partnering with us and that the United States wants to be a partner in the solution of regional problems. Not just their problems, but our problems—drugs, poverty, human rights, the environment, migration, and development.

To seize these opportunities, we must change. We must think intermedically and develop policies that demonstrate it. We must be consistent on human rights—intermedically—at home and in foreign policy. We must demonstrate that Latin America matters to our future—even if it means spending some money, using up some political capital, and confronting hard-liners who want to be reliving conflicts of the past.

Senator Dodd, you were instrumental in fighting for peace, human rights, and democratic governance in Central America during the 1980s and 1990s. It is my hope that others in the U.S. Senate will rise to the occasion upon your departure and help focus U.S. attention on this new agenda.

Senator DODD. Thank you very much, Joy. I really appreciate those nice comments as well.

Dr. Arnson, thank you. Once again, nice to see you, and I appreciate your being here.

STATEMENT OF DR. CYNTHIA ARNSON, DIRECTOR, LATIN AMERICAN PROGRAM, WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS, WASHINGTON, DC

Dr. ARNSON. Thank you very much.

I'd like to associate myself with Joy's remarks in expressing how much of an honor it is to be here at this hearing, your last as chair of the subcommittee. Mr. Dodd, you have been a leading voice on

²See "Preach What you Practice: The Separation of Military and Police Roles in the Americas," Washington Office on Latin America, November, 2010.

Latin American issues for decades. You have rightfully earned the respect and admiration of people in the United States and throughout the hemisphere for your leadership.

I'm also particularly honored to have been a constituent of yours back in the 1970s, when I lived in Middletown, and I'm probably the only witness that has ever come before you who has your picture on the cover of my first book. It's at a peasant cooperative in El Salvador, along with your colleagues Jim Leach from Iowa and the late Steven Solarz from New York.

Over the last decade, it's become more and more difficult to conceive of, let alone implement, a one-size-fits-all policy for Latin America and the Caribbean. I think for the most part that the cold war ideological divisions have receded. Leaders in the region of the center-right and the center-left have converged around a commitment to democratic practices, to macroeconomic stability, as well as the belief that the state has an important role in the provision of social welfare.

At the same time, the differences between and among countries of the region are growing. These differences have to deal with levels of economic development, wealth, human capital, social cohesion, the strength of democratic institutions, adherence to the principles of representative democracy, and the density of relations with the United States.

Thus, while it's appealing to speak of U.S. policy in the Western Hemisphere, the truth is that diplomacy must take into account the tremendous variety among and between countries and sub-regions. The Obama administration's recognition of this diversity and the more nuanced diplomacy that is required to meet it represent, in my view, an advance over previous decades.

As South American democracies have matured in the decade since the transition from authoritarian rule, leaders have sought to diversify their partners in the foreign policy and economic arenas and to give priority to relationships beyond the United States. The high levels of economic growth over the last 10 years coupled, as you have mentioned, with policies that have greatly reduced poverty and to some extent inequality, have created the conditions for the exercise of "soft power" on the part of many countries in the hemisphere.

Some of this projection, particularly that exercised by a country such as Venezuela, is aimed explicitly at limiting or undermining U.S. influence in the hemisphere. Other manifestations of independence and assertiveness, however, reflect the increased political as well as economic capacity of stable democracies. Virtually all countries of the region, regardless of their political orientation, have sought to expand their trading partners and political alliances.

In this environment, United States and Latin American interests will inevitably clash at times, as they did mightily in the last few months over Brazilian President Lula's attempt to broker an agreement with Iran over that country's nuclear ambitions, in opposition not only to this country but also to the major powers of the U.N. Security Council.

Aggressive efforts by actors such as China, Russia, and Iran to expand their political, economic, and military relationships in the

hemisphere are a reality and pose many challenges for U.S. interests. But our power to control, let alone prevent, the diversification of Latin American foreign relations is limited and in some cases, nonexistent.

I believe that U.S. influence, which is different from control, will be maximized to the extent that the United States recognizes, accepts, and works to situate itself within the changed circumstances in the hemisphere. This is the normal functioning of diplomacy among allies, whose interests will converge some, but not all of the time.

Trade partners and trade patterns are rapidly changing throughout the region. The United States remains by far Latin America's largest trading partner, with trade totaling over \$500 billion last year. Asia is Latin America's second largest partner, primarily but not exclusively represented by trade with China. Asia has overtaken the European Union as Latin America's second-largest trading partner. China has surpassed the United States as the top export destination for Brazil, Chile, and Peru. It's the second-largest export destination for Argentina, Costa Rica, and Cuba.

When it comes to foreign direct investment in Latin America, the United States share continues to dwarf that of other countries or regions. However, the ability of the United States to take advantage of the growth and dynamism in South America has not been fully realized. The U.S. trade agenda is stalled, largely because trade agreements have become proxies for an unspoken national debate that has taken place only indirectly, over who wins and who loses in the process of globalization.

I believe that open trade contributes overall to the growth of the U.S. economy, but it does so unevenly and to the direct detriment of certain regions and economic sectors. A time of jobless recovery and burgeoning inequality in this country sets the stage for rising protectionism. This will remain difficult to counter absent a broader social pact in our own country that invests in productivity and spreads the benefits as well as the costs of free trade more equitably.

Ultimately, United States policy toward Latin America will be a product of domestic United States priorities as well as partisan considerations as they interact with the changed realities in the region. There is little evidence to suggest, and indeed much to refute, the notion that the United States is irrelevant to Latin America or no longer considers the hemisphere a priority in diplomatic or economic terms.

At the same time, quite frankly, many Latin American countries are unimpressed with the United States own record on issues that we have declared to be our priority, including the reduction of poverty and inequality, addressing climate change, and developing alternative energy. Latin American countries are rightly proud of their own innovation, their example, their progress; and our own inability, as Joy has mentioned, to practice at times what we preach undermines the credibility that is essential to foreign policy success.

I agree that the growing polarization of our own domestic politics is an added impediment to productive engagement with the hemisphere. There are sharp divisions in the policy community and in-

deed at this witness table over how to characterize the nature of Iran's relationship with such countries as Venezuela, Bolivia, and Ecuador, and the degree of threat that that relationship represents.

Similarly, there is no consensus over the proper ways to respond to the sharp reversals in the democratic process in such countries as Venezuela and Nicaragua, let alone agreement over how to engage with the process of change taking place in Cuba.

I believe it's time for us to rethink what it is that we want from the hemisphere. We should avoid the historic impulses toward paternalism, on the one hand, as well as the tendency, on the other hand, to pay attention only in the face of security threats, real or imagined. The U.S. economy, it's no secret to all of you, is in deep crisis, and will remain so for the foreseeable future. Our country is still in the midst of two major wars. We should not pretend to ourselves, let alone to our allies in the region, that Latin America will be a foreign policy priority. Claims to the contrary will only ring hollow.

That said, there is all the room in the world for recognizing that the political and economic advances in the region over the last decade constitute a strategic asset for the United States. Forging partnerships among equals means by definition that we cannot get our own way all of the time or even most of the time. I believe, however, that there is enough common ground for the United States and the countries of the Americas to recognize each other as paths to the realization of their own interests and goals.

Thank you.

[The prepared statement of Dr. Arnson follows:]

PREPARED STATEMENT OF DR. CYNTHIA J. ARNSON, DIRECTOR, LATIN AMERICAN PROGRAM, WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS, WASHINGTON, DC

Mr. Chairman and members of the subcommittee, I am honored to offer this testimony today, and especially honored to be included in the last session of this subcommittee chaired by Senator Christopher Dodd. Senator Dodd has been a leading voice on Latin American issues within the Congress for many decades. His tireless efforts on behalf of democracy, human rights, and social justice have rightly earned him the respect and admiration of public officials and private citizens throughout the United States and the hemisphere.

My remarks will briefly address some major of the major political and economic trends in Latin America and therefore the principal challenges for U.S. policy.

DISAGGREGATE THE REGION

Over the last decade, it has become more and more difficult to conceive of, let alone implement, a one-size-fits-all U.S. policy for Latin America and the Caribbean. It is true that the sharp ideological divisions of the cold war have receded. And leaders of the center left and center right have converged around a commitment to democratic practices, macroeconomic stability, as well as the belief that state has an important role to play in advancing social welfare.

At the same time, differences between and among countries and subregions are growing. These differences have to do with levels of economic development, wealth, human capital, and social cohesion; the strength of democratic institutions and adherence to the principles of representative democracy; and the density of relations with the United States.

For example, Brazil is now the world's eighth largest economy, and alone accounts for 40 percent of the entire region's GDP. Brazil's state-controlled oil company, Petrobras, is the world's fourth largest corporation (trailing only Exxon Mobil, Apple, and PetroChina). According to the World Bank, South America as a whole grew an average rate of 5–6 percent between 2004 and 2008, double the rate of U.S. growth in this same period; and this gap has only widened since the onset of the 2008 recession. Commodity and agriculturally rich countries such as Chile, Peru,

and Argentina have grown robustly during a period of global recession, largely due to Chinese demand.

By contrast, the U.S. financial crisis of September 2008 has brought havoc to those countries most deeply integrated with the United States: Mexico, Central America, and the Caribbean. Mexico has begun to recover, but many smaller countries remain mired in recession. Mexico, Central America, and the Caribbean are densely linked to the United States due to patterns of trade, investment, remittances, and migration. Their proximity to drug consumption and other illegal markets in the United States has drawn us together in more perverse and destructive terms as well.

In the Andean region, it is hard to imagine countries more different in their political and economic orientations than Colombia and Venezuela, despite the recent warming of relations between these two neighbors. Colombia's economy is booming and foreign investment is at record levels while oil-rich Venezuela is the only country in South America to be mired in recession. The so-called ALBA nations of Venezuela, Bolivia, Ecuador, and Nicaragua share similar patterns of hyperpresidentialism, autocracy, and authoritarianism. But there are also important differences among them, including the constituencies that constitute their core of support, and the strength, coherence, and broad-based appeal of their political opposition.

Thus, while it is appealing to speak of U.S. policy in the Western Hemisphere, the truth is that diplomacy must take into account the variety among and between countries and subregions. The Obama administration's recognition of this diversity, and the more nuanced diplomacy required to meet it, represent an advance over previous decades.

DIMINISHED CONTROL OR DIMINISHED INFLUENCE?

As South American democracies have matured and deepened in the decades since the transition from authoritarian rule, leaders have sought to diversify foreign policy partners and to give priority to relationships beyond the United States. High levels of economic growth over the last 10 years, coupled with social policies that have reduced poverty and expanded social cohesion, have created the conditions for the projection and exercise of "soft power" by many countries of the hemisphere. Some of this projection, particularly that exercised by Venezuela—is aimed explicitly at limiting or undermining U.S. influence in the region. Other manifestations of assertiveness and independence, however, reflect the increased economic and political capacity of stable democracies. Virtually all countries of the region, regardless of political orientation, have sought to expand their trading partners and political alliances.

In this environment, U.S. and Latin American interests will inevitably clash at times, as they did mightily when Brazil's President Lula attempted earlier this year to broker an agreement with Iran over that country's nuclear ambitions, in opposition to the United States as well as the major powers of the U.N. Security Council. In recent weeks, by agreeing to extradite accused drug trafficker Walid Makled to Venezuela rather than to the United States, Colombia demonstrated the priority it attaches to the relationship with its immediate neighbor, rather than Washington. Aggressive efforts by actors such as China, Russia, Iran, to expand their political, economic, and military relationships in the hemisphere is a reality and poses many challenges for U.S. interests. But U.S. power to control, let alone prevent, the diversification of Latin American foreign relations is limited and, in some cases, nonexistent. Indeed, U.S. influence—something different from control—will be maximized to the extent the United States recognizes, accepts, and works to situate itself within the changed circumstances in the hemisphere. This is the normal functioning of diplomacy among allies, whose interests will converge some but not all of the time. The current administration's emphasis on multilateralism and partnership is promising in that it recognizes not only that the United States does not have all the answers, but quite often, has much to learn from Latin American countries themselves. It is not coincidental that our greatest policy fiascos in the hemisphere over these last 2 years—the dreadful handling of negotiations over a United States-Colombia base agreement and the decision to break with the hemisphere over how to respond to the 2009 coup in Honduras—occurred precisely because the impulse to "go it alone" prevailed over the more time-consuming processes of consultation and consensus-building.

PATTERNS OF TRADE, AID, AND INVESTMENT

Trade partners and trade patterns are rapidly changing throughout the region. The United States remains by far Latin America's largest trading partner (with trade totaling just over \$500 billion last year), although once Mexico is factored out

of the equation, the U.S. role is more limited. Asia (primarily but not exclusively China) is Latin America's second largest partner, overtaking the European Union. According to a 2010 study by the United Nations Economic Commission for Latin America and the Caribbean (CEPAL), China has now surpassed the United States as the top export destination for Brazil and Chile; the same became true for Peru by mid-2010. China is also the second-largest export destination for Argentina, Costa Rica, and Cuba. China's growth has had a profound impact on countries throughout the hemisphere. The impact has been most positive for net exporters of energy, raw materials, and agricultural products, and most negative for those countries whose manufactured exports have been undermined by Chinese competition in such major markets as the United States. All told, China's trade deficit with Latin America totaled some \$8.9 billion in 2009, largely due to raw materials exports from Brazil and Chile. At the same time, there are growing concerns expressed within Latin America as well as by international financial institutions about China's commitment to environmental and labor standards, and about the ways that Chinese patterns of trade and investment reinforce centuries-old patterns of commodity dependence on the part of Latin American economies. Clearly, managing the growing relationship with China and ensuring that deepening economic ties contribute to Latin America's own development goals and priorities is a challenge for the countries of the hemisphere.

When it comes to foreign direct investment in Latin America, the U.S. share continues to dwarf that of other countries or regions. According to CEPAL, the United States accounted for 37 percent of total FDI in Latin America and the Caribbean from 1998–2008. It is also the case that, even at a time of deep recession, U.S. assistance to Latin America from the Agency for International Development has actually increased, as did the commitment to the proven development practice of micro-enterprise. And the United States is still—by overwhelming margins—the largest single donor to the reconstruction of earthquake-devastated Haiti.

