PRIORITIES FOR U.S. ASSISTANCE IN THE WESTERN HEMISPHERE

HEARING

BEFORE THE

SUBCOMMITTEE ON
THE WESTERN HEMISPHERE

OF THE

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PRIORITIES FOR U.S. ASSISTANCE IN THE WESTERN HEMISPHERE

WEDNESDAY, APRIL 13, 2011

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

The committee met, pursuant to notice, at 10:30 a.m., in room 2212 Rayburn House Office Building, Hon. Connie Mack (chairman of the subcommittee) presiding.

Mr. MACK. Good morning, everyone. This subcommittee will come to order. I first want to thank everyone, especially our witnesses for joining us for the hearing today. And I want to thank all the members who showed up today. Try to make it light and lively.

After recognizing myself and Mr. Sires for 5 minutes each for opening statements, I'll recognize the members of the subcommittee for 2 minutes each for their statements. We will then proceed directly to hearing testimony from our distinguished witnesses.

The full test of the written testimony will be inserted in the record. Without objection, members may have 5 days to submit statements and questions for the record.

After we hear from our witnesses, individual members will be recognized for 5 minutes each for questions to our witnesses. The chair now recognizes himself for 5 minutes.

Again, thank you all for being here, and look forward to this hearing.

As chair of the Western Hemisphere Subcommittee, I am focused on three key priorities that I believe are imperative to U.S. interests in the Hemisphere; these are freedom, security, and prosperity.

On February 15th, we held the first hearing of this subcommittee. During that hearing, I promised to continue to engage the administration to develop a strategic relationship with Latin America, the Caribbean, and Canada that promotes the security, goals, and ideals of the U.S. and our allies. In that hearing, we addressed four or five main areas where the State Department's focus was not in line with U.S. interests.

The include the Colombia and Panama Free Trade Agreements. I am encouraged to see that we are a step closer on Colombia. Venezuela: Where I highlighted the need for the Keystone XL pipeline in order to counter Chavez's influence; however, we still see delays in the approval process.

Cuba: Where a USAID contractor was recently sentenced to 20 years in prison while this administration sat back and watched; and Mexico: Where Americans are being murdered and the drug cartels are targeting border patrol agents.

In light of these policy concerns, the purpose of today's hearing is to review the budget request for next year, acknowledge support for the necessary assistance that advances U.S. interests, and identify misdirected funds.

First, I would like to address security. Security ranks as the number one concern for citizens throughout this hemisphere. And these security concerns post a significant threat to U.S. citizens. However, President Obama appears more worried about increasing funding for agenda-driven programs, like the Global Climate Change Initiative, which will cost taxpayers $109 million.

State Department-led programs in Mexico, Central America, and the Caribbean acknowledge the expansive security concerns that we face in our hemisphere. Yet, the apparent haphazard approach to security-related assistance, and lack of leadership in implementing these programs demonstrate that security is not a priority for this administration.

While the threat of a failed state looms across our southern border with Mexico, the Merida Initiative has suffered extensive delays throughout the entire first phase of the program. With roughly $1.1 billion appropriated under Merida for security equipment since 2008, latest estimates show that only around $300 million has been delivered.

Regarding Central American, President Obama recently announced a new Central American Citizens Security partnership, including $200 million in funding to Central America. This announcement came as news to Congress, especially since the ranking member and I personally met with the new State Department Drug Policy Coordinator, and there was no mention of this new partnership.

To date, no one from this administration has made an effort to work with Congress in establishing this new approach. Further, El Salvador and others in the region are unclear of what the partnership stands for, and how it will be funded.

If the United States isn't going to be a leader in the region, there are many nations who are vying for such a leadership role: Which leads me to the ALBA Nations, led by Venezuela, and the need to establish that their actions have consequences: Governments that stake their success on building hatred toward the United States should in no way, shape, or form receive assistance from the United States Government and the taxpayers.

It is counterproductive for the U.S. to provide continued assistance to nations where we are unable to access vetted units, and the host government continuously works to thwart U.S. efforts.

There must be clear consequences for the actions of the ALBA nations, and the U.S. should start by eliminating assistance to Venezuela, Ecuador, Bolivia, and Nicaragua in the 2012 budget.

It is time we regain our leadership role and demonstrate through our Foreign Assistance Budget the benefits of being an ally of the United States.

Thugocrats who spew anti-U.S. sentiment, and seek to destroy the freedoms of their people, should do so with the understanding that they will receive zero assistance from U.S. taxpayers.

Third, environmental assistance. Finally, where President Obama has shown a true commitment in the budget is through environmental assistance. We see Global Climate Change funding infused throughout the entire budget request totalling in $109 million just in the Western Hemisphere. From $10 million for Brazil, a nation that leads in clean energy, to $8 million for Ecuador, who last week kicked out our Ambassador.

This administration must recognize that budget cuts are necessary. All of us would like to support our special interests around the globe; however, we are broke. Now is not the time for U.S. taxpayers to support Ecuador's clean energy initiatives.

While Americans are being murdered at the southern border, and nations in our hemisphere continue to strengthen ties with Iran and illegal sources of income, the United States needs to show leadership in its funding priorities.

I look forward to hearing from how State and USAID plans to work closely with Congress to achieve our jointly held goal of a safer, more prosperous region.

Thank you very much.

And now I'd like to recognize Mr. Sires for 5 minutes for opening statement.

Mr. SIRES. Thank you, Mr. Chairman, for holding this hearing, and thank you to the witnesses for being here today. I know you've been here before, so I thank you for coming.

I want to begin by emphasizing to all those attending this hearing that the prosperity and the security of the United States is intrinsically linked with the political and economic successes and failures of the countries of the Western Hemisphere.

I emphasize this because at times it seems that we forget the importance of the relationships we have with our neighbors. And as members of this subcommittee, I believe that these relationships are some of the most important for our national security, and future economic prosperity.

I was happy to see that the President visited the region where he emphasized the importance of our current and future economic ties for the hemisphere, as well as our shared security concerns.

It is no doubt that many countries in the region are taking the steps toward political stability, and economic growth. Yet, the region has also experienced an increase in violence that has reduced the quality of living across much of the Americas.

The lack of inclusive participation by all members of society in the growing economic prosperity of the region has made the Americas susceptible to populous appeal, and jeopardizes the political and economic improvement made in the region over the last two decades.

Additionally, the declining support for democracy as a result of corrupt governance, drug traffickers acting with impunity as the result of weak State presence, or increased immigration as a result of economic and fiscal insecurity have stretched the chances of any sustainable progress.

Our assistance programs, such as Merida Carsi should continue to counteract these forces, not only to insure a promising future for our neighbors, but also for ourselves. Of course, the assistance to the Cuban people remains a priority of mine.

In 2010, State Department Human Rights reports on Cuba reads like a handbook of oppression, and tyranny. The violations include, but are not limited to, denial of medical care, arbitrary imprisonment, denial of fair trial, limited freedom of speech, press, and right to peaceful assembly, and association.

In light of this report, it seems preposterous that there is a delay in the 2010 funding for the USAID democracy promotion program in Cuba. While this delay has been touted as necessary to review the program, I see it as turning our backs on the Cuban people, and as a blatant disregard of the will of this Congress.

And might I add also that Senator Kerry's comments don't help, where he blames the programs for Alan Gross' imprisonment. I mean, he should wake up and smell the coffee, to see what's going on in Cuba.

These funds provide the necessary assistance to combat the Castro regime through the promotion of democratic principles, and by supporting civil societies' initiatives in Cuba.

The death of Orlando Zapata Tamayo and the unlawful imprisonment of Alan Gross again show the necessity of such programs in the first place. We must hold the Cuban regime responsible for all these human rights violations, and not punish the Cuban people by withholding these critical funds.

I would like to, again, thank the chairman for holding this hearing. I look forward to the testimonies of our witnesses. Thank you.

Mr. MACK. Thank you, Mr. Sires.

And Ms. Schmidt is recognized for 2 minutes for opening statement.

Ms. SCHMIDT. Thank you, Mr. Chairman, and thank you for holding this hearing. I also want to thank Assistant Secretary Valenzuela, as well as Messrs. Feierstein, Franco, and Schneider for being here today to address the subcommittee, and for answering any questions we may have on this subject.

Mr. Chairman, assisting foreign governments financially can have great benefits for the United States; namely, increased national security, and an expansion of markets for U.S. products and goods.

Foreign aid promotes democracy, encourages free markets, and enhances security, but I also believe, in a time when Americans are having difficulty putting food on their tables, keeping gas in their cars, and paying their utility bills, we need to be prepared to justify to them the benefits to be derived from spending their hard-earned tax dollars on foreign assistance.

With fewer dollars available to devote to foreign aid initiatives, it is of the utmost importance that we spend those dollars wisely, and prudently.

Mr. Chairman, recently I reviewed President Obama's proposed FY '12 budget for the Department of State, and specifically, its outlays for International Affairs, particularly with regard to the Western Hemisphere.

At this point, I'm not convinced that the President's proposed FY '12 budget for foreign operations and U.S. economic assistance in the Western Hemisphere properly reflects a true understanding of U.S. interests in the region.

Mr. Chairman, I look forward to the hearing, the collective testimony of today's witnesses, and do hope to learn more with regard to foreign aid initiatives in the Western Hemisphere. Thank you for having this important hearing. I yield back.

Mr. MACK. Thank you, Ms. Schmidt.

And now Mr. Payne is recognized for 2 minutes for an opening statement.

Mr. PAYNE. Thank you very much. And thank you, Mr. Chairman, for calling this very important hearing. I'll be brief.

Number one, I think that Colombia is still regarded as one of the most dangerous countries in the world, has the world's largest internally displaced communities in front, actually, of Sudan.

I would like to know why we are not demanding that Colombia meet certain human rights benchmarks before rewarding them with an agreement that has a high probability of creating further displacement, murders, and poor conditions in the country.

Number two, I would like to hear how the administration feels about the very flawed Haitian election process, and our concerns that we may have with President-Elect Michel Martelly, formerly allegedly associated with Tonton Macoutes back that had a reign of terror on Haiti back 20, 30 years ago.

Finally, I'm concerned about the Western Hemisphere Bureau on Race, Ethnicity, and Social Inclusion Unit, which is set to expire despite its effectiveness in strengthening democracies by including minorities, and various aspects of the government in social planning.

I think that we have been on the right trajectory in Latin America and the Caribbean. We have been moving forward in the right direction. I think it's important that our neighbors to the south continue to have assistance. I think it's in our best national interest.

I yield back. Thank you, Mr. Chairman.

Mr. MACK. Thank you, Mr. Payne.

And I notice people are fanning themselves. We know it's hot. We've turned the air conditioning on, or up, or down, or whatever to make it cooler, so just bear with us.

I now would like to recognize Mr. Rivera for 2 minutes for opening statement.

Mr. RIVERA. Thank you, Mr. Chairman. Thank you Mr. Secretary Valenzuela for being here, and Administrator Feierstein, as well. Thank you so much for being here.

I'll be brief. We've had previous meetings, and other hearings where we've had several discussions, so I'll just recap two of them that I think are important to touch on as we proceed in this hearing.

First of all, the Free Trade Agreements that the United States is pursuing with South Korea, Panama, and Colombia. I think it's important to reiterate that all three trade agreements are important, and all three trade agreements should move forward.

I think the recent announcement with respect to Colombia was a positive step forward, but it is in no way an assurance that that Free Trade Agreement is going forward. And as I've said on many occasions, and as several Members of the Congress have said, I will vote against the South Korea Free Trade Agreement unless I see concrete, tangible progress on the Colombia Free Trade Agreement. And on Panama, as well. We know how important that is. But Colombia, in particular, is one of our best allies in a region that is fighting narco terrorism, that is fighting for commerce and trade throughout the region to be free, and is wanting to expand with the United States of America. I think it's important to pursue that.

And then secondly is the democracy promotion issue. We've spoken previously about the Helms-Burton legislation, and the requirements on Title III, and making sure that there is justification for the promotion and advancement of democracy and suspending that.