However, the U.S. ability to take advantage of the growth and dynamism in South America has not been fully realized. The U.S. trade agenda has stalled, largely because free trade agreements have become proxies for a national debate that has taken place only indirectly, over winners and losers in a process of globalization. While more open trade contributes overall to growth in the U.S. economy, it does so unevenly and to the direct detriment of certain regions and economic sectors. A time of jobless recovery and burgeoning inequality in the United States sets the stage for rising protectionist sentiment. This will remain difficult to counter absent a broader social pact in our own country that invests in productivity and spreads the benefits as well as the costs of free trade more equitably. The stalled free trade agreements with Colombia and Panama, for example, deserve to move forward. But they are unlikely to do so absent a coherent and shared vision of the role of trade in U.S. economic growth, coupled with a strategy for cushioning the adverse effects of trade on specific sectors and communities. Trade adjustment assistance has been a positive component of the trade policy agenda in the past, and should remain so in the future.

NORTH VERSUS SOUTH AMERICA

Much of the focus, and certainly the resources, pertaining to U.S. policy in the hemisphere have been devoted to addressing the security crises in Mexico and Central America, and to a lesser extent the Caribbean, due to drug trafficking and other activities of organized crime. Given U.S. proximity to these countries and sub-regions, the role of U.S. demand for illegal narcotics in fueling the violence, and the role of arms trafficking and money laundering on the U.S. side of the border, it is entirely appropriate and urgent that we do so. The Obama administration has made great strides in embracing the notion of shared responsibility for the orgy of drug violence engulfing Mexico; Secretary of State Hillary Clinton set the tone during a March 2009 trip to Mexico, stating that “our insatiable demand for illegal drugs fuels the drug trade; our inability to prevent weapons from being illegally smuggled across the border to arm these criminals, causes the deaths of police, of soldiers, of civilians.” President Obama himself has acknowledged that “a demand for these drugs in the United States is what is helping to keep these cartels in business.”

The reality behind these words is that U.S. consumption of cocaine, heroin, marijuana, and methamphetamines is estimated to exceed \$60 billion annually. And an estimated \$18–39 billion flows south in the form of bulk cash and high-caliber weapons for the cartels. Research commissioned by the Mexico Institute of the Woodrow Wilson Center has highlighted that, of the 75,000 firearms seized by the Mexican Government in the last 3 years, about 80 percent, or 60,000, came from the United States.

A widening array of U.S. agencies—the Bureau of Alcohol, Tobacco, Firearms and Explosives; the Justice Department; Customs; Homeland Security—have deepened strategic cooperation with Mexican counterparts on issues from intelligence-sharing to banking regulations. U.S. security cooperation with Mexico under the Merida Initiative has now shifted, de-emphasizing the transfer of arms and heavy equipment to the Mexican army to focus in favor of the longer term task of strengthening institutions, including the judicial system, prosecutors, and the police. Cooperation among federal, state, and local actors on both sides of the border increased on local as well as national issues, and greater attention was devoted to modernizing border infrastructure and helping border communities. U.S. assistance to the countries of Central America and the Caribbean has also gone up, but may not be sufficient. Meanwhile, Gil Kerlikowske, director of the White House Office of National Drug Control Policy, has made modest but nonetheless significant shifts in U.S. counter-narcotics budgets, increasing spending for prevention and treatment of drug use by more than 17 percent in 2010 and treating domestic drug consumption as a public health as well as law enforcement problem. But there is no national debate over more fundamental ways to reduce the demand for drugs in this country, which remains a central driver of violence and institutional decay throughout the region.

Despite the shift of U.S. policy emphasis, Mexico demonstrates more than any other Latin American country how U.S. domestic political considerations trump foreign policy in ways that undermine hopes for a new direction. Promises aside, by September 2009 the Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATFE) had revoked the licenses of only 11 of the thousands of gun shops along the 2,000-mile United States-Mexican border. There has been no push, by the administration or by Congress, to renew the 10-year ban on assault weapons that expired in 2004. And neither the administration nor the Senate have made ratification of the Inter-American Convention Against the Illicit Manufacturing of and Trafficking in Firearms, Ammunition, Explosives and other Related Items, known as CIFTA, a priority. CIFTA was adopted by the OAS in 1997 and submitted to the Congress the following year by President Bill Clinton.

THE DANGERS OF PARTISAN POLARIZATION

Ultimately, U.S. policy toward Latin America will be a product of domestic U.S. priorities and partisan considerations as they interact with changed realities in Latin America. There is little evidence to suggest—and much to refute—the notion that the United States is irrelevant to Latin America or no longer considers the hemisphere a priority in diplomatic or economic terms. At the same time, many Latin American countries are unimpressed with the United States' own record on issues that we have declared to be our priority, including the reduction of poverty and inequality, addressing climate change, and developing alternative energy; Latin American countries are rightly proud of their own innovation, example, and progress, and our own inability at times to practice what we preach undermines the credibility that is essential to our success.

The growing polarization of our own domestic politics is an added impediment to productive engagement with the hemisphere. There are sharp divisions in the policy community, for example, over how to characterize the nature of Iran's relationship with such countries as Venezuela, Bolivia, and Ecuador, and the degree of "threat" that relationship represents. Similarly, there is no consensus over the proper ways to respond to sharp reversals of the democratic process in such countries as Venezuela and Nicaragua, let alone over how to engage with the process of change taking place in Cuba. (It is worth noting that, according to the U.S. Department of Energy, more than 60 percent of Venezuela's oil exports are destined for the United States—that amounts to about 12 percent of U.S. oil imports—creating a bizarre form of economic interdependence at odds with the chill in political relations.) The temptation to use such hot-button issues for partisan advantage is enormous, although the end-result of such debates is rarely better policy.

It is time for us to rethink what we "want" from hemispheric relations, avoiding historic impulses to paternalism, on the one hand, or the tendency to pay attention only in the face of security threats, real or imagined, on the other. The U.S. economy is in deep crisis, and will remain so for the foreseeable future; our country is still in the midst of two major wars. We should not pretend that Latin America will be a foreign policy priority, and claims to the contrary will only ring hollow. That said, there is all the room in the world for recognizing that the political and economic advances in the region over the last decade constitute a strategic asset for the United States. Forging partnerships among equals means by definition that we cannot get our own way all or even most of the time. There is enough common

ground, however, for the United States and countries of the Americas to recognize each other as paths to the realization of their own interests and goals.

Senator DODD. Thank you very much, doctor. I appreciate that very much.

Mark, thank you once again. I don't know how many times you've been sitting at that table with Senator Lugar and myself over the years, but we welcome you once again.

STATEMENT OF MARK L. SCHNEIDER, SENIOR VICE PRESIDENT/SPECIAL ADVISOR ON LATIN AMERICA, INTERNATIONAL CRISIS GROUP, WASHINGTON, DC

Mr. SCHNEIDER. Thank you. I want to express my appreciation to the committee for the opportunity to testify today on Latin America in 2010 and the future of U.S. policy in the hemisphere. I also want to thank Senator Lugar, Senator Corker, and other Senators on the committee for this opportunity, but I particularly want to commend Senator Dodd for his leadership and commitment over the years in strengthening ties between the United States and Latin America. You've always understood that advancing justice for the peoples of the Americas puts the United States on the right side of history and advances U.S. national security at the same time.

The International Crisis Group works to prevent and resolve deadly conflict and we work now in some 60 countries. In Latin America, we're headquartered in Bogota and we focus on the Andes, the Colombian conflict, and we've been in Haiti since 2004. We've just opened a new project in Guatemala, for obvious reasons.

To assess U.S. relations with Latin America, as you've heard, to some degree one has to look backward. Both Senator Dodd and I served as Peace Corps volunteers in the late 1960s in countries under authoritarian rule, Senator Dodd in the Dominican Republic and me in El Salvador. We saw the desires of the people we worked with for decent futures for their families, better education for their children, and greater freedom for their countries—opportunities that we took for granted here.

Many of the obstacles to those opportunities are gone. The military dictatorships thankfully are a thing of the past. The ideological conflict that one has to remember took more than 300,000 lives in Central America over decades has largely disappeared. And the region's economies have done even better through reform and intelligent management than most of the world in rebounding from the financial crisis of 2008.

But I do want to stress that there are serious challenges. First, there is inequality and exclusion. Today the Economic Commission for Latin America and the Caribbean is releasing its annual report on the social panorama. It will show that in 2009 some 183 million persons in the region were forced to live on less than \$2 a day and more than 74 million live in extreme poverty, on less than \$1 a day. Eleven of the eighteen worst countries in the world in income inequality are in Latin America. Indigenous peoples and Afro-Latin Americans also still face discrimination on a daily basis.

The consequences also have to be seen politically. In Bolivia, after almost 500 years of exclusion and discrimination the majority turned to Evo Morales, in some sense expressing the success of the

expansion of the democratic franchise, but at the same time also reflecting the failure of economic and social policies and of democratic leadership.

It seems to us that there are three ways, at least three ways, that the United States can help the countries of the region in dealing with that challenge: First, by expanding our assistance for rural development. It's vital to know that when one looks across the board at where the FARC and the ELN are able to locate, where drug cultivation takes place, where migration to the United States is initiated, it's largely in the rural poverty areas of these countries. We can do more in terms of strengthening them and helping them move in the area of rural development.

Second, in expanding quality education. We all know that that's fundamental, both in the short term and in the long term, in terms of development.

Finally, as you've heard, encouraging tax reform. There's no other answer in terms of dealing with the problems of income inequality right now in the region than responding to every analysis of the World Bank, the IMF, the Inter-American Development Bank, and the U.S. Government that one has to do a better job in helping the countries reform their tax systems, halt tax evasion, and begin to focus more directly on providing the resources necessary to provide education and health care in those countries.

The second challenge in the region today is combating crime and drugs. There's just no question that today organized crime and cartels directly assault state institutions and citizen security from the Andes through the Caribbean, Central America, and Mexico to this country. There's a war against the state going on across our southern border in Mexico, which is the final jumping-off point to carry the bulk of Colombian and Andean cocaine into this market.

Mexico is simply a democracy under siege. It's also clear that while the response of the Mexican state, with United States support, under Plan Merida has blocked the cartels from taking full control over the border region, it's also pushed more of the drug flow to Central America. Since 2008, for the first time ever, drug traffickers shifted their first stop from the Andes coming into the United States market to Central America rather than Mexico, and those governments are far less capable of responding to the threat.

In Guatemala, we've reported that traffickers control municipalities and local authorities through money and coercion. They've penetrated the high echelons of law enforcement institutions. In fact, the U.N.-sponsored International Commission against Impunity, known by its initials of CICIG, has probably saved Guatemala's justice system from total implosion.

The drugs originate largely in Colombia, where during the past 8 years under President Uribe and Plan Colombia the capacity of the Colombian state to defend itself against the FARC and the ELN was strengthened; but we've yet to see a fully adequate response to serious human rights abuses, impunity, or the sustainable expansion of state institutions and services, except on a very small pilot basis. There has also yet to be a real breakthrough in halting the violence from combat over control in drug corridors in Colombia, and we've seen a surprising and very worrisome rise of illegal armed groups in that country; new ones.

Some of the cultivation, once again, has moved back to Peru and Bolivia, but the bulk of the cocaine still originates in Colombia. From the Andes, year in and year out, there's approximately 1,000 metric tons of cocaine heading north.

We believe that tackling drugs and crime will require fundamental changes in the U.S. counterdrug policy. Demand reduction policies need to be addressed here, fundamentally as a public health issue not solely as a crime enforcement issue, and must move away from a one-size-fits-all approach to criminal incarceration. We have to do a better job to stop the arms smuggling flow south and the money-laundering flow north, and that's going to require a high-level review of current counterdrug policies by the Congress and by the administration.

In Colombia today under President Santos, we see a welcome set of new initiatives on land restitution, eliminating a rogue intelligence agency, expanding victims' rights, and recognizing the important role of an independent judiciary. Our report last month argued that now is the time for a more integrated and comprehensive conflict resolution strategy, focused not only on strengthening the military, but on advancing justice, economic, and political reform. Given the weakness of the FARC, the high political standing of President Santos, and these initiatives, we believe a window of opportunity now exists to pursue a negotiated end to 40 years of Colombia's conflict.

The third challenge—and we've heard some of it from you as well—is strengthening democracy and confronting corruption. Democratic partners are the best guarantors of our values, our interests, and our security. In most of the region, there is a basic acceptance of the core values and institutions of democratic governance. Yet key elements of pluralism, checks and balances, and separation of powers are no longer viewed as essential in a few countries.

The fact is that those are exceptions to the norm; the norm set out in the Inter-American Democratic Charter, and we have to think in a different way about how we help countries close the gap between the principles of democracy and national realities. The United States needs to link itself much more closely with other democracies in the hemisphere in pursuing that effort.

In this regard, finally, let me just note that democracy, stability, and economic development require a functioning, fair, and independent criminal justice system. The United States needs to organize itself better to help support other countries in this effort bilaterally as well as multilaterally. One example is CICIG. Its success in Guatemala has prompted the Presidents of both El Salvador and Honduras to express interest in a similar mechanism. Finding a way to replicate CICIG in other Central American countries should be high on everyone's agenda.

Finally, in a hemisphere where a third of the population is under 15 and nearly 50 percent is under 18, new ways must be found to encourage young people to see the value in political participation and to offer more opportunities for youth to exercise their rights as citizens.

Mr. Chairman, you asked me to briefly talk about Haiti and I will do that for 1 minute. Last Sunday's election in the midst of

a cholera epidemic was messy, confusing, and disappointing, and the outcome still remains unclear. The country sadly failed to overcome perennial distrust and polarization despite the pressing need for national consensus on state-building and reconstruction following last January's devastating earthquake.

It will be several days before we know the two top Presidential candidates who are supposed to face each other in a runoff. But even more important, there is a crucial question as to the numbers and percentage of eligible voters who were disenfranchised, and that's an issue that we need to be concerned about. Almost everything went wrong that could go wrong, in one place or another. An undetermined number of voters did not get their ID cards and therefore could not vote. Some of those who did could not find their names on the lists where they were told to vote. Voter verification telephone lines were saturated. Party agents were denied access to some polling stations. Ballots did not arrive in time in some places. Some polling places opened late, others not at all.