I'd like to hear some more about that, as well as the USAID funding that Congressman Sires mentioned earlier. We know what's happened recently with Alan Gross, and I think that only speaks to the fact that we need to continue to move forward with this democracy funding to promote freedom and human rights, and civil liberties inside Cuba.

And I know, Administrator Feierstein, we've spoken earlier about the issue of liability waivers. I know we've spoken privately about that, but I'd like to hear from you on the record regarding that issue, as well.

Thank you, Mr. Chairman.

Mr. MACK. Thank you, Mr. Rivera.

And Mr. Rohrabacher is recognized for 2 minutes for opening statement.

Mr. ROHRABACHER. Thank you very much, Mr. Chairman.

First and foremost, I would like to associate myself with the opening remarks of Chairman Mack, who expressed some things that are really dear to my heart, but also of concern to all responsible Members of Congress at this point.

I'd also like to suggest that we, when we're looking at Colombia, realize they have been going through this turmoil, and there has been great improvement in Colombia over the last few years in terms of human rights, and violations that happen during times of conflict.

It always surprises me that people will expect Colombia to have such a high level of human rights protections, which I support, even though they've been in the middle of a conflict, but they don't have those same expectations for Cuba, and Venezuela, who are not going through this conflict situation, and have even worse standards of human rights.

Finally, Mr. Chairman, your commitment to actually calling people to task for bad judgments and bad policies in their country, I would hope that any country in the Western Hemisphere, or anywhere else that expropriates the property of American citizens, they have to deal with that, and they have to make it right by those people, or we should not be giving them foreign aid.

I will personally join with you and others who are interested in joining me in this. I will suggest as the aid package moves forward,

that Honduras not be given further foreign aid until it deals with the expropriation of American properties in the country.

We have expressed over, and over, and over again, petitions, letters, et cetera to the Government of Honduras that they need to deal with these expropriations, and deal with those people who have had their property taken in a fair way. They have not—they have stonewalled this issue, and I'm going to work with any other member of this committee who will work with me to see that Honduras does not get one cent of American money until it deals fairly with those Americans whose property has been expropriated.

So, thank you very much, Mr. Chairman. There's lots to talk about today.

Mr. MACK. Thank you, Mr. Rohrabacher.

I'd like now to introduce our witnesses. First, the Honorable Dr. Arturo Valenzuela. It's good to see you again. Dr. Valenzuela is the Assistant Secretary of State for Western Hemisphere Affairs.

Prior to his appointment to State, Dr. Valenzuela was a professor of government and director of the Center for Latin America Studies in the Edmund A. Walsh School of Foreign Service at Georgetown University.

During the Clinton administration, Dr. Valenzuela served as Special Assistant to the President and Senior Director of Inter-American Affairs at the National Security Council. Again, thank you, and welcome.

Second, the Honorable Mark Feierstein. Mr. Feierstein is the USAID Assistant Administrator for Latin America and the Caribbean.

Before joining USAID, served as principal and vice president at an international polling firm. Additionally, he serves as Special Assistant to State for the U.S. Ambassador to the Organization of America States.

Welcome both of you. Mr. Valenzuela, is recognized for 5 minutes for an opening statement.

STATEMENT OF THE HONORABLE ARTURO VALENZUELA, ASSISTANT SECRETARY OF STATE, BUREAU OF WESTERN HEMISPHERE AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. VALENZUELA. Thank you very much, Mr. Chairman. I'm delighted to have this opportunity to testify before you today on the Department of State's budget priorities in the Western Hemisphere. I look forwarding to working with you, and with this committee to advance U.S. interest in the hemisphere. I am also honored to be here with my colleague, Mark Feierstein, in appearing before you.

President Obama's recent visit to Brazil, Chile, and El Salvador highlighted the importance this administration places on its relations with Latin America. The President's message of partnership, and the dozens of agreements completed during the trip underscored how tremendously significant the region is for the United States on issues including our economic competitiveness, our global strategic interests, and our core values of democracy and human rights.

And last week, President Obama announced that we are moving with the U.S.-Colombia and U.S.-Panama trade promotion agree-

ments, which we expect will create thousands of American jobs, and increase U.S. exports by more than $1 billion.

As Secretary Clinton recently stated:

> "Enhancing our competitiveness, accelerating innovation, achieving energy security, expanding our exports, all of these require robust engagement with Latin America. Even in this inter-connected world, geography still matters. This administration believes that our opportunity with Latin America derives from the power of proximity; proximity that is geographic, economic, and reflects the common history of the Americas. Our hemisphere stands to gain from greater cooperation, which can lead to the rise of even more capable partners, who can help us accomplish our strategic objectives from promoting clean energy to improving security in the region, to strengthening human rights and democracy."

The Obama administration's strategy of engagement has contributed to a shift in Latin American public opinion. According to the 2010 poll by Latinobarometro, two-thirds of the population in most countries had favorable attitudes toward the United States, an increase of 10 to 20 points from 2008 levels. The role of the United States in Latin America is also overwhelmingly viewed as positive. This suggests the Obama administration's strategy has reversed the dangerous depletion of good will toward the United States that had occurred in the prior decade.

U.S. foreign assistance in Latin America and the Caribbean supports our overall policy goals of advancing U.S. interests through promoting effective democratic governance, citizen safety for all, expanded economic and social opportunity, and a clean energy future.

The U.S. foreign assistance request for FY 2012 for the Western Hemisphere totals $1.98 billion. We believe this request will help us meet the challenges and opportunities we face. At the same time, it is lean and responds to the fiscal constraints that we all recognize.

In order to sustain the hemisphere's progress, we must prioritize citizen security. Our FY 2012 funding request targets the issue of citizen safety, accounting for just less than half of the total request for the Western Hemisphere. Our efforts will be particularly focused on improving citizen security in Mexico, Central America, the Caribbean, and Colombia.

In order to oversee effectively the citizen security programs in Latin America and the Caribbean, I've asked Principal Deputy Assistant Secretary Roberta Jacobson to assume responsibility for ensuring program coordination.

Our assistance request also reflects the priority we've placed on supporting democratic processes that meet international standards of transparency and accountability. We also seek to strengthen the foundation of civil society, thereby giving voice to the voices in countries like Venezuela and Cuba.

We continue to help the Haitian people rebuild after the terrible earthquake that struck the country, fulfilling President Obama's vision that our commitment to Haiti is sustained.

Additionally, we have made sure that critical issues like preventing youth violence, and combating violence against women, and

other marginalized groups, including indigenous, African descendants, have become increasingly incorporated into our assistance programs.

In conclusion, Mr. Chairman, we believe our budget priorities for the Western Hemisphere focus on achieving high impact in areas vital to U.S. interests and laying the groundwork for deeper and more productive partnerships with the region, as a whole.

And I thank you for your attention, and I look forward to your questions.

[The prepared statement of Mr. Valenzuela follows:]

Testimony of Arturo A. Valenzuela
Assistant Secretary of State
Bureau of Western Hemisphere Affairs (WHA)
Department of State

Before the Subcommittee on the Western Hemisphere
The Committee on Foreign Affairs
United States House of Representatives
April 13, 2011

Mr. Chairman and Members of the Committee:

I am delighted to have this opportunity to testify before you today on the Department of State's budget priorities in the Western Hemisphere. I look forward to continuing to work with this committee to advance U.S. interests in the hemisphere.

President Obama's recent visit to Brazil, Chile, and El Salvador highlighted U.S. vital national interests in the Americas. The President used his trip to build on the pledge that he made at the Summit of the Americas to create a relationship of "equal partners" based on mutual interests and shared values. He had particularly productive and substantive meetings with the leadership of these three countries and also engaged with representatives of the private sector and civil society. The president's message, and the dozens of agreements completed during the trip, underscored how tremendously significant the region is for the United States on issues including our economic competiveness, our global strategic interests, our core values of democracy and human rights, and the richness and diversity of our society and culture.

In this year's State of the Union address, President Obama shared his vision for how America will win the future. And as Secretary Clinton recently stated, "enhancing our competitiveness, accelerating innovation, achieving energy security, and expanding our exports - all of these require robust engagement with Latin America." The countries of the Americas are helping the global economic recovery, and the combined economies of Latin America grew six percent last year, which some observers believe will herald the start of a "Latin American decade." The size of Latin America's economies and its young demographic are especially important to the United States – and our economy is tied closely to that of our neighbors. We export more than three times as much to Latin America as

we do to China; more to Latin America than to Europe; and more to Chile or Colombia than to Russia.

Even in this inter-connected world, geography still matters. This administration believes that it is a comparative advantage we should embrace, and we neglect it at our own peril. Our opportunity with Latin America derives from the "power of proximity" – proximity that is geographic, economic, and reflects the common history of the Americas. President Obama's visit underscored our growing recognition that the hemisphere stands to gain from greater cooperation premised on shared values, which can lead to the rise of even more capable partners who can help us accomplish our strategic objectives, from promoting clean energy to improving security in the region.

The President's trip coincided with the 50th anniversary of President Kennedy's announcement of the "Alliance for Progress," which represented a commitment by the United States to help address the region's staggering development challenges. The landscape today is vastly different. While old challenges persist in some countries, and we are all grappling with new ones like climate change, most nations in the region are clearly on the path toward stable, democratic societies with modern economies and a growing middle class. Today, the countries of the Americas are becoming less polarized, which allows us to better address our shared objectives. This progress makes them invaluable partners in addressing the remaining problems in our own hemisphere, advancing key global priorities, and fostering strong economic growth at home. Our partners in the hemisphere are global actors and increasingly becoming aid donors in their own right. For example, after the 2010 earthquake in Haiti, nations throughout the hemisphere contributed resources to the relief efforts and subsequent reconstruction.

U.S. assistance represents only one component of the total economic engagement between the United States and the other nations of the Western Hemisphere. Last week, President Obama announced that we are moving forward with the U.S.-Colombia and U.S.-Panama Trade Promotion Agreements, which we expect will create thousands of American jobs and increase U.S. exports by more than a billion dollars. These trade agreements are an integral part of the Administration's overall strategy to deepen our ties within the Western Hemisphere and promote our collective prosperity. The Administration recently resolved a longstanding dispute over Mexican trucking that will further strengthen our economic relationship with this key partner. Total two-way U.S. trade with Latin America and the Caribbean in 2010 amounted to $636 billion, a 27 percent

increase over the prior year. U.S. trade capacity-building assistance supports the effective implementation of our free trade agreements and helps provide a level playing field that ensures our trading partners respect fundamental labor rights. In addition, remittances from the United States to the region totaled $69 billion in 2010, which was an increase of two percent from the previous year.

U.S. foreign assistance in Latin America and the Caribbean supports our overall policy goals of advancing U.S. economic and security interests through the promotion of effective democratic governance, citizen safety for all, expanded economic and social opportunity, and a clean energy future for the hemisphere. Our budget priorities for FY 2012 are to strengthen the institutions of democratic governance, combat threats to citizen security, leverage emerging economic opportunities, and support the emerging potential for global and regional leadership by the countries of the Americas.

The U.S. foreign assistance request for FY 2012 for the Western Hemisphere totals $1.98 billion. We believe this request will help us meet the challenges and opportunities we face. At the same time, it is lean and responds to the fiscal constraints that we all recognize.

Sufficient personnel, and support for the Embassies and Consulates that are the operational platforms for our diplomatic work and engagement, remain essential. Our dedicated people strive every day to defend human rights, enhance democracy, protect our citizens, and increase trade and exports that create jobs. Our FY 2012 State Operations request provides resources sufficient to meet the needs we face while reflecting current fiscal constraints, but full funding is vital to ensure we can achieve our goals for the American people.