The initial response of a dozen of the opposition candidates, most of whom, frankly, had little chance, was to say annul the election. The OAS and CARICOM's joint electoral observation mission issued a statement that, despite the irregularities, the initial call for annulment was precipitous and stated that the magnitude of the irregularities had not yet invalidated the vote. They urged calm and for everyone to await the results of the tabulation and dispute resolution process.

That process is fundamental to any outcome that's going to be considered credible. Two leading opposition candidates, Mirlande Manigat and "Sweet Mickey" Martelly, are in fact waiting and have not joined the position calling for the annulment of the election.

We have reported on the problems a month ago. Basically, even before the earthquake, Haiti's weak infrastructure in terms of electoral machinery was clear. They've had a makeshift electoral council for decades. Political parties have yet to generate policy choices. There is an often corrupt judiciary, limited public security.

Then the earthquake destroyed the capital, killed 230,000, and displaced 1.5 million people. Then we had cholera. Right now, the numbers are somewhere in the neighborhood of over 80,000 who have been affected and close to 2,000 have died.

During these last couple of weeks as they tried to respond to cholera with a weak government and overstretched international agencies, there's no question that that had some impact on the ability to manage the logistics of the electoral preparation.

So now what? First we have to let the process play itself out. Tabulation, we understand, of some 4,000 of the 11,000 polling places has taken place and they're moving day to day. They should have by the end of the week the rest of the 11,000. At that point, those places where people could not vote or they make claims of fraud, have to be investigated and a resolution determined, perhaps re-voting in some places.

Ultimately, Haiti, even now, needs to forge a political consensus and agreement on completing the current electoral process to elect a President and Parliament. Even before a second round, what's clearly required is for the government, the international community, and the opposition political leaders to sit down and come to-

gether for the good of the country and forge a path to a new government and an accelerated rebuilding of Haiti.

Thank you.

[The prepared statement of Mr. Schneider follows:]

PREPARED STATEMENT OF MARK L. SCHNEIDER, SENIOR VICE PRESIDENT,
INTERNATIONAL CRISIS GROUP, WASHINGTON, DC

I want to express my appreciation to the Senate Foreign Relations Committee for the opportunity to testify today on “Latin America in 2010: Opportunities, Challenges, and the Future of U.S. Policy in the Hemisphere.” I particularly want to commend Senator Chris Dodd for his leadership and commitment to strengthening ties between the United States and the countries of the region. He has always understood that advancing justice for the peoples of the Americas puts the United States on the right side of history and advances U.S. national security.

The International Crisis Group has been recognized as the independent, non-partisan, nongovernmental source of field-based analysis, policy advice, and advocacy to governments, the United Nations, OAS, and other multilateral organizations on the prevention and resolution of deadly conflict. Crisis Group publishes annually more than 80 reports and briefing papers, as well as the monthly CrisisWatch bulletin.

Our staff is located on the ground in 12 regional offices and 17 other locations, covering over 60 countries. We maintain advocacy offices in Brussels (the global headquarters), Washington, and New York, and we now have liaison presences in Moscow and Beijing.

In Latin America, the Crisis Group regional program headquarters are in Bogota, and Colombia’s civil conflict has been the central focus of our Andean project. However, we also have published reports on Venezuela, Ecuador, and Bolivia identifying the drivers of conflict in those countries. We have also been in Haiti since 2004, and have just opened a project in Guatemala.

To assess U.S. relations with Latin America today, it is worth quickly looking backward. Both Senator Dodd and I served as Peace Corps volunteers in the late 1960s in countries under authoritarian rule in the hemisphere—Senator Dodd in the Dominican Republic and me in El Salvador. We saw the desires of the people we worked with for decent futures for their families, better education for their children and greater freedom for their countries—opportunities that we took for granted.

Since then, many obstacles to those opportunities have been removed; most countries in the Americas are now democracies, and in 2001, the members of the Organization of American States adopted an Inter-American Charter for Democracy that enunciated fundamental democratic principles. The exceptions to that norm are clearly seen as just that exceptions.

The hemisphere is also largely free of the ideological conflict that sparked deadly violence for decades and cost tens of thousands of lives in Central America. And in Colombia the last remaining insurgency has been weakened and splintered, and the once powerful and equally brutal paramilitary has been largely demobilized. Still, serious concerns remain.

Hemisphere economies of many countries are solid and competitive. The financial structures of most countries were sufficiently resilient to do better than most of the world—including the United States—in withstanding and quickly recovering from the global financial crisis. The economies in the region have grown steadily during this century, averaging 5.5 percent annual growth until the 2008 financial crisis. However, this was far below Asia’s 9 percent growth, and too low to make a sustainable impact on poverty reduction. After declining by nearly 2 percent in overall GDP in 2009, the Economic Commission on Latin America and the Caribbean now expects recovery to boost GDP by more than 5 percent this year, with Brazil leading the way at 7.6 percent. Unfortunately, in 2011 GDP growth is likely to slow to below 4 percent. Innovative social policies—from conditional cash transfer programs such as Bolsa Família in Brazil or *oportunidades* in Mexico, to widespread access to microcredit and village banking—actually began in Latin America and spread across the globe and, along with growth, helped millions escape poverty for the first time, but still amounted to only 0.4 percent of regional GDP.

However serious challenges remain to the governments of the hemisphere, to the regional political and financial organizations, and to U.S. policy. The primary challenges are: (1) confronting inequality and exclusion; (2) combating crime and drugs; and (3) strengthening democracy and combating corruption.

First, there is inequality and exclusion. Despite economic growth, in 2009, some 183 million were report to live on less than \$2 per day and more than 74 million

on less than \$1 per day. Many who climbed above the poverty line during the “boom” years fell back into poverty last year and have yet to feel the impact of the recovery.

The reality remains that 11 of the 18 worst countries in income inequality are in Latin America. UNDP and ECLAC report that on average, the top 10 percent of the population makes 48 percent of national income, while the bottom 10 percent only captures 1.6 percent. These income disparity figures not only reflect lost opportunities for millions, they also may make political extremes more attractive to a frustrated population that now has access to the voting booth—and the results are evident in Venezuela.

Indigenous peoples and Afro-Latin-Americans still face discrimination on a daily basis—not dissimilar from the discrimination that has scarred this country.

A World Bank study found indigenous men earn 65 percent less than whites in the seven countries with the highest numbers of indigenous people. Indigenous women have the least access to potable water, education, and employment in the hemisphere. In Bolivia, almost 500 years of exclusion and discrimination had barred its indigenous majority from meaningful participation in national life. Turning to Evo Morales was an expression of the success of expansion of the democratic franchise even as it reflected the failure of economic and social policies, and of democratic leadership.

Response: There are at least three ways the United States can significantly reduce inequity and exclusion: (1) expand help for rural development and small farmers; (2) expand quality education; and (3) encourage tax reform. Reexamining and prioritizing U.S., Inter-American Development Bank, and World Bank assistance in these areas would contribute significantly to altering inequity and exclusion in the Americas.

Rural investment: It is in the rural areas that investing in physical infrastructure, land reform, income generating opportunities and social services can make the greatest direct impact on growth and poverty reduction. And there are well-proven ways to do so:

- Support ways to expand access of the rural poor to land through land markets, land funds, and what Brazil calls “land market-assisted land reform,” by expropriating unproductive land, or using a land tax mechanism that encourages making more land available to small farmers.
- Help provide secure title to the land that the poor own so they can acquire working capital for their farming and micro and small loans for off-farm activities;
- Invest substantially more in micro- and small-credit facilities. In 1999, USAID was financing credit for close to 1 million microentrepreneurs and the IDB, World Bank, and others did the same for another 1 million. But 50 million needed such credit. Today the need is even greater.
- Invest in human capital formation—in schools, health, nutrition—and in social capital, cooperatives, joint ventures, and small and medium businesses to create formal sector employment and increase funding for labor rights enforcement.
- Invest in technology and rural infrastructure—so that rural roads, electricity, water and sewers, and information technology actually reach the rural poor.

As part of the “New Deal,” the United States made a massive investment in rural infrastructure. The same needs to happen in Latin America. Let me highlight the reasons these actions are in the U.S. national interest.

The flow of illegal migration from Central America and Mexico originates in the poorest rural communities of those countries. Coca cultivation takes place in the poorest regions of the Andean ridge countries. Those are the same regions where the FARC and the illegal armed groups have found a home in the past—and today. They also are the regions where the indigenous live.

Quality education: Promoting access to quality education reduces inequality. The USAID FY 2011 \$2 billion budget request only included \$55 million for basic education. Yet, education—especially girls’ education—remains one of the most cost effective investments in the region’s future. More needs to be done. The real question is how to partner with the IDB, World Bank, and donors to press for some kind of matching increase in Latin American governments’ education spending for strengthening teacher training, keeping children in school longer, and improving educational quality.

Tax reform: A third avenue is to generate adequate tax revenues to fund some of these needs and to do it in a way that promotes greater equity. Despite all of the commitments to increase tax revenues in the Guatemala 1996 peace accord, tax revenues still represent barely 10 percent of GDP. Not surprisingly the state’s ability to offer education and health, or reach the rural population with basic infrastruc-

ture, is severely limited. In Colombia, tax revenues are not much higher. And in both countries—and most of the region—the structure is hugely regressive, depending significantly on indirect taxes that makes little distinction between rich and poor. Even then, tax evasion is extremely high. Hopefully, Secretary Clinton’s strong statement on the need for the rich to pay their fair share of taxes will be heeded.

A second challenge is combating crime and drugs. Organized crime and drug cartels directly assault state institutions and citizen security in the Andes, Central America, and Mexico. There is a war against the state going on just across our southern border in Mexico, which has become the final jumping off point to carry the bulk of Colombian cocaine into the United States.

Well-armed drug cartels—with assault rifles and grenade launchers made or purchased in the United States—kill each other for control over drug corridors, and combat Mexican state and municipal police and the army for control over city halls and state capitals. Since 2005, some 28,000 Mexicans have been killed in the violent waves across Mexico. Despite Mexican troops patrolling streets, mayors and governors have been kidnapped and killed, and entire regions live in fear. Mexico is by no means a failed state, but it is a democracy under siege.

Charges of human rights abuses have proliferated against Mexico’s armed forces since these are not forces trained to undertake the task of civilian law enforcement.

It is also clear that while the response of the Mexican state, with U.S. support under Plan Merida, has blocked the cartels from acquiring full control over border regions, it has also pushed more of the drug flow to Central America. In 2008, drug traffickers shifted their first stop from the Andes to the U.S. market from Mexico to Central America, and those governments are far less able to defend themselves.

Crisis Group has reported that for many years, Guatemala was the domain of the Sinaloa cartel. That era came to an end when the Gulf cartel arrived to challenge those territorial rights, bringing with it paid assassins, the “Zetas.” From 2004 to 2008, homicides rose by 50 percent according to the U.N.-sponsored International Commission against Impunity (CICIG). Last year, the death toll climbed to more than 6,000, matching the toll in Mexico, a country with a population nearly 10 times larger. Impunity is starkly evident when fewer than 4 percent of the murder cases result in convictions.

Traffickers control municipalities and local authorities through money and coercion. These same well-financed and well-armed networks of traffickers have also penetrated the high echelons of law enforcement institutions. In fact, CICIG has been one of the last bastions of the rule of law and has probably saved Guatemala’s justice system from itself.

While the United States has marginally increased its support to those countries through the Central American Regional Security Initiative, the reality is that Central America, once the center of ideologically based cold-war violence, now finds itself the arena for a new and equally deadly conflict.

While Plan Colombia has strengthened the capacity of the Colombian state to defend itself against the FARC and the ELN, tangentially encouraged paramilitary demobilization, we have yet to see more than a limited start to sustainably extending state presence. There also is yet to be a real breakthrough in halting the pattern of drug cultivation and trafficking which continues to fuel violence in Colombia. The upswing in coca cultivation in Peru and the continuing trafficking-driven violence in Central America underscores the patchwork progress the Plan has made in achieving its counterdrug objectives. Even while arguments over coca cultivation statistics persist between UNODC and the United States, there appears to be little argument, according to the Inter-Agency Assessment of Cocaine Movement (IACM), that the amount of cocaine being moved north—not to mention east to Europe through West Africa, continues at levels above 1,000 metric tons year in and year out.

One other thing to note is that the Colombia drug flow remains in the hands of the FARC, of some undemobilized paramilitary, of new illegal armed groups and of “pure” drug traffickers. There were 12 departments where coca was grown in 1999, and while it now appears in smaller plots of lands, coca is cultivated, today in 22 of 34 departments.

Response: In Colombia under President Santos, we are seeing a welcome set of new initiatives on land restitution, eliminating a rogue intelligence agency, expanding victim rights, and recognizing the important role of an independent judiciary. Crisis Group report last month “Colombia: President Santos’s Conflict Resolution Opportunity” argued that now is the time for a more integrated and comprehensive conflict resolution strategy, focused not only on the military, but also on advancing justice reforms to protect human rights, economic reforms to reduce inequalities, and political reforms to strengthen the country’s institutions. The roots of Colombia’s conflict need to be frontally tackled.

Respect for human rights needs to be more fully integrated into the fabric of Colombia's security forces, starting with pursuing the perpetrators of almost 2,300 civilian extrajudicial executions. Those responsible should be prosecuted vigorously in civilian, not military, courts.

The President must broaden his focus beyond the FARC and ELN to include combating new illegal armed groups. In particular, he should investigate ties between illegal armed groups and state security forces, which undermine government legitimacy. President Santos' political support is at a peak now, and that backing, coupled with the relative weakness of the FARC and ELN, gives him a real chance to put a permanent end to the country's armed insurgency. Convincing progress on key reforms could lay the groundwork for a negotiation with the guerrillas that ends the Colombian insurgency once and for all, and does so while respecting the rights of victims.

Tackling drugs and crime will require fundamental changes in the counterdrug strategy which do a better job of reducing cocaine production and trafficking and combating an organized criminal network that reaches from the Andes to corrupt government officials across the Caribbean and Central America and Mexico.