The success of the Western Hemisphere will continue to support the growth of vibrant democratic institutions that respond to their citizens, expand the boundaries of freedom, and create greater economic and social prosperity. It is important to note that the Obama administration's strategy of engagement has contributed to a shift in Latin American public opinion. According to the 2010 poll by *Latinobarometro*, two-thirds of the population in most countries had favorable attitudes towards the United States – an increase of 10 to 20 points from 2008 levels. The role of the United States in Latin America is also overwhelmingly viewed as positive. This suggests that the Obama administration's strategy has reversed the dangerous depletion of good will toward the United States that had occurred during the prior decade.

Yet in order to sustain this important progress, we must prioritize citizen security. Last year's poll by *Latinobarometro* confirmed one of the core precepts of the Obama Administration's policy towards the Americas: that the greatest concern of citizens throughout the hemisphere is achieving safety and security and combating the rise of international crime. We share this priority with our regional partners, and our FY 2012 funding request targets the issue of citizen safety, accounting for just less than half of the total request for the Western Hemisphere.

In order to oversee effectively the citizen security programs in Latin America and the Caribbean, I have asked Principal Deputy Assistant Secretary Roberta Jacobson to assume responsibility for ensuring necessary and appropriate programmatic coordination on the planning and implementation of citizen security programs throughout the region. This critical role will ensure that we learn which programs are most effective and that we reduce duplication of efforts.

Particularly in Mexico and Central America, narcotics trafficking and transnational crime pose threats to citizen safety. Our efforts, including U.S. assistance, seek to build host government capacity to protect their citizens and administer the rule of law effectively.

The United States and Mexico have built an especially close partnership through the Merida Initiative to fight organized criminal groups and associated violence while respecting human rights and the rule of law. Our FY 2012 request of $282 million for the Merida Initiative will continue the progress we have made, which is fundamentally based on the realization that our countries share responsibility for combating transnational criminal networks and protecting our citizens from the crime, corruption, human exploitation, and de-humanizing addictions these networks generate. It is also based on mutual respect and an understanding of the tremendous benefits the United States and Mexico can offer our citizens through this collaboration. We have four goals: disrupting organized criminal groups; institutionalizing reforms to sustain rule of law and respect for human rights; creating a 21st century border; and building strong and resilient communities. To achieve these goals, we are accelerating our efforts to support stronger democratic institutions, especially police, justice systems, and civil society organizations; expanding our border focus beyond interdiction of contraband to include facilitation of legitimate trade and travel; and cooperating in building strong communities resistant to the corrupting influence of organized crime.

The United States is working with other partners (including the European Union, Spain, Colombia, Canada, and Mexico, among others) to address threats to security in Central America. During his recent trip, President Obama announced the Central American Citizen Security Partnership, which will build upon and complement existing efforts aimed at enhancing citizen security in the Americas.

Our FY 2012 request for the Central America Regional Security Initiative (CARSI), the U.S. component of that international partnership effort, is $100 million. CARSI assistance is designed to yield high and sustainable impacts on crime, gangs, and trafficking. Simultaneously, we are working to rebuild the law enforcement, judicial, and prison systems, while addressing the underlying economic and social causes of violence and insecurity. We are also working with partners to ensure that Central America is both a development and foreign policy priority, so that donor resources can collectively have a greater positive impact on the security trajectory in this crucial sub-region. CARSI also serves to promote greater respect for human rights and the rule of law.

To ensure that traffickers and transnational crime elements do not simply shift routes, we are also addressing citizen security in the Caribbean. The Caribbean Basin Security Initiative (CBSI) reflects the Administration's effort to establish a sustainable security partnership with Caribbean countries – a region that comprises half of the southern border of the United States. The FY 2012 funding request of $73 million will promote regional security cooperation throughout the Caribbean. Rising crime and violence, largely related to the drug trade, threatens regional security and stability. Individual Caribbean nations are ill-equipped to handle these issues on their own, and we have agreed on a partnership to develop national and regional capacities to address the myriad of transnational criminal issues throughout the region. This funding is essential to build on the work that we have begun with our regional partners.

The funding for CARSI and CBSI is requested under the Western Hemisphere Regional account - a single budget line item that contains critical citizen security funding for these regions. Full funding of the FY 2012 request for these initiatives is vital to ensure continued progress against rule of law challenges to these regions that threaten U.S. national interests.

Sustaining recent security and governance gains remains the top U.S. assistance priority in Colombia. The FY 2012 request for Colombia reflects a decrease that has been made possible due to the growing capacity of Colombia's national authorities to respond directly to the challenge facing their country. In

addition, we continue to adjust the balance of security and counter-narcotics activities toward justice sector efforts, alternative development, and humanitarian assistance, and this trend is reflected in our request. We are working closely with the Colombian government to support the ongoing nationalization process, while also working to promote human and labor rights, protect human rights advocates, ensure access to justice, and end impunity. Our investments in Colombia's capacity are succeeding, and this expertise can now benefit others in the region encountering similar challenges to citizen safety.

Assessing the region as a whole, we recognize that governing institutions are still weak in some places where the danger of populism still exists, whether from the left or the right. The key distinction is between countries with solid institutions and those where leaders dominate through the personalization of politics. In addition to strengthening democratic institutions, the administration recognizes the importance of supporting democratic processes that meet international and hemispheric standards of transparency, sustaining political parties from across the political spectrum, and strengthening the foundation of civil society. Credible electoral observation is critical to safeguarding democratic process, as we recently witnessed in Haiti.

In some instances, we see challenges posed by leaders who seek to consolidate power through extra-constitutional means, often suppressing minority rights, coupled with weak institutions of government. We are also concerned about the targeting of independent media through a variety of means, ranging from intricate legalistic maneuvers to brute force and intimidation. We must guard against these trends, because history teaches us that challenges to freedom of expression can quickly lead to pressure on other core freedoms as well. That is why the administration continues to support civil society and freedom of expression advocates in countries like Venezuela and Cuba. U.S. assistance for Cuba and Venezuela seeks to support the desire of citizens to express themselves freely.