Demand reduction policies need to be addressed as a public health issue, not a crime enforcement issue, and must move away from a one-size-fits-all approach to criminal incarceration. Treating chronic users through a public health prism and mainly traffickers as criminals would produce more effective policy, and perhaps allow law enforcement to do a better job breaking up the trafficking combines. This will require a high-level review of current counterdrug policies by the administration and Congress. That effort needs to focus on strengthening demand reduction here and relevant rule of law institutions throughout the Americas.

It also needs to include much more stringent measures to end arms trafficking from the United States to illegal groups in Latin America. And a far stronger effort must be made to follow the money laundering that permits dirty money from dirty drugs to line the pockets of organized crime.

A third challenge is strengthening democracy and confronting corruption. We have seen the end—hopefully forever—of the era of military dictatorships, some of which this country supported in reacting to the cold war. Democratic partners are the best guarantors of our values, our interests, and our security. In most of the region there is a basic acceptance of the core values and institutions of governance—all underlined in the Inter-American Democratic Charter. Yet key elements of pluralism, checks and balances, and separation of powers are no longer considered essential in a few countries. And political parties are failing the job of representation in others.

Foreign policy and foreign assistance programs still pay insufficient attention to issues of governance. Despite the 1996 adoption of the Inter-American Convention Against Corruption and followup mechanisms, in 2005, the Latinobarómetro, a hemispherewide poll, found that more than 68 percent of respondents believed that their public officials were corrupt, ranging from 41 percent in Uruguay to 82 percent in Ecuador. Over the past 15 years in Latin America and the Caribbean, we have seen 15 elected Presidents who did not finish their term of office, some removed with only minimal legal trimmings.

The twin to corruption is the impunity that enables the elites in their countries to evade paying taxes, fail to treat their employees with dignity, receive favored access to contracts and buy their way out of any brush with the law. The consequent popular belief that those with power operate with impunity undercuts the democratic ethos. It violates the social contract. A few years ago, a poll found that 66 percent of Latin Americans said they had little to no confidence in their judicial system.

Response: Strengthening the rule of law has to be a high priority for anyone interested in political stability, sustaining economic reform policies and strengthening social cohesion. It also is critical to addressing underlying causes of conflict in many of the countries of the region. They need more competent police, an impartial judiciary, and access to justice for the poor.

To date, the United States has not been well-organized enough to provide that kind of integrated assistance in countries, either before or after conflict occurs. Nor have the international financial institutions been brought on board fully when it comes to helping countries invest in police, criminal justice reform, prison construction, and correctional services. Democracy, stability, and economic development require a functioning, fair, and independent criminal justice system. The United States needs to do more bilaterally as well as with institutions like the IDB, the U.N., the World Bank, and the OAS, the latter being specifically charged with the monitoring observation of the Inter-American Democratic Charter.

CICIG's success in Guatemala has prompted both El Salvadoran and Honduran Presidents to express interest in similar support. Finding a way to replicate CICIG in other Central American countries should be high on everyone's agenda.

In countries where the distance is greatest between the principles of democracy and national realities, it is essential that the United States link itself to other democracies in trying to design new more effective policies and programs that can help close the gap as soon as possible. The Inter-American Commission and Court of Human Rights are valuable independent agencies that should be supported in promoting the full range of rights under the convention. The OAS itself should be supported to strengthen its own analytic capabilities with respect to identifying compliance failures under the Democratic Charter. Those failures more often than not also constitute warning signs of future conflict.

In a hemisphere where a third of the population is under the age of 15, new ways must be found to encourage young people to see the value in political participation and to offer more opportunities for youth to exercise their rights as citizens more fully.

Haiti: Mr. Chairman, I was also asked to speak to the current situation in Haiti. The election last Sunday in Haiti appears to constitute a step backward in the state-building task that must accompany any successful earthquake reconstruction effort.

Many things went wrong in many places around the country. An undetermined number of voters could not find their names on the lists; voter verification telephone lines were saturated; party agents were denied access to polling stations due to limited space or manipulation; ballots did not arrive in time in some places, some voters who had registered to obtain new ID cards never received them and were turned away from polling places, some polling places opened late, others not at all. The initial reaction of a dozen of the opposition candidates, including Michel Martelly, Mirlande Manigat, Jean Henry Ceant, Jacques Edouard Alexis, Charles H. Baker, and independent Josette Bijou was to call for an annulment of the election, and for the population to mobilize in peaceful protest. Subsequently the two leading opposition candidates Manigat and Martelly, decided to await the results of the tabulation, and their names reportedly were not on the formal request for annulment submitted to the provisional electoral council (CEP) last night by others.

The CEP has acknowledged some irregularities, but believes the elections met acceptable standards. The elections results, which are now being tallied by the CEP at the Vote Tabulation Center, are expected to be published on 5 December. But charges of fraud in some sites and obvious procedural problems in many polling places, have already opened up further questions about the credibility of the process. The dispute resolution process, which should begin today, must be completely transparent. Parties must be prepared to come forward with proof of the alleged fraudulent acts using the legal channels provided by the electoral law. The CEP and international partners supporting the elections must hold the process up to full scrutiny if the results of the polls are to be accepted, and a government with some measure of legitimacy elected.

The OAS/CARICOM international coordinating monitoring group issued a statement that despite the irregularities, which the CEP had claimed affected 4 percent of the 1,500 voting sites but an undetermined number of tables, the initial call for annulment was viewed as "precipitous." They urged calm and for everyone to await the results of the tabulation and dispute resolution process. The crucial question is the numbers and percentage of eligible voters who were disenfranchised.

Crisis Group's report *Haiti: the "Stakes of the Post-Quake Elections"* assessed election preparations a month ago. We recalled that the task was daunting even before the earthquake that had destroyed infrastructure and displaced 1.5 million people. Three quarters of the population lived in poverty, most urban income earners relied on the informal economy, and the inequalities of the elite-dominated society were the most glaring in the hemisphere. The weak institutional infrastructure was reflected in the protracted makeshift status of the (CEP); a ramshackle political system featuring scores of parties unable to generate coherent policy choices for voters; an often corrupt judiciary and limited public security. Unresolved discord between the executive and opposition parties over the CEP's composition and perceived bias in favour of outgoing President René Préval added to the credibility challenge. All this lies at the root of a perpetual crisis of confidence in the electoral process.

The tragic earthquake produced neither the change in the "all or nothing" style of politics nor the broad national consensus on reconstruction that would have eased the way to elections.

The parties and candidates, even with international technical and financial assistance, struggled to energize and facilitate voting for 4.5 million citizens, some whom lost their identification cards in the earthquake, and many of whom are among the IDPs living in spontaneous and insecure camps.

Beyond the difficult logistics, Crisis Group had underscored the confusion that was likely to affect the voters themselves. Some 400,000 new national ID cards had to be distributed to voters who had recently turned 18, moved, or lost their cards in the earthquake, even if their names were already on the voting lists. Training of some 35,000 poll workers to handle the eligible voters was completed the day before the election. Voters had to choose a President from among 19 candidates, and 110 parliamentarians from close to 1,000 candidates. They were voting at 1,500 polling locations around the country, which were for many, completely new polling places since old ones were destroyed in the earthquake, or because they themselves were displaced in camps or communities far from their usual neighborhoods.

To compound this difficult situation, the response to the cholera epidemic likely added to the pressures on an already weakened public administration and overstretched international agencies. For the past month, they were forced to manage emergency treatment of cholera victims, water purification, sanitation disposal and public health education, and they still had to carry off the final logistics for Sunday's election.

Cholera still threatens Port-au-Prince's tent camps teeming with more than a million earthquake victims and the city slums surrounding them, where several dozen deaths have already been recorded. More than 70,000 people have been infected, 31,000 treated in hospitals or centers, and 1,650 people have died. Those numbers are expected to more than double over coming months, before water purification, basic sanitation, rapid treatment and behavioral changes based on public health messages can begin to stem the epidemic.

It is a nightmare scenario that many feared after January's quake, the region's worst natural disaster in history. Early on, it appeared that the massive outpouring of volunteers, money, and civilian and military emergency workers would be able to stave off a cholera outbreak as they treated the trauma and performed triage as well as possible. However, the U.N. emergency appeal for \$150 million just to stem the current death toll has generated barely 19 percent response.

Unfortunately, there is no panacea to quickly end to the epidemic, but the rapid expansion of treatment centers and distribution of ORT and medicines can save lives: The failure of both national and international institutions to move more quickly to adopt a resettlement policy for the 1.5 million displaced persons is impacting Haiti's chances for long-term recovery. It has also created rising frustration and anger among the population that over the last 2 weeks exploded in violence directed at U.N. peacekeepers and government public health centers. Today, 7 months after it was pledged, only a tiny amount of the \$5.3 billion promised for the first 18 months of recovery has materialized in Haiti in the form of projects that people can actually see and benefit from.

More work must be done to quickly move displaced people from tents to stable housing and from joblessness to employment. Haitians need to see progress being made on building transitional and permanent housing, on removing more rubble faster, with more equipment imported for that purpose if need be. More Haitian laborers need to be hired—and paid—to help. Delays on making these policy decisions have to end, and donors need to quicken the pace in funding this reconstruction. Some \$300 m. of the U.S. funds, after delays of several months following enactment, have been made available for disbursement and the remainder of the \$1.15 billion pledged last March can be obligated once projects are approved.

With all of Haiti's complicated and seemingly herculean challenges, a few things remain clear:

- More than a million Haitians in the 21st century should not be living in misery in tent cities, some dying of a disease whose origins were known more than a century ago, and which is preventable with that knowledge and access to clean water and sanitation.
- Donors who have promised reconstruction help need to fulfill those promises—no matter what other demands on their time and money.
- Personal power struggles need to end now with a commitment by every political leader to a national consensus on recovery and reconstruction, backed by an international community that demands no less.
- And the next government's reforms must include electoral reforms spanning the electoral registry, civil service and nonpartisan elections management, a permanent electoral council and reducing the frequency of elections.

Immediately, Haiti needs to forge a political consensus and agreement on completing the current electoral process. The country needs to insure that this process of electing a new government is viewed in the end as acceptable. Under the current emergency legislation, until next May, there is a constitutional President and 19 elected Senators. Even before a second round, which still is likely to be required,

the IHRC and the international community and the opposition political parties and other sectors, need to come together for the good of the country and forge a path to a new government and an accelerated rebuilding of their country.

Senator DODD. Thank you very much, Mark.

Mr. Ambassador, you've been very patient through all of this and we thank you very, very much. Thank you for your service to our country as well. Delighted you're here with us today.

STATEMENT OF HON. JAIME DAREMBLUM, DIRECTOR, CENTER FOR LATIN AMERICAN STUDIES, SENIOR FELLOW, HUDSON INSTITUTE, WASHINGTON, DC

Mr. DAREMBLUM. Thank you, Mr. Chairman, Senator Lugar, distinguished members of the committee. It is a great honor to be speaking before you today. I would first like to thank Senator Dodd for all his many years of service, and particularly for his efforts to improve United States relations with Latin America, including my home country of Costa Rica, where he has many friends.

On a more personal note, I want to thank Senator Dodd for all the help and friendship shown to Costa Rica and myself during the years I served as Ambassador here in Washington.

I would also like to thank Senator Lugar for his consistent efforts to defend democracy and safeguard regional security throughout the Western Hemisphere through the years, as evidenced recently by the fundamental questions submitted as part of the confirmation process of Ambassador-designate to Venezuela Larry Palmer.

Our topic is the current state of Latin America, a region that is often neglected in United States foreign policy debates, but is vitally important to United States interests. As we survey the political and economic landscape, we find many encouraging signs. Democracy has become firmly entrenched in most countries and the successful resolution of the 2009 Honduran crisis showed that even small, poor democracies have the institutional strength to withstand autocratic challenges.

After decades of boom and bust volatility, Latin American economies finally seem to be moving toward a trajectory of stable growth. They have generally become more resilient, as was evidenced during the recent global recession.

On the other hand, some economies have been weakened by radical populism, which has taken root in Venezuela, Bolivia, Ecuador, and Nicaragua. In Venezuela, the Chavez regime has formed a strategic alliance with the world's leading state sponsor of terrorism, Iran, and has aided multiple terrorist groups, including the Colombian FARC, the Spanish ETA, and the Iranian-backed Hezbollah. In Nicaragua, Sandinista leader Daniel Ortega has returned to his old ways and he is gradually eroding constitutional checks and balances. With the world distracted by other news, Nicaraguan armed forces recently invaded the territory of Costa Rica, a country that has no military. As we meet here today, Nicaraguan troops continue to occupy a Costa Rican river island, despite an OAS resolution calling for them to leave the area.

In short, Latin America offers much to make us cheer and much to make us worry. I will discuss the positive developments first.

Smart economic management and increased foreign trade have helped many countries become better prepared to weather global

financial storms. Fiscal deficits have fallen, tariffs have been slashed dramatically, and the nontariff barriers to trade have been reduced even more. Prior to the 2008 global crisis, Latin America was experiencing its best economic performance in a quarter of a century, which was fueling the growth of a broad middle class. Some 50 million households emerged from poverty between 2002 and 2007. It is not unrealistic to expect that a majority of the region's population will soon belong to the middle class.

In short, Latin America is on the right economic path, but we shouldn't celebrate just as yet. A good part of its pre-2008 economic growth stemmed from favorable external factors, such as high commodity prices and lower interest rates. During the pre-2008 expansion, Latin America's growth rates were relatively high, but they were still below those in Asia. Latin America has also trailed Asia in poverty reduction and its levels of income inequality continue to be the steepest in the world, largely because of its education deficit.

Indeed, Latin America is lagging in both the competitiveness of its universities and the number of its students who attend the world's best schools. As a sample, last year the Times of London published a ranking of the top 200 global universities. Only one Latin American university, the National Autonomous University of Mexico, made the list, and it ranked 190th.

Similarly, the number of Latin American students attending United States universities is relatively low. And while Asian universities emphasize engineering and the hard sciences, Latin American universities tend to focus more on social sciences. Diversity of knowledge is to be welcomed, of course, but information technology is the industry with the largest worldwide growth potential. According to a recent report, Latin America will experience a shortage of 126,000 computer engineers this year.

Education is clearly one of the region's major long-term socioeconomic challenges and offers a wide field of collaboration with the United States.

Its short-term security challenges include the drug war, attacks on democracy, and the growing influence of Iran. Narcotrafficking has brought terrible bloodshed to Mexico, but, even worse, could destabilize small countries in Central America and the Caribbean. Populist governments in Venezuela, Nicaragua, and elsewhere have undermined democratic institutions, scared away foreign investors, and menaced their neighbors. Russia has sold billions of dollars worth of arms to Venezuelan leader Hugo Chavez, thereby threatening to unleash a regional arms race. Meanwhile, Chavez has enabled Iran to greatly expand its strategic footprint in Latin America.

I believe the Venezuela-Iran alliance represents a big threat to hemispheric stability. Their close financial cooperation is especially disturbing. Iran's Banco Internacional de Desarrollo is now operating in Caracas, despite being sanctioned by the U.S. Treasury Department for its links to the Iranian military. Speaking to the Brookings Institution in 2009, former New York City district attorney, Robert Morgenthau, warned that "a foothold into the Venezuelan banking system is a perfect 'sanctions-busting' method" for Iran.

As for military collaboration, Russian media recently reported that the Kremlin might sell its S-300 air defense systems to Venezuela instead of Iran, due to international sanctions against the Islamic Republic. The fear is that Chavez will then sell those weapons to Iran. Venezuela is working to create its own version of the Iranian Revolutionary Guards, and last week Chavez claimed to have secured a \$4 billion credit line to buy even more Russian weapons after those bought during his October shopping trip to Moscow. But are all those Russian arms solely for Venezuelan armed forces, or the pro-Chavez militias? Or is Venezuela planning to funnel at least some of the weapons to its allies, including Iran?

It is no longer possible to deny that Chavez poses a serious threat to United States security interests in Latin America. Various reports point out that the amount of cocaine transiting through Venezuela has increased significantly. That is alarming, but not surprising, given the extent to which the Chavez regime has supported and sheltered Colombian narcoterrorists belonging to the FARC.

Just a few weeks ago, Chavez promoted Venezuelan military officer, Henry Rangel Silva, to the rank of "General in Chief," even though the U.S. Treasury Department has accused Rangel Silva of aiding the FARC and being a drug kingpin.

Finally, a word about Cuba. In September, Cuban officials announced that they would be laying off nearly 500,000 state workers. Weakened by a severe economic crisis, the Castro regime is taking small steps to expand private enterprise. It has also agreed to release political prisoners in hopes of convincing the European Union to normalize relations.

Julio Cesar Galvez, one of the liberated and expelled prisoners now living in Spain, told the Associated Press: "Our departure from Cuba should not be seen as a gesture of goodwill, but rather as a desperate measure by a regime urgently seeking to gain any kind of credit."

The Castro brothers know that the Cuban economy is in a dire condition, and they know that Washington could throw their government a lifeline if it were to eliminate the United States travel ban. Congress is currently debating legislation that would scrap travel restrictions and provide Havana with a massive infusion of hard currency.

Yet, as the Washington Post argued in a recent editorial, "Fundamental changes of U.S. policy toward Cuba should await fundamental reforms by the regime. When average Cubans are allowed the right to free speech and free assembly, along with that to cut hair and trim palm trees, it will be time for American tourists and business executives to return to the island." That sounds like the correct strategy to me, but I look forward to discussing this issue, among others, with the committee.

Thank you very much.

[The prepared statement of Mr. Daremblum follows:]

PREPARED STATEMENT OF AMBASSADOR JAIME DAREMBLUM, SENIOR FELLOW AND DIRECTOR, CENTER FOR LATIN AMERICAN STUDIES, HUDSON INSTITUTE, WASHINGTON, DC

Mr. Chairman, Senator Lugar, distinguished members of the committee, it is a great honor to be speaking before you today. I would first like to thank Senator

Dodd for his many years of service, and particularly for his efforts to improve U.S. relations with the nations of Latin America, including my home country of Costa Rica. I would also like to thank Senator Lugar for his consistent efforts to defend democracy and safeguard regional security throughout the Western Hemisphere through the years, as evidenced recently by the questions submitted as part of the confirmation process of Ambassador-Designate to Venezuela Larry Palmer.

Our topic is the current state of Latin America, a region that is often neglected in U.S. foreign policy debates but is vitally important to U.S. interests. As we survey the political and economic landscape, we find many encouraging signs. Democracy has become firmly entrenched in most countries, and the successful resolution of the 2009 Honduran crisis showed that even small, poor democracies have the institutional strength to withstand autocratic challenges. After decades of boom-and-bust volatility, Latin American economies finally seem to be moving toward a trajectory of stable growth. They have generally become more resilient, as was evidenced during the recent global recession.

On the other hand, some economies have been weakened by radical populism, which has taken root in Venezuela, Bolivia, Ecuador, and Nicaragua. In Venezuela, the Chávez regime has formed a strategic alliance with the world's leading state sponsor of terrorism (Iran) and has aided multiple terrorist groups, including the Colombian FARC, the Spanish ETA, and the Iranian-backed Hezbollah. In Nicaragua, Sandinista leader Daniel Ortega has returned to his old ways, and he is gradually eroding constitutional checks and balances. With the world distracted by other news, Nicaraguan armed forces recently invaded the sovereign territory of Costa Rica, a country that has no military. As we meet here today, Nicaraguan troops continue to occupy a Costa Rican river island, despite an OAS resolution calling for them to leave the area.

In short, Latin America offers much to make us cheer and much to make us worry. I will discuss the positive developments first, before turning to the negative.

Smart economic management and increased foreign trade have helped many countries become better prepared to weather global financial storms. Fiscal deficits have fallen, tariffs have been slashed dramatically, and the nontariff barriers to trade have been reduced even more. Prior to the 2008 global crisis, Latin America was experiencing its best economic performance in a quarter-century, which was fueling the growth of a broad middle class. According to the Economist magazine, some 15 million households emerged from poverty between 2002 and 2007. It is not unrealistic to expect that a majority of the region's population will soon belong to the middle class.

In short, Latin America is on the right economic path—but we shouldn't celebrate just yet. A good part of its pre-2008 economic growth stemmed from favorable external factors, such as high commodity prices and low interest rates. It is worrisome that, with only a few exceptions, Latin American governments did not take advantage of the commodity boom to push for labor and tax reforms that would have made their economies more competitive.

During the pre-2008 expansion, Latin America's growth rates were relatively high, but they were still below those in Asia. Latin America has also trailed Asia in poverty reduction, and its levels of income inequality continue to be the steepest in the world, largely because of its education deficit. Indeed, Latin America is lagging in both the competitiveness of its universities and the number of its students who attend the world's best schools. Last year, the Times of London published a ranking of the top 200 global universities. Only one Latin American university—the National Autonomous University of Mexico—made the list, and it ranked 190th. Similarly, the number of Latin American students attending U.S. universities is relatively low. And while Asian universities emphasize engineering and the hard sciences, Latin American universities tend to focus more on the social sciences. Diversity of knowledge is to be welcomed, of course, but information technology is the industry with the largest worldwide growth potential. And according to a recent report, Latin America will experience a shortage of 126,000 computer engineers this year.

Education is clearly one of the region's major long-term socioeconomic challenges. Its short-term security challenges include the drug war, attacks on democracy, and the growing influence of Iran. Narcotrafficking has brought terrible bloodshed to Mexico and could destabilize small countries in Central America and the Caribbean. Populist governments in Venezuela, Nicaragua, and elsewhere have undermined democratic institutions, scared away foreign investors, and menaced their neighbors. Russia has sold billions of dollars' worth of arms to Venezuelan strongman Hugo Chávez, thereby threatening to unleash a regional arms race. Meanwhile, Chávez has enabled Iran to greatly expand its strategic footprint in Latin America, and his

government has also assisted the Iranian-sponsored terrorist organization Hezbollah.

I believe the Venezuela-Iran alliance represents the biggest threat to hemispheric stability since the cold war. Their close financial cooperation is especially disturbing. Iran's Banco Internacional de Desarrollo is now operating in Caracas, despite being sanctioned by the U.S. Treasury Department for its links to the Iranian military. Speaking to the Brookings Institution in 2009, former New York City district attorney, Robert Morgenthau, warned that "a foothold into the Venezuelan banking system is a perfect 'sanctions-busting' method" for Tehran.

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It is no longer possible to deny that Chávez poses a serious threat to U.S. security interests in Latin America. A 2009 Government Accountability Office report confirmed that the amount of cocaine transiting through Venezuela has increased "significantly." That is alarming but not surprising, given the extent to which the Chávez regime has supported and sheltered Colombian narcoterrorists belonging to the FARC. Just a few weeks ago, Chávez promoted Venezuelan military officer, Henry Rangel Silva, to the rank of "General in Chief," even though the U.S. Treasury Department has accused Rangel Silva of aiding the FARC.

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Julio César Gálvez, one of the liberated prisoners now living in Spain, told the Associated Press, "Our departure (from Cuba) should not be seen as a gesture of goodwill but rather as a desperate measure by a regime urgently seeking to gain any kind of credit." The Castro brothers know that the Cuban economy is in dire condition, and they know that Washington could throw their government a lifeline if it were to eliminate the U.S. travel ban. Congress is currently debating legislation that would scrap travel restrictions and provide Havana with a massive infusion of hard currency.

Yet, as the Washington Post argued in a recent editorial, "Fundamental changes of U.S. policy toward Cuba should await fundamental reforms by the regime. When average Cubans are allowed the right to free speech and free assembly, along with that to cut hair and trim palm trees, it will be time for American tourists and business executives to return to the island."

That sounds like the correct strategy to me, but I look forward to discussing this issue (among many others) with the committee.

Senator DODD. Thank you very much, Mr. Ambassador. Again, I appreciate your testimony.

We've been joined by my colleague from New Jersey, Bob Menendez. Bob, thanks. Obviously, he has a deep, deep interest in the subject matter that has brought us all together.

I'm going to do something a little bit out of the ordinary because I know colleagues have to be in different places. Dick, I'm going to defer to you right away for any questions you would like to raise, because I know people have schedules to do. So I'll defer my questions until you've had a chance to raise your own.

Senator LUGAR. I'll wait for you, Mr. Chairman.

Senator DODD. Senator.

Senator RISCH. I'll pass, too.

Senator DODD. Are you sure?

Senator RISCH. Yes.

Senator DODD. Well, let me just—there are so many questions that are raised with you here. Let me start with Brazil a little bit,

because obviously there's a lot of excitement about Brazil's role hemispherically, the old expression: Brazil gets the sniffles, the rest of the region gets pneumonia. And conversely, if Brazil is doing well, then there's also great news for the region, given the implications and just the shared borders and economics. There's a lot to encourage what's occurring in Brazil.

When I was there early this year, I think in the state of Sao Paulo alone, in the midst of our own crisis and with the automobile issues, I think there were some 95,000 Chevrolets sold in the province of Sao Paulo alone, as an indication of how they were doing versus our own economic situation at the time.

Energy issues, very exciting, what's occurring; very green; moving in the direction, under President Lula. Had good elections, I gather. They hadn't occurred yet, but there was a lot of preparation, anticipation of the outcome, although it was a little closer than I think people thought it was in the end, with the runoff that occurred.

But we've also seen Brazil—and Secretary Clinton I thought made a valiant effort prior to President Lula's decision to go to Iran to try and discourage that participation. I was there as well and made an effort, quite frankly, to try and dissuade him from that step. I didn't see the value in it particularly.

But I wonder if you might just share with us your own quick observations about Brazil's role, both regionally, which is important, but also this reaching out to become more of a global influence, and what you make of that. Or is that just something—was that a particular decision that President Lula wanted to make, maybe in anticipation now that the new administration will be more focused domestically and regionally, rather than internationally as President Lula had been?

Anyone want to start with that? Yes, go ahead, doctor.

Dr. ARNSON. I'll take a crack at that. Brazil is currently the eighth largest economy in the world. In the coming decade, some projections are that it will be the fourth or fifth largest economy. It produces 40 percent of the GDP of the entire hemisphere.

Brazil traditionally has been inward-looking. To the extent that it has had foreign policy ambitions, those have been focused on its neighbors in South America. But I think that under the current leadership there has been a desire to play a greater role on the world stage.

My own sense is that President Lula exaggerated his ability as so-called "third world" country and as a man of the left to play an influential role, for example, in brokering the Israeli-Palestinian crisis and certainly in playing a role regarding Iran's nuclear policy.

That said, there are others who believe that the agreement that Turkey and Brazil were able to negotiate with the Iranian Government should have served as a starting point. It was certainly not sufficient, but incorporated a number of the elements of previous U.S. proposals, and should have been taken up and pushed further.

I believe that the new government of Dilma Rousseff will be less anxious to solidify a relationship with Iran. Rousseff herself is a victim of human rights violations in Brazil, was brutally tortured, and I think is fully cognizant of the role of women in Iran and also

of the significant human rights violations that take place under the regime.

We should expect that Brazil will continue to assert itself in the hemisphere as well as around the globe. Those initiatives will not always be welcomed by the United States, but I think to the extent that we can work creatively and diplomatically, as our Ambassador, Tom Shannon, has done, to engage the Brazilian Government and work toward common ends, we will only enhance our influence.

Brazil is the case par excellence of how the new-found economic dynamism, social cohesion, and reductions in poverty and inequality have served as a basis for a greater projection in many parts of the world. Brazil aspires to a place on the U.N. Security Council, as a member of the so-called BRICs, sees itself as the wave of the future. And quite frankly many people in Brazil and in the Brazilian Government see the United States as a power in decline. So we should expect that there will be ongoing frictions, but also good opportunities.

Senator DODD. Again, this is one of the cases where I think President Bush and the relationship between President Bush and President Lula was a very dynamic and positive one, and I think was the cause of—I hope I didn't sound critical. I disagreed with that decision on President Lula and Iran, for the reasons you've explained. But there has been a very constructive and positive role that Brazil has played regionally as well, and very exciting.