We are also continuing to help the Haitian people rebuild after the terrible earthquake that struck the country more than a year ago. As President Obama emphasized shortly after the earthquake, U.S. commitment to Haiti will be sustained, as is evidenced in our request for FY 2012. Since the earthquake, the U.S. government has provided over $1 billion in humanitarian relief assistance and an additional $406 million in recovery assistance toward job creation, rubble removal, shelter solutions, health, and other priorities. To date, we have disbursed more than $332 million to provide debt relief and contribute to the Haiti

Reconstruction Fund. This has allowed the Haitian government to use its resources to support the construction and repair of houses, remove rubble in critical areas of Port-au-Prince, establish funds to finance private sector activity, and provide education assistance. The United States has also provided more than $45 million in assistance since the onset of the cholera crisis in October 2010 for medical supplies and services, and cholera treatment facilities and information campaigns to increase public awareness of prevention and treatment of the disease.

Beyond citizen safety and assistance for Haiti, U.S. assistance addresses key development challenges in the region, including good governance, education, health, the environment, and trade competitiveness, consistent with U.S. policy toward the hemisphere. These sectors include funding for the Administration's core development initiatives – Feed the Future, Global Health, and Global Climate Change – that address key global threats and leverage U.S. development expertise and strengths in these targeted areas.

Our FY 2012 request also includes small amounts of economic growth and climate change assistance designed to leverage host country and regional partnership contributions. We use targeted funding to build partnerships with our closest neighbors to promote renewable energy and manage the effects of climate change, through the Energy and Climate Partnership of the Americas. Similarly, we are working with 14 other countries in the Hemisphere through the Pathways to Prosperity in the Americas initiative to identify the best ways to share the benefits of trade and economic growth more broadly. These innovative, flexible partnerships among equals reflect President Obama's new vision for our changing hemisphere. Economic opportunity is an essential component of the democratic social contract, and it is clear that we all have a stake in each others' success.

In FY 2010, we invested more than 1.2 million dollars to promote racial equality, social inclusion, and youth/civil society empowerment for indigenous peoples and people of African descent. Under bilateral agreements like the Action Plans with Brazil and Colombia, we provide technical assistance and expand on public diplomacy programs, like academic exchanges, to promote equality and access to opportunity. We are building on this work in 2012, leveraging host country support and inter-agency coordination to promote the strengthening of democratic institutions, economic opportunities, cultural preservation, and access to education for historically excluded groups. When discussing security challenges in the Western Hemisphere we cannot forget marginalized populations who are most vulnerable to violence affecting the region. As just one example, the number one issue affecting women in the Hemisphere is gender based violence, with

domestic violence and trafficking persons rankings second and third respectively. Therefore, we have made certain that critical issues like preventing youth violence and combating violence against women and other marginalized groups -- including the indigenous, Afro-descendants, LGBT persons, and people with disabilities -- have become increasingly incorporated into our assistance programs.

In conclusion, we believe our budget priorities for the Western Hemisphere focus on achieving high impact in areas vital to U.S. interests and laying the groundwork for deeper and more productive partnerships with the region as a whole. Our engagement with our neighbors has powerful implications for trade and jobs, energy, and security, and will influence our ability to meet acute challenges and essential goals both at home and around the world. I thank you for your attention.

Mr. MACK. Thank you very much.

And now I'd like to recognize Mr. Feierstein for 5 minutes for an opening statement.

STATEMENT OF THE HONORABLE MARK FEIERSTEIN, ASSISTANT ADMINISTRATOR, BUREAU FOR LATIN AMERICA AND THE CARIBBEAN, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. FEIERSTEIN. Mr. Chairman and members of the committee, thank you the invitation to testify today.

I am grateful for the committee's interest in the U.S. Agency for International Development's priorities in Latin America and the Caribbean, and pleased to have this opportunity to discuss the Obama administration's development policy in the Americas.

The President's FY12 budget request for USAID in the Western Hemisphere reflects the administration's intent to focus our investments in priority countries and sectors, and achieve lasting development gains overseas, while contributing to the security and prosperity of the American people.

USAID's work is not charity. When we help economies closely tied to our own, we develop markets for our products. When we help farmers in coca producing areas harvest legal crops, we stem the flow of drugs to our communities. When we reduce the prevalence of disease in the Americas, we help keep our communities healthy.

But USAID's programs also reflect core American values. The American people's outpouring of support following Haiti's earthquake is a prime example of these values at work. We at USAID are doing our part in Haiti, too, and we're seeing progress despite the daunting challenges.

The number of Haitians living in tent camps has fallen by more than 800,000; 20 percent of the 10 million cubic meters of rubble produced by the quake has been removed. More Haitians have access to clean water and health services today than before the earthquake.

We look forward to working with the new Haitian Government to accelerate the reconstruction process, and implement our long-term development plans.

In the context of a challenging fiscal environment, President Obama's FY12 budget request projects key priorities including combating drug trafficking and organized crime in the Americas. Mexico, Central America, and parts of the Caribbean are suffering from the highest rates of non-political violence in the world, and it is in our interest to support their efforts to combat crime.

While we continue our longstanding programs to strengthen judicial systems, the heart of USAID's security work involves preventive measures that deal with the social roots of violence; namely, providing productive alternatives to youth vulnerable to the lure of crime.

We also continue to help drug-producing countries to cut off the source. In Colombia and Peru, USAID is providing farmers with legal alternatives to growing coca and helping to re-establish government presence in areas where guerilla groups and drug trafficking organizations recently operated with impunity.

Defeating the drug cartels and gangs will require strong democratic institutions. Our FY12 budget request maintains our support for programs that strengthen the capacity of national and local institutions to provide services.

But our democracy work also extends to the support of civil society, and political parties in countries where political space is narrowing or, in the hemisphere's remaining dictatorship, non-existent. Our engagement with countries will be shaped by their commitment to democratic practices and respect for human rights.

Democracy is advanced and bolstered by broad-based economic growth. USAID, therefore, continues to prioritize programs that allow the private sector to flourish, and create jobs that lift people out of poverty.

Ensuring we have adequate resources for our highest priorities requires making tough choices; choices we are already making. We have committed to closing two USAID overseas offices in this hemisphere in recognition of the gains that Panama has made since we re-established a presence there in 1990, and will close our office and wind down our programming. And in a cost-saving measure, we plan to manage our Guyana projects from one of our regional offices.