I visited their Bolsa. The exchange is one of the most dynamic to see. I think 90 percent of the public companies in Latin America exchanged on that highly electronic Bolsa that is really a model of what electronic trading can be. So it's a very, very exciting place to be, and I think there's a tremendous opportunity.

Anyone else want to comment on the Brazilian situation?

Yes, Mark.

Mr. SCHNEIDER. I think that the one thing is that Brazil in its relations with the rest of the hemisphere clearly has a desire to be seen as not a directing figure, but as a country that is always ready to cooperate. I think you're going to see Lula perhaps playing a role in UNASUR and I think that there's a likelihood that Brazil potentially would be one of the countries, given its strength economically and its basic democratic values, that the United States should be thinking about counseling with on issues where we're concerned about other countries moving away from democratic values.

The only other point I would make is that in Africa, Brazil has a certain degree of receptivity. Again, where that is possible, it's something where we should talk to Brazil about issues going on in Africa, particularly development issues. As you mentioned earlier, Bolsa Familia is a fantastic program.

One of the things to remember, though—and here's where Brazil could play a role hemispherically through the IDB and the World Bank—is that all of the conditional cash transfer programs in the hemisphere, all of them, constitute only four-tenths of 1 percent of GDP. If they were expanded, if they were doubled to 0.8 percent, eight-tenths of a percent of GDP, it would have an enormous impact on poverty and inequality.

One of the things in the recent report by Sao Paulo is that it shows what just this minor sort of increase could be. Brazil could play a leading role in helping make that happen out of the World Bank and the IDB.

Senator DODD. Well, they're going to have quite a stage now, with the World Cup and the Olympics coming up in the next few years.

Mr. SCHNEIDER. That's right.

Senator DODD. Quickly, anyone else want to comment on this?

Do you, Mr. Ambassador?

Mr. DAREMBLUM. Yes, just a couple of very short comments. Brazil has really been an example for many Latin American countries of how it is possible to have a wise and prudent management of the economy, combined with very impressive social programs—of which, of course, Bolsa Familia, which was initiated by President Cardoso and continued and expanded by President Lula, has been replicated throughout Latin America and even in cities here in the United States, I think New York, are now testing this type of strategy.

On the foreign policy aspect, I don't tend to get so alarmed by Lula's flirting with Ahmadinejad. I think in the case of Ahmadinejad he overdid himself. I think that crossed the line. But in general, the phenomenon that we have seen in Brazil, which is not too different from a phenomenon that existed for many years in Mexico, is that leaders who wanted to pursue market-type economic measures—opening up to free trade, opening up to opportunities for private enterprise—had to play the left card in foreign policy as a consolation to their constituencies.

In the case of Lula, Lula comes from the party of the workers, Partido dos Trabalhadores—very much to the left. This is the same thing we saw in Mexico: how much Presidents, even President Zedillo and the ones before him, really exceeded in their movements toward the left in order to pacify their constituency in the PRI.

Senator DODD. Thank you very much.

Senator Lugar.

Senator LUGAR. Thank you, Mr. Chairman.

Just following through on the colloquy on Brazil, several years ago—and this problem still continues for our country—many people saw a great urgency in greater energy independence for the United States, with less reliance on oil, especially that from the Middle East and hostile states. One of the exciting developments in Brazil was the development of ethanol from sugar cane and the diversification therefore in the transportation system, which gave Brazilians a choice between ethanol and a petroleum-based fuel, one which has never been a possibility for American motorists.

That energy situation has grown. It's been desirable as the world has begun to take more of a look at climate change issues. The Brazilians have resented the fact that we have had a tariff really against importation. This is largely because the fledgling corn ethanol industry in our country, a first attempt really to gain some degree of energy independence, has required protection, at least some would feel.

I mention this because I had many conversations with the Brazilian Ambassador and other Brazilian officials during that period of time, suggesting perhaps that we ought to have a partnership on energy, in which we encouraged other countries in South and Central America who had sugar cane or other products, for that matter, to develop energy resources that were going to be important for the United States and important for them as the new method of income, and likewise, to get to a point some of you have made in terms of information services, scientific endeavors, entrepreneurship, and what have you, to move off into different channels.

This really has never taken off and I am sad that that's the case, but it need not be the case forever. But I am energized by the discussion today to say that, of course, Brazil has gone well beyond leadership in energy resources. We've been discussing diplomacy, the increase in gross national product, and many aspects of it.

What if a new initiative were to be created in the United States in which we really indicated to the Brazilians, and hopefully they reciprocated, that the two of us have an opportunity, but maybe also an obligation, to be helpful not only to our own citizens and our economies, but together to tackle the problems that you have mentioned and I've sort of ticked off as you all discussed: the problem of agriculture, for example, and the problem of basic nutrition for many countries in the region.

Clearly, the problem of education at all levels, without which citizens in our own country are not going to prosper is going to be equal in difficulty in Latin America. This is particularly crucial given that you've indicated in Brazil, as I recall, or some countries, the youth may constitute 50 percent of the population presently. This is a horrible deficit if you start out in a world economy that's already competitive. In other words, we've tried to grasp some very big issues—energy, education, agriculture, and food and nutrition, in essence, and see if we can make some progress in this respect, where it might appear that the United States is not in a preaching attitude, looking at others sort of in a missionary aspect, but rather in a partnership with a strong country, the eighth-largest economy in the world, in which we all think in a compassionate but constructive way about our hemisphere.

I mention this because in our own country, as all of you would observe, we have a great deal of polarization right now on the immigration issue. We have problems that are exacerbated by the drug problem, because in fact drug demand in our country many would say drives the whole train of drug situations throughout Latin America. This brings about all kinds of misunderstandings with our near neighbor Mexico, which is a tremendously helpful partner. But at the same time, when the President of Mexico came to the United States, he had some very sharp remarks to make in the joint session about arms going into Mexico and about various other ways of enforcement.

So I don't want to skip Mexico, but on the other hand, we have some polarization that is not going to evaporate in our domestic politics. In any event, it is important to sort of reach out to Brazil at this point it may also be helpful, if the Brazilian leadership is interested in the prestige which comes with recognition of being a

leader in this respect. They need not then go off to Iran or find the Turks somewhere along the trail or try all sorts of unusual alliances to gain attention, to gain prestige.

So let me just ask you for your impressions of a new partnership, but in this case a very big one, in which we come really into a different kind of relationship voluntarily, but likewise as people who are sincere about our humane interests, as well as the economic fortunes.

Mark.

Mr. SCHNEIDER. I think that that would be an excellent initiative. I think that actually that would be the kind of initiative that could take place not solely with the United States and Brazil alone, but would also very quickly draw others together, possibly partnering with the IDB and the World Bank so that you have available matching resources.

Brazil, by the way, in the area of education has been doing some quite exciting things in terms of expanding access. There are programs that provide teachers with special opportunities, bonuses for being a good teacher, and opportunities to obtain higher education degrees. There's a strong effort in Brazil to move education out into their rural poverty area as well.

So I think in agriculture also, that there are excellent areas for potential partnership. I would think that the administration here—if you remember, Secretary Clinton and President Obama have this initiative on food, nutrition, that they're trying to push forward. I would think that that would be something that would be very sympathetically received by Brazil.

Senator LUGAR. Yes, Joy.

Ms. OLSON. I think it's a wonderful idea, too. I think it would be worth giving some real thought to how to set up some different kinds of models and discussions. The thing that compels me is that there are so many issues where a number of countries, not just us and Brazil, but so many countries in the hemisphere, are fundamentally addressing the same problems.

If you talk about urban violence, some of the same gangs exist in the United States that exist in Central America. If you watch what's been going on in Brazil the past few days in trying to deal with gangs in Rio. Colombia has similar issues. This issue of violence—it's not just about top-level organized crime. It's about violence prevention—what do you do in terms of good government on violence prevention. Defining things in terms of good government really would be an interesting way to do it.

The other thing I would say is, on drug policy, there is an opportunity right now for a drug policy dialogue. My office for the past 3 years has been involved in what we've been calling "informal intergovernmental drug policy dialogues" with Latin America. Representatives from the Brazilian and other governments have been involved in these discussions.

The fascinating thing is these dialogues have been off the record, and an opportunity for vice-minister-level people and some academics to sit down and say: What works in terms of harm reduction strategies? What's the situation in terms of long-term incarceration of nonviolent low-level offenders and prison overcrowding?

Really, the same problems that the United States is trying to figure out how to address right now.

So I think we should try to identify problems where we're really dealing with the same thing, in somewhat different contexts. We should look at how to create a different kind of discussion that's really about how we solve these problems in our own communities, while learning from each other.

Senator LUGAR. Yes.

Mr. DAREMBLUM. I think your initiative, Senator Lugar, is excellent. That's really the way to go between the United States and Latin America in diplomatically solving a number of problems.

Actually, a partnership on education was announced at the Presidential Meeting of the Americas in Trinidad and Tobago in April 2009, in which President Obama announced that he would inaugurate a major partnership to promote education, to further education. Well, unfortunately, we're still waiting for that.

Also, in terms of energy, I recall that during a visit of President Lula with President Bush, a partnership for energy was announced and some sort of an accord was established with the participation of the Inter-American Development Bank, the IDB. It called for the creation, or for the establishment, of a number of pilot projects of plants for the production of ethanol. One of them was built in El Salvador. Whatever happened to this initiative since then, I don't know. But it was a great idea.

Thank you.

Senator LUGAR. Yes.

Dr. ARNSON. If I could just add for one second, because I know we're over our time. I believe there are such partnerships under way and I simply do not know enough about it. But I think that Secretary Clinton and Assistant Secretary Valenzuela have been involved in kind of fostering the very kind of alliances that you've suggested.

But I'd also come back to something that you said earlier, which is that our own domestic politics complicate our ability to engage in these kinds of partnerships. Brazil is deeply resentful of the tariffs that exist, that prevent the import of Brazilian ethanol into the United States, even though sugar cane ethanol is produced much more cheaply and in a much more environmentally sustainable way than corn ethanol. So it's a classic example in which the United States appears to not exactly practice what it preaches, both in terms of open trade regimes and the fostering of alternative energy.

But I agree that this is a critical area, and to the extent that the United States and countries of the region can partner in ways that are to everyone's benefit, it's only for the good.

Senator DODD. I would just make one observation: 75 percent of the population of Latin America are living in urban settings; 50 percent of the population living is under the age of 18. A lot of times our relations are state to state. In fact, one of the ideas which I raised with Secretary Clinton, and she seemed to have liked, is thinking about how we might start talking about these mayors and these governors in Latin America, where a lot of the most creative thoughts and interesting things are occurring.

Too often, we overplay that. It is state to state, rather than starting to look at emerging leaders. I think of the former mayor of

Bogota. He lost the Presidential election to President Santos, but a very interesting mayor, a very popular mayor of Bogota, for instance. Governor Serra of Brazil, lost the election, but I think most people recognize him as a very competent governor of that state.

Maybe we ought to be spending a little more time looking at the relationships at that level, and given again the urban concentration—not to minimize the importance of the rural areas, Mark, you talked about—but it might be a way of really consolidating.

And last, to just mention, I don't know if we ever did this before—the reason I mentioned President Bush and President Lula is because I remember when they met and everyone anticipated this very uneasy, uncomfortable meeting. I remember having dinner that night with President Lula after the meeting. They had spent about 1½, 2 hours together. They developed a very good relationship.

It's the only time I know that President Bush has suggested we establish Cabinet-to-Cabinet meetings, that President Bush's Cabinet and the Brazilian Cabinet actually met. I don't think it's happened anywhere else since. Maybe it has, but I'm just not aware of it.

But it was intriguing to me that they actually had that kind of a relationship. It was interesting.

Senator LUGAR. If I may—

Senator DODD. Yes.

Senator LUGAR. My only point, I suppose—and I think those are excellent suggestions. But the whole relationship needs to be elevated in a public relations way.

Senator DODD. Yes.

Senator LUGAR. In other words, if Secretary Clinton were to come to this hearing some day and say, I have a great new idea. Or the President could announce it during his State of the Union and Secretary Clinton subsequently comes to discuss it with us in more detail, and so forth. From there, the governors, the mayors, and others could participate in the initiative. But for the moment, our hearing today is about the overall relationship and the need to elevate this in a more exciting, intriguing way which captivates the attention of the American people and, we hope, maybe the Brazilians. Such an initiative could probably only start from the top and then work its way down.

Senator DODD. You're right. I agree with that.

Bob, sorry to encroach upon your time.

Senator Menendez.

**STATEMENT OF HON. ROBERT MENENDEZ,
U.S. SENATOR FROM NEW JERSEY**

Senator MENENDEZ. Thank you, Mr. Chairman.

First let me say that, as someone who for the last 18 years since I came to the House and then the last 5 here in the Senate, have been focused on the Western Hemisphere, I appreciate your leadership in so many ways, because it's a rather small universe of Members of Congress who are focused on the Western Hemisphere.

So while we may not have always agreed, although I think 95 percent of the time we did, we certainly—I certainly appreciate

that, and I will miss you not being here in that and other regards as well.

I think a lot about this and I care less about, for example, what the Chavezes of the world do and I care more about what we do. I had high expectations—the new administration, certainly at the outset, did certain things that I said, wow, we’re finally going to have some real time and attention here to our own hemisphere, our own front yard.

Then it sort of like dissipated. Now, I know there are many world events taking place, but I think there’s a crying clarion call for attention in the Western Hemisphere in our own national interest, in our own national security, that goes beyond being a good neighbor. Certainly we can and should be a good neighbor, but when, as some of my colleagues have said, when we talk about undocumented immigration and the challenge of immigration reform in this country, people leave their countries for only two reasons: civil unrest or dire economic circumstances. There’s a reason and an opportunity to try to work on that.

There is a real opportunity to understand that our challenges with narcotics, if you don’t give a poor coca farmer something else to grow that is sustainable or some other sustainable development opportunity, he’s going to do what he has to do to take care of his family. But that ends up in the streets of New Jersey.

If in fact we care about growing our economy, then certainly having a more robust middle class in Latin America and the Caribbean, which has a propensity for U.S. goods and services, is in our economic interests.

Diseases that know no boundaries or borders have re-surfaced, that we had largely eradicated. The question of energy is so pressing for us hemispherically and there are great opportunities, including trying to preserve the largest carbon sink in the world.

And the list goes on and on. Collective security in this hemisphere. So I listened to the individual issues, but I say to myself, what is our agenda? What is the national agenda of the United States as it relates to the Western Hemisphere? And I’m not quite sure that I can define it.

I look at the enormous inequality, which is one of the underlying root causes of the challenge that we have in the hemisphere, and I say, well, we can’t do that alone. Why can’t we find ways to reorient that which we do in a way that ultimately seeks to deal with some of those root causes, which is why I created the Social and Development Fund for the Americas, which got a fair amount of bipartisan support, but we haven’t been able to ultimately move it.

I look at our way—at what’s happening in the context of narcotics, and I think we’ve totally lost our way in this regard, in terms of understanding all of the elements, including demand issues here in the United States. And I say to myself, doesn’t Elliot Engles, which I support, Western Hemisphere drug policy that has provisions that I included in some of the things that Senator Kerry and I did here, shouldn’t we be moving in that direction.

I think about the OAS as an institution that could and should play a more vital role. But it needs some reforms. Unfortunately, we have a bill that does exactly that, that has bipartisan support,

but it is being stopped by some members simply because they want to make a statement about Honduras.

Well, this doesn't give us any sort of an agenda at the end of the day. If that doesn't happen legislatively from the Congress, and if the administration doesn't really have a cohesive agenda that has this and so much more, then the Latin Americans look and say: Well, what's the U.S. interest as it relates to us?

So we talk a good game about being interested, but it seems to me that we have not quite had the agenda that engages the Latin Americans and therefore continues to permit a vacuum in which the Chavezes of the world can move forward.

So I'm wondering—and then I hear in my present role as the chairman of the subcommittee of all of our foreign assistance, I hear about changes in that regard that may very well mean less resources for the Western Hemisphere at a time in which there are greater challenges in the Western Hemisphere, and that worries me.

So I'm wondering, from your perspective, how do we get control of and create an agenda here that will be meaningful for the United States, obviously in its national interest and its national security, but at the same time engages the Latin Americans in a way that I think Senator Lugar was talking about vis-a-vis Brazil leading. But we need hemispheric engagement at the end of the day. Maybe some people can be a catalyst to that. So I'd love to hear that.

Then the only other question I have—that's a very generic question, and I'd like to hear as part of your answer whether any of the things I've mentioned, some of the legislative initiatives, make sense.

Then I have a dear affection for Colombia and have been a strong supporter, but I look at the latest set of events with President Santos. You know, he took office in August. He has met several times with Chavez. They both have vowed to dramatically improve their relationships. That may be a good thing. He recently complied with Chavez's wishes in granting—this is President Santos—in granting the extradition of a Venezuelan drug kingpin to Venezuela rather than to the United States. Both had made requests to do that.

Some suggest that Chavez wants this gentleman, Macled, at home to keep him silent or press him to recant his testimony. The Santos government has no immediate plans to submit to the Colombian Congress a new bill authorizing the presence of U.S. troops in several Colombian military bases. And I see all of this and I say it's one of two things. Colombia has Venezuela as a major exporter of its goods, so it has economic interests. I understand that.

Then the other thing is he's playing poker, which I like to do myself, and whether or not in the process of playing poker we're getting closer to Chavez, at least in the honeymoon period, so we get the United States to respond, whether on a free trade deal or something else.

So in any event, I'd like to hear some responses to these perceptions. In the first instance, how do we get an agenda that we can

move forward. Then what do you think about what's happening with President Santos?

Ms. OLSON. Thank you. If I may, Senator—

Senator DODD. Have you got the microphone there, Joy?

Ms. OLSON. Sorry.

I'm really interested in your early remarks about reconceptualization and coming up with an agenda, because I really thought about this as I was working on the testimony. It feels like we are at this moment where there needs to be a different kind of definition of things that in many ways makes us more relevant to the region. The term I kept coming back to, which I know is not new and I think Abe Lowenthal came up with a long time ago, was the idea of being able to think and develop policies intermestically—being able to have a policy discussion that is about drug policy here and drug policy in Mexico and drug policy in Brazil and Europe, to be able to think about these things much more holistically than we do right now.

I know that the committee structure of Congress doesn't really lend itself to that, but I do think that that's the challenge. And not just on drug policy; on others. But I would agree with you that this Western Hemisphere Drug Commission—the bill that passed the House and is being worked on over here—is really a step in the right direction. It also signals that we are willing to give some profound thought to what works and what doesn't work, which I think is the basic issue that needs to be addressed.

Another thing on the intermestic conceptualization front: I think when it comes to migration and development, we have to think about them together, but we don't. It's extremely hard, and I know you've been working on this for years, to get anybody to talk about economic development in the context of the immigration debate, or not even the debate, but just in the concept of immigration.

I think that it's the challenge, not just in formulating a policy agenda, but almost in reforming how we all think about the region and developing policy and problem-solving.

Just lastly, because I think this is exciting, we're in discussions right now that came out of work that WOLA was doing on youth gang violence in Central America. What we were seeing was there were models of communities both here in the United States and in Central America that had reduced violence where gangs were present. So one of our questions was, how do you end up with national policies and regional citizen security policies that learn from and reinforce and support what we know works at the local level.

Senator Dodd, this goes to your point of us sometimes being good at these government-to-government discussions. But when it comes to violence prevention, it isn't just done at the government-to-government level. In places where things really work, it's because there's intense coordination going on between schools, church programs, after-school programs, local business, where there's smart policing that's rights-respecting, that's targeted on the violent elements of the gangs and not just on arresting large numbers of young people.

It's this coordination piece. So one of the things that we're in discussions on right now with people both at the World Bank and at the IDB and with almost all of the Central American govern-

ments—and this came out of the work with the nongovernmental community—is: how do we develop a coordinating mechanism? Because a lot of money is being spent on citizen security issues in Central America. How do we facilitate the kinds of discussions that will develop more effective policies at violence prevention?

So I think we're at this point where there's a real need for reconceptualization.

Dr. ARNISON. I'd like to briefly address your final comment, Senator Menendez, about the actions of the Colombian Government. I think that what Santos has done over the last 100 days is a classic representation of the way South American countries are defining their own national interest in ways that are not necessarily the same as the way the United States sees its national interest vis-a-vis that country.

I can only speculate as to the reasons that Santos agreed to extradite the drug trafficker back to Venezuela as opposed to the United States. But the Santos government has a very strong interest in preventing the FARC from using Venezuelan territory, in securing Venezuelan cooperation in a greater and tighter control of the border area, and there are many other things that Colombia cares about vis-a-vis its own immediate neighborhood that are of critical importance to them, and possibly we don't see the same—we don't see the things eye to eye.

I think that the desire to assert independence from the United States started with the radical-left, but includes the social democratic left as well as the center-right. I think this is a classic example. There is a decoupling of the way Colombia defines its own national security interests and the way the United States has defined that alliance. In other words, under the previous administration I think there was a complete coincidence, particularly between the Bush administration and the agenda of the Uribe government. There are many analysts in Colombia on all sides of the political spectrum that see that Colombia paid a price for that within South America in particular. The bases agreement was very costly diplomatically to Colombia within the region because of the way it was handled, and there is obvious dissatisfaction with the failure of the U.S. Congress to move forward on the free trade agreement.

So I think Santos has decided that Colombia's insertion in Latin America, given the degrees of intra-Latin American trade and investment and south-south cooperation, is more important to him right now than the relationship with the United States. He has visited many countries of the region. He came to New York for the U.N. General Assembly. He has not come to Washington. I think the message could not be clearer. Again, it's an expression of assertiveness that poses a challenge to us, but not necessarily an irreconcilable difference.

Mr. SCHNEIDER. Could I—if I could, let me just take a little bit of a different point of view on the last point. I don't think there's any problem with respect to Santos and the relationship with the United States, No. 1.

No. 2, I think that Santos made it a significant part of his political decision to demonstrate distance from the previous administration in a variety of ways. He opened up relations with the judiciary, where there had been a horrendous confrontation. He made it

clear that he was going to look at the issue between the previous Colombian Government and civil society in a different way. He was going to talk about the rights of the human rights activists and the human rights groups, that they were not the enemy. He talked about the possibility of exploring negotiations with the FARC. All things that were not done before. He submitted to the Congress three pieces of legislation: one on land restitution, one on land reform, one on doing away with the DAS. He also most recently submitted a new slate of candidates for Attorney General to the Supreme Court.

These were actions that were designed to say: I'm independent, I think that Colombia needs to move in a different direction. Yes, we're going to continue to be tough militarily against the FARC, but we have an opportunity to go in a different direction.

With respect to Chavez, I think here Cindy is absolutely right. When you go to the border and you talk to the local authorities about how they deal with the problems, they're totally overwhelmed by the capacity of the FARC, the ELN, drug traffickers, to move back and forth across the Venezuela border as they wish. The reality is that if Santos can get from Chavez a decision to actually put some constraints on that flow, particularly in terms of the FARC having any sanctuary there, it would be a major advance in putting pressure on the FARC, hopefully pressure that will ultimately lead to some kind of negotiated end to the conflict.

I think at the same time, it's not in Chavez's interest to be seen as someone who cooperates with and provides support for drug traffickers. So I think Chavez did extradite a couple of suspect traffickers to the United States. He's been playing this issue lately.

I did want to also say with respect to three issues that you had raised. One, a social development fund. This issue should be a bipartisan issue in terms of our relationship with the hemisphere. I would hope that the next Congress would move your bill if you can't get it through during this lame duck.

Second, on the Western Hemisphere Drug Policy Commission. That in fact could partner with the blue ribbon panel on the same issue that the Latin Americans did themselves, Presidents Gaviria, Zedillo, and Fernando Henriquez Cardoso, which basically said: This is not working, not only not working in terms of U.S. concerns, but also not working in terms of our countries. So I think this is an issue where you can in fact find a way to move forward together with Latin America.

On the OAS strengthening, I think it's clear that there's a need to do that. I actually would urge giving the OAS greater analytic capabilities in terms of conflict prevention through an early warning system and the ability to mount more effective diplomatic responses.

Now, in terms of how do you get a new strategic Latin America agenda in this administration, I think you have to harness the Hispanic Caucus. I think they have to be making this one of their priorities going to the President. Ultimately a new strategy must come from the White House and I think both of you, are better able than I am to set out that kind of a strategy. But that's where it has to take place.

Senator DODD. Go ahead.

Mr. DAREMBLUM. I think that I agree with all the previous speakers, but I think also that there is another ingredient in talking about Santos. It is the ingredient of a vacuum that many Presidents, many leaders in South America, are feeling in terms of a lack of engagement with the United States on a number of problems.

So I think the idea of partnering with Latin American countries on a number of things is a great idea and a way of getting them involved and getting them to be a part of a U.S. initiative.

Let me say that, in terms of drugs and narcotrafficking and human rights in general, there are two agencies which function within the aegis of the OAS, but they are autonomous of the OAS, and they have been functioning rather well. One is the CICAG, which is cooperation among police forces, law enforcement, judiciaries, concerning terrorism and concerning narcotrafficking, which has been working. I've heard a great deal of satisfaction from the governments in this regard.

Also in terms of human rights, the Commission on Human Rights has been working very well. I think they really represent the steppingstone on which to build future initiatives among the various governments.

Senator DODD. Let me just add. Bob, I think you're so terribly thoughtful and cognizant. We just don't talk about enlightened self-interest. We talk about what we can do for these countries instead of, as you framed it so well, what's in our interest, our common interest. There's nothing wrong with enlightened self-interest.

In every one of the subject matters you raised, there is an enlightened self-interest that I think we in the public arena have not done a very good job of articulating to our constituencies. I think, in fairness to the Obama administration, I have the same sense of regret in a way, and I think you said it well. Obviously, Afghanistan, Iraq, other issues. There are only so many issues they can grapple with at the same time.

I had really hoped that President Obama would get to Brazil between the election of the new President and the inauguration in January. I thought it would be a great visit to make in the region. So I know there's a lot of pressure on them to do these various things. My hope is that maybe now there will be some attention to this, because I think it's good politics for all the reasons you've identified.

I want to just ask you quickly at the table. I expressed my view that I thought we ought to—I had hoped we'd get in the lame duck session to the ratification of the Colombian Free Trade Agreement and the Panamanian Free Trade Agreement. Would you just give me a quick yes or no, would you be in favor of that? Are you in favor of that, Mr. Ambassador, those two treaties?

Mr. DAREMBLUM. Yes, of course.

Senator DODD. Joy? I know the conditions you have. I just want to get sort of a yes or no. We all get asked that question, too, and we never answer very well.

Ms. OLSON. Panama, yes. Colombia is moving in the right direction on some things, and I think figuring out how to leverage that progress at this particular moment is a good idea.

Senator DODD. Cynthia.

Dr. ARNSON. Yes; on both counts.

Mr. SCHNEIDER. I think that I agree with the point that Joy just made. You have to come to a judgment that approval—at this stage—with respect to Colombia, is going to support Santos in continuing the reform path, particularly on human rights, on which he has embarked. But you have to come to that clear judgment.

Senator DODD. Let me ask you this, and again going to what Bob's point was. One of the things that again struck me when I was back in the region again earlier this winter and spring in Central America, that Bob Corker went with me on, and we were in all four of the countries plus Panama, the Central American countries, the sovereignty issue. Again, we would hear this over and over again. Obviously, sovereignty is a critically important issue in Latin America. Yet when you look at the drug issue, in just the Central American countries—and I happen to think President Lobo, by the way, is doing a very good job in Honduras, in the wake of all the difficulties we're familiar with. President Chinchilla, I was there for her inauguration in Costa Rica, and I think—I've known her in the past. My brother was there. She was the I think Minister of Justice.

Mr. DAREMBLUM. Minister of Public Security.

Senator DODD. Public security, she was at the time.

President Martinelli in Panama. There are some good people there. But the problem is the cartels seem to know where to move based on whatever country is investing in its security resources. Either offshore, onshore, they play it like a harp. So the greatest asset for the cartels are in fact the very sovereignty issues that these adjoining countries embrace, so that there's very little, or at least not enough, cooperation where there is the notion of this is a common threat, a common problem.