Of all the metrics we use to gauge our success, none is more important than reaching the point at which we can close up shop in a country. As President Obama has said: "The purpose of development is creating the conditions where our assistance is no longer needed."

In order to maximize the impact of our budget, we are leveraging other sources of funding. We are already working with countries like Brazil and Chile, which are valuable lessons to share from their recent successes in achieving broad-based economic growth, and developing effective democratic institutions.

Recognizing that long-term development and job creation depend upon an active and vibrant private sector, we are also increasingly collaborating with businesses. And we are increasing the return on

our investments by encouraging the development of innovative solutions.

For example, spurred on by an incentive fund created by USAID and the Gates Foundation, the telecommunications company, Digicel, introduced a mobile money system that is enabling Haitians to access financial services on their cell phones.

Such novel approaches, combined with selectivity in our investments, and a commitment to create greater capacity abroad, will accelerate the pace of development in the Americas. And as Latin America and the Caribbean become more prosperous and secure, the United States will also reap the benefits.

Thank you, Mr. Chairman. I look forward to your questions.

[The prepared statement of Mr. Feierstein follows:]

Testimony of Mark Feierstein
Assistant Administrator for Latin America and the Caribbean
United States Agency for International Development

Before the Subcommittee on the Western Hemisphere
House Committee on Foreign Affairs
April 13, 2011

Mr. Chairman and Members of the Committee: Thank you for the invitation to testify today. I am grateful for the Committee's interest in the U.S. Agency for International Development's priorities in Latin America and the Caribbean and pleased to have this opportunity to discuss the Obama Administration's development policy in the Americas. As always, I am eager to hear your advice and counsel as well.

It is also an honor to testify again with my State Department counterpart, Assistant Secretary Arturo Valenzuela. The collaboration and coordination between our bureaus is stronger today than ever.

Mr. Chairman, the President's FY12 budget request for USAID in the Western Hemisphere reflects the Administration's intent to focus our investments in priority countries and sectors and achieve lasting development gains overseas while contributing to the security and prosperity of the American people.

USAID's work is not charity. Our programs are not only from the American people, as the agency's motto says; they are *for* the American people.

When we help stabilize and grow economies closely tied to our own, we develop markets for *our* products. When we help farmers in coca producing areas of Colombia harvest legal crops or steer vulnerable youth in Central America toward constructive endeavors, we help to stem the flow of drugs to *our* communities. When we reduce deforestation in the Amazon, we help stabilize rainfall cycles for farmers in *our* country. And when we reduce the prevalence of disease in the Americas, we help keep *our* communities healthy.

But USAID's programs not only advance our national security and economic interests, they reflect core American values in action – values that inspire our citizens to mobilize others and to act quickly and generously in times of crisis. The American people's overwhelming outpouring of support following Haiti's devastating earthquake is a prime example of these values at work. We at USAID are doing our part too. The reconstruction and sustainable development of Haiti is our largest investment in this hemisphere.

As we move into the second year of post-earthquake recovery and reconstruction, we are building on the results from the past year. The number of Haitians living in camps has fallen by more than 800,000 since last spring. Twenty percent of the 10 million cubic meters of rubble produced by the quake has been removed. More Haitians have access to clean water and health services today than before the earthquake. Although cholera will likely become endemic to Haiti, we have stabilized the epidemic and have systems in place to respond quickly to future outbreaks. USAID's support for the second round of the elections resulted in a much improved process. We look forward to working with the new government to be headed by Michel Martelly to accelerate the reconstruction process and implement our long-term development plan focused on infrastructure, health, agriculture and governance.

In Haiti, as elsewhere, we are embracing a culture of rigorous oversight to prevent waste, fraud and abuse and to respond quickly when problems arise. USAID has teams of auditors and investigators embedded at our office in Port-au-Prince.

In the context of a challenging fiscal environment, the President's FY12 budget request manages to protect key priorities, including combating drug trafficking and organized crime in the Americas. Mexico, Central America and parts of the Caribbean are suffering from the highest rates of non-political violence in the world, and it is in our interest to support the efforts of regional leaders to counter the crime wave. In an increasingly globalized world, organized crime, like disease and environmental degradation, penetrates borders. The flow of drugs through the Caribbean and Central America often continues into this country, harming our youth and sapping strength and resources from our communities.

Our development investments are crucial to combating violent crime and drug trafficking, which threaten to undermine all our other work in the region. Crime is discouraging business investment and diverting public and private resources that could otherwise be used for more productive investments. Organized crime is corroding state institutions and undermining faith in democracy. Drug trafficking organizations have a greater presence in some areas than governments.

While we are continuing our longstanding work to strengthen the capacity of judicial systems to fairly and effectively provide justice, the heart of USAID's security work involves supporting preventive measures that deal with the social roots of violence, namely providing positive and productive alternatives to youth vulnerable to the lure of crime. Through the Central America Regional Security Initiative, we are helping local communities create safe urban spaces, provide job training, and keep children in school.

The transnational nature of trafficking and organized crime in the Americas requires that we also support the security efforts of the island nations of the Caribbean, whose small size and porous borders leaves them vulnerable to trafficking and organized crime. Through the Caribbean Basin Security Initiative, USAID is investing in community policing programs to make communities more resistant to crime, and in education and workforce development for youth.

As Mexico, Central America, and the Caribbean are mostly transit points for the movement of drugs, we continue to help drug-producing countries to cut off the source. In Colombia and Peru, which in recent years have been the two leading recipients after Haiti of USAID investments in the Americas, USAID is helping to re-establish government presence in areas where guerrilla groups and drug trafficking organizations once operated with impunity. We are providing farmers with legal alternatives to growing coca and rehabilitating health centers and schools.

Defeating the drug cartels and gangs in Mexico and Central America will require strong democratic institutions and greater respect for human rights and the rule of law. The FY12 budget request maintains our support for programs that strengthen the capacity of national and municipal institutions to deliver services to their people.