I realize there's a lot more to this issue than merely this, but it strikes me that until we can convince these countries to start to really work cooperatively and get resources working in the same direction, sovereignty is the greatest asset the cartels have, in a sense. Anyway, that's my observation.

Any thoughts quickly on that subject matter?

Mr. SCHNEIDER. Let me just offer two positive comments. One is all the Central American countries now recognize that they are under attack and that they don't have the resources themselves to withstand it. They all recognize that. So they're all reaching out.

So if we were able in fact to come up with a significant cooperative effort—the administration has the Central American regional security effort. But it has not yet developed in a way that provides the kind of institution-building resources that are needed. The other is that you have on the military side JIATF-South, which does involve every Central American country. I think that that actually is a useful thing. The second is through the Central American Integration System—known by its Spanish acronym, SICA. That hasn't been used effectively to try and deal with the question of sovereignty in a way that permits you to have cross-border cooperation, intelligence-sharing, et cetera, and that might be an avenue for them to also adopt a CICIG model in each Central American country.

Senator DODD. Anything else on that quick point?

Yes.

Dr. ARNISON. There is an attempt to create greater cooperation along the lines that Mark was mentioning, fostered by the Organization of American States, by the Central American Presidents themselves, as well as by the U.S. Government. I frankly don't see the sovereignty issue as playing a role as an impediment as much as the sheer ability of the cartels to corrupt, to take advantage of weaknesses in institutions, weaknesses in the police and the judiciary, in countries' territorial control, which is the way it began in Colombia, and now which is a critical issue in Guatemala.

The cartels are able to exploit these weaknesses and shift their operations in accordance with pressures they might feel or other opportunities that they seek. I'm not sure that the sovereignty issue is as much an issue here as the weakness of the institutions available in the region to combat this.

Senator DODD. That's well said.

There's so much to talk about, obviously, and even in a hearing of 2 or 3 hours we hardly—we haven't even mentioned President Calderon in Mexico in the last 2 hours, our neighbor to the south.

I was very impressed with President Pinera in Chile and very impressed, by the way, with President Correa in Ecuador. Knows our country very well, obviously. Was a student at the University of Illinois. I was very impressed. I had a long lunch with young business leaders in Ecuador, and I fully expected sort of a hostile reaction to President Correa based on what I had heard. Every one of them to a person applauded him, just went out of their way. One of the reasons was because he was treating large corporations—making them pay taxes, do other things. As smaller entrepreneurs, they were paying taxes. They didn't have the influence politically. So he's really creating an environment down there that seems to be working.

I think it's in our interest with people like President Pinera and President Correa, that are not big players economically, although Chile, most of its trade goes to the Pacific Rim, and obviously very stable, but that we realize we've got some allies here. We're going to have our difficulties with them from time to time, but there are some very creative, very smart leadership, new leadership, emerging in the hemisphere that can play a very important role in my view. Because they come from smaller countries or ones that we don't have much to quarrel with, they can become great assets, I think.

President Correa has a great understanding of us and a great affection for the United States in my view. I think Secretary Clinton had a similar reaction in her meeting with him. She met with him shortly after I did. We happened to go in different directions. Alan Garcia, who would have thought? I mean, Alan Garcia—the Alan Garcia that I knew 25 years ago, the one that I know today, is this remarkable leader who's leaving office, obviously, but is just doing a great job.

So can anybody just comment on some of these leaders like this in the region that aren't necessarily the focus of our attention, but what roles they can play.

Yes.

Dr. ARNSON. I appreciate that you raise that because I think the tendency when one looks particularly at South America is to think in terms of Brazil, given the size of the country or the size of the economy. President Ronald Reagan once made a comment, that was ridiculed at the time, when he traveled to the region to say: There are a lot of countries down there. I think that's true of South America and it's important not to lose sight of the variety of successes that go from Uruguay to Chile to Peru.

Senator DODD. Cynthia, excuse me one second. I'm going to interrupt you before my colleague leaves.

I appreciate my colleague's kind comments about my imminent departure after 30 years on this committee and in the Senate. I'll tell you, one of the things I feel very good about is that there are people like Bob Menendez, who care about these issues. When you leave and you care about something as much as I do about Latin America and our relationship, knowing that there are people in this body who care as much, if not more, than I do. He brings not only intellectual interest in this thing, but there are other interests which he brings because of ethnicity and background that are critically important in my view, a passion about this question.

So Bob, I thank you. I feel a lot more secure walking away knowing that there's someone else who's going to carry on. So thank you.

Senator MENENDEZ. Thank you.

Senator DODD. Sorry, Cynthia. I apologize.

Dr. ARNSON. Just to finish, there are countries throughout the hemisphere who are very ambivalent about the emergence of Brazil or the leadership role that Brazil has tried to play in the region, and see themselves as countries with their own interests and who collectively represent a significant economic block, are models of consolidated democracies to greater or lesser degrees.

We shouldn't forget that there are many countries in the hemisphere. The policy right now has focused, quite rightfully, on Mexico. In the past it focused on Colombia. But there's a big hemisphere down there and I think that we should keep the number of countries and their diversity in mind.

Senator DODD. Yes, Joy.

Ms. OLSON. I'm reminded of Tip O'Neill's phrase: All politics is local. I think that in terms of this kind of reconceptualization of relationship, the degree to which we can embrace the idea that all politics is local and that we need to relate to the reality that exists in very distinctly different countries of the region, so that we're engaging with them on their self-interest. That's where we'll start building something different, and I think have better success.

Senator DODD. You made the point earlier, and all of you have one way or another, one of the more difficult things we've had with, unfortunately, not even colleagues here but others, is the tremendous diversity. With the exception obviously of Brazil and some of the English-speaking islands, it's far more complicated than a common language. Just in Central America alone, which the Ambassador knows, the fundamental distinctions and differences that exist even with very proximate neighbors is something that needs to be—I think there's a growing appreciation of that as well.

Look, I want to come back. I can't let you leave without Haiti, because clearly the elections you've talked about, but obviously,

going back to the loss of 200,000 lives, 70,000 people have been affected by cholera, 2,000 lives lost, 1.5 million people living in tents. Typically what happens too often is there is obviously this great outpouring, a very natural sense of outpouring of benevolence and care and generosity in the immediate wake of the tragedy last winter, but also we know as time goes on and the cameras leave and the nightly news programs and so forth move on to other issues, the attention diminishes.

Tragically, this is a matter that deserves our attention. The election obviously is the immediate one in hand. I don't know if any of you want to share any thoughts or ideas. President Clinton, to his eternal credit in my view, just does not quit on this issue. He is just sticking with this thing, and I admire him immensely for his commitment to it. but he can't do it alone, obviously.

I wonder if you just have any thoughts on what else we could be doing, how could we lead in some way. This has got to change, and obviously there's a lot of resources that have gone in. Legitimately, people are going to ask, what's coming back as a result of billions that are being spent. So I wonder if you might just quickly share some thoughts if you have any on this subject.

Mr. SCHNEIDER. Just a couple things. By the way, I would ask that my full statement be included.

Senator DODD. It will be. All of your statement, all your thoughts, will be.

Mr. SCHNEIDER. The one thing in there, it seems to me, that has not been sufficiently focused on and that can be done is the need to have a policy decision on resettlement. You're not going to move 1.5 million people from tents to permanent housing in the next 6 months or a year. But you've got to have a resettlement policy that says, if you're in a particular category, this is what the future holds, including for example, this is what the package of benefits will be to go back to a house which we've decided is structurally sound.

I believe that that's an issue where there needs to be a much greater degree of pressure and consensus-building from here, "here" being the international community, and in Haiti, to make that happen. If there's one thing that I would say between now and whoever is inaugurated, you've got to get that done. That just has not yet been done, and that's not a question of insufficient money. It's a policy issue that just has to be forced through.

The second is, as you mentioned, of the U.S. money, the \$1.15 billion that was approved in August, there is still—as I understand it, it was only very recently that \$300 million was made available for disbursement, and the remainder still is not available for disbursement. It's available for—

Senator DODD. Why is that happening, Mark? What's going on?

Mr. SCHNEIDER. There's a request for the administration to come up with a greater specificity in how it plans to use the money, and that has not yet been satisfied.

Senator DODD. That's not an illegitimate concern.

Mr. SCHNEIDER. Of course it is, but that needs—then they need to be pushed to do it, and it needs to move forward more quickly.

Senator DODD. OK.

Mr. SCHNEIDER. By the way, the United States is actually more advanced than other donors relative to moving their funding from pledge to disbursement.

The other thing: Never forget in Haiti, police reform, judicial reform, rule of law. If that doesn't happen in the next administration—reconstruction and governance is not going to take place. They were partially there before the quake. They were moving in the right direction on police.

Senator DODD. Let me ask you this, Mark. I raised the issue some months ago, back earlier this year, and others have raised it, of the notion of a trusteeship.

Mr. SCHNEIDER. I know.

Senator DODD. I know this is radical thinking, although it's not unprecedented, when you have such a failed state condition and such desperate needs of literally thousands and thousands of people, that the idea—and I'm not unsure this would be not unwelcome, by the way, from some of the reaction that occurred.

It is a radical thought, but I was just curious if you had any.

Mr. SCHNEIDER. I just don't think, for a whole range of historical reasons in Haiti, I just don't think that that is likely to be accepted without a great deal of reaction, including violent reaction. At the same time, there's no question that the role of the international community has to be far greater than the normal cooperation relationship.

You mentioned President Clinton's role. He actually sits as a cochair of the Interim Haiti Recover Commission. The peacekeeping mission there MINUSTAH, also has to stay there and has to be part of the next government's effort to ensure adequate citizen security. So I think there is going to be the need for much greater international presence and responsibility. But I think if you go to the point of protectorate—

Senator DODD. I hear you.

I note, by the way, you've appeared 11 times before this committee since 1993 and several of them were on Haiti itself.

Any other comments on Haiti?

Mr. DAREMBLUM. Yes. There is a problem that has increased over the days in Haiti, and I hear this complaint very, very often from donors—not only donor countries but also private entities, NGOs, et cetera. It is the lack of an adequate human apparatus within the government to really expedite the coming in of materials, products. Many large shipments of aid are waiting in customs and are waiting at the docks.

That I am afraid is going to aggravate the will to continue helping Haiti. But one of the main things for cooperation with this country with Haiti, which badly needs it, is really to help them create an adequate bureaucracy, an adequate administrative structure for dealing and coping with aid.

Senator DODD. Let me ask you, by the way, Mark, and I'll ask all four of you, but particularly those who've commented, if you could in the next maybe few days put together a series of things that you think we ought to be asking either of the administration, the OAS, the World Bank, the IMF, other donor countries. I'd be prepared in the few days I've got left here to try and shepherd something like that and get a number of people who might be in-

terested in raising the profile of this and get some requests going that might jump-start some of these very things you're talking about.

Rather than ask you to enumerate it all right here, if you'd give it some thought and get it to us, I'll try and take advantage of the few hours I've got left when people might answer a phone call to—

Mr. SCHNEIDER. Could I raise one other thing that relates to that, as well as what Senator Menendez was talking about, which is how do you raise the agenda for Latin America. It's something that at least, that I've supported, which is that there has not been a special envoy for the Americas in this administration. I think that, given where we are and for all of the reasons—Iraq, Afghanistan—a special envoy for the Americas might be something that would in fact be both a vehicle and a locus for developing that kind of agenda.

Senator DODD. Well, listen. I thank all of you. You've been terrific, and again I thank you. I over the years have enjoyed immensely your advice and counsel, and I appreciate it.

I'd be remiss at the conclusion of a hearing here if I—and I appreciate Joy triggering this. I should have done it myself. But I've been blessed as a member here with some remarkable staff people across the spectrum, on committees and personal staff, in 30 years. But beginning with Bob Dockery, who's now a pro bono lawyer somewhere in Florida, but worked with Chairman Fulbright up here, Senator Byrd before I was elected, and then joined me and spent about a decade or so with me, and Janice O'Connell, who spent the last 20 years here.

In fact, the new Senator Kirk from Illinois, I met him the other day. I hadn't met him before. He said to me: How's Janice O'Connell doing? He said: Well, I worked for Bernie Aronson and I love Janice O'Connell. I said: You may have been the only person I know at the State Department who's going to react that way. Janice did a remarkable job, of course, over the years, just terrific. And Josh Blumenthal, who's been working with me, has just done a wonderful, wonderful job as well in carrying on in that great tradition.

So I'm very grateful to all of them, and others. There have been others who've supported their efforts over the years, and I thank them immensely for their service.

Lastly, I'd be remiss if I didn't point out Steve Solarz. We were elected together to the House of Representatives in 1974. I didn't serve on the House Foreign Affairs Committee with him, but we became very good friends over the years. I remember Doc Morgan, who was chairing the House Foreign Affairs Committee years ago, and when any head of state would come to a meeting and complete their opening comments, Doc Morgan would say: Aside from Steve Solarz, does anyone else have a question in the room? Steve always had—and they were great questions.

He always was so knowledgeable. I traveled with him once and I swore I'd never do it again. I thought I had a lot of energy, but I never met anybody like Steve Solarz. He could go through a country and knew everybody. Bob Corker said I know a lot of people in Latin America. Steve Solarz knew everybody all over the world.

I recently spoke with a fellow—I was in India and we were talking about United States-India relations and of course going back over the years. He said the one person who deserves more credit for revitalizing the United States-India relationship was Steve Solarz. Long before anyone else, after the difficult years in the early 1970s and the nuclear question, Steve Solarz kept on talking about the importance of that bilateral relationship pretty much alone, for a long time. Ultimately, President Clinton of course was the first American President to visit India in years.

So Steve is no longer with us, having lost his battle with cancer about 24 or 48 hours ago. But I thought a lot about him here today and his contribution to our country. So I wouldn't want a committee meeting of the Senate Foreign Relations Committee to conclude without thanking him for his service.

With that note, I thank all of you again, and this committee will stand adjourned.

[Whereupon, at 4:50 p.m., the hearing was adjourned.]