Our democracy work will also continue to extend support to civil society and political parties in countries where political space is narrowing or, in the hemisphere's remaining dictatorship, non-existent. Civil society, human rights, and fundamental freedoms are under threat by government-endorsed regulations, restrictions, and at times, repression. Our engagement in the Americas will be shaped by countries' shared commitment to democratic practices and our ability to support individuals and institutions in those countries that advocate for greater democracy, human rights, and protections for vulnerable populations. Governments receiving USAID development assistance that take measures to restrict democratic rights will put their aid programs in jeopardy.

Democracy is advanced and bolstered by broad-based economic growth. Despite high growth in the region in recent years and the movement into the middle class of many millions of people, one third of Latin America's population lives in poverty. These rates more than double in parts of Central America and reach 80 percent in Haiti. USAID, therefore, continues to prioritize programs that allow the private sector to flourish and create jobs that lift people out of poverty. In El Salvador, for example, we are helping over 50 municipalities reduce the time it takes to start a business. And through President Obama's Feed the Future initiative, small farmers in Haiti and Central America are able to increase their incomes by diversifying into higher-value crops and accessing more lucrative domestic and international markets.

Recent economic gains in Latin America and the Caribbean are threatened not only by the deteriorating security environment, but also by the potentially debilitating effects of global climate change. Many of the region's key economic activities, such as agricultural production and tourism are acutely sensitive to the extreme weather patterns attributed to climate change. Added to this is the strain on national budgets when droughts, heavy flooding or powerful hurricanes siphon off scarce resources to finance disaster relief and recovery efforts.

Our investments strengthen the capacity of Central and South American countries to preserve their forests and reduce emissions, and they help the nations of the Caribbean craft plans to protect critical industries and resources.

Ensuring that we have adequate resources for our highest priorities requires making tough choices – choices that we are already making. We are focusing our resources in countries and sectors where we have the best partners and where we can have the greatest impact. As President Obama has noted, "no one nation can do everything everywhere and still do it well."

To date, we have committed to closing two USAID overseas offices in this hemisphere. In recognition of the gains that Panama has made since we reopened our office there in 1990, we will be closing the mission and winding down our programming. And in a cost-saving measure, we plan to manage our Guyana projects from one of our regional offices.

Of all the metrics we use to gauge our success, none is more important than reaching the point at which we can close up shop in a country. As President Obama has said, the purpose of development "is creating the conditions where our assistance is no longer needed." To help achieve that, we will channel resources more directly through local NGOs, the private sector and host governments. USAID will continue to use outside contractors where appropriate, but will direct more assistance to local entities in order to strengthen their capacity and reduce dependence on outside assistance.

The President's budget request also shows declines in countries where we have fewer viable official counterparts to achieve our development objectives and demonstrate value for our investments. In these countries, however, we are still able to collaborate with civil society actors to advance political or economic development.

We are also able to dedicate fewer resources in areas where we have largely achieved our objectives. We are on target to end our support for family planning in all but three countries in the Americas by 2013. Now that the holding of legitimate elections is commonplace in the region, we can reduce our overall support in this area. Given the growing economic maturity of the hemisphere, we are trimming our support for micro-lending, yielding much of that work to regional banks. And as trade in the region flourishes, several USAID offices in the Americas are evaluating their trade capacity-building programs, with an eye to ending some assistance.

In order to maximize the impact of our budget, we are leveraging other sources of funding. First, as countries reach a point when they no longer need our assistance, we will actively recruit them to work with USAID as fellow donors. We are already working with countries like Brazil and Chile, which have valuable lessons to share from their recent successes in achieving broad-based economic growth and developing effective democratic institutions. During the President's recent trip to Latin America, he announced expansions of those arrangements. We are looking to establish comparable agreements with other countries in the region.

Second, recognizing that long-term development and job creation depend upon an active and vibrant private sector, we are increasingly collaborating with businesses. Through these partnerships, companies meet business goals and the poor improve their livelihoods.

For example, through a USAID partnership with Coca Cola, 25,000 Haitian mango farmers have doubled their incomes by improving farming practices and supplying their products for international natural juice products.

In the same vein, a new regional partnership with Wal-Mart will give small rural farmers in Central America access to the retailer's technical know-how and the opportunity to supply fruits and vegetables to its many stores across the region. And most recently, nine Salvadoran private sector foundations agreed to create a consortium to complement investments by the government and USAID in crime prevention in poor communities.

Finally, we are increasing the return on our investments by encouraging the development of innovative solutions to the region's development challenges. For example, spurred on by an incentive fund created by USAID and the Gates Foundation, the telecommunications company Digicel introduced a mobile money system that will enable Haitians to access financial services on their cell phones.

Such modern and novel approaches, combined with selectivity in USAID investments and a commitment to create greater governing and management capacity abroad, will accelerate the pace of economic and democratic development in the Americas. And as Latin America and the Caribbean become more prosperous and secure, the United States will also reap the benefits.

Thank you, Mr. Chairman. I look forward to the committee's questions.

Mr. MACK. Thank you. And now we'll move on to questions.

Mr. Valenzuela, can you talk a little bit about how you—how the State Department views the priorities of Latin America? What are our priorities in Latin America?

Mr. VALENZUELA. Yes. Well, thank you very much, Mr. Chairman.

I think that you summarized well in your opening remarks what our priorities would also be; would be freedom, security, and prosperity. And when we look at the countries of the Western Hemisphere, we're mindful of two things. One, that there has been extraordinary progress in the region as a whole. We're no longer in the situation we were 25 years ago with authoritarian regimes and civil conflicts in Central America, and failed economic policies.

We're in a situation that's really far more promising in that respect, where you have elected governments in most parts, where you have, at the same time, countries that are able—have been able to take on economic policies that not only have led to significant prosperity and growth in many places, but also have addressed issues of social exclusion.

So, we see the glass half full in this sense, because we're also mindful, and I'll finish my comment with this reflection. We're also mindful of the challenges that still remain, that there are weak democratic institutions in some countries, that there are really significant levels of exclusion of certain sectors of societies, that there's a lot more to be done. And we want to stand to be an effective partner to be able to address all three of these things; how we can better help protect security, how we can better advance freedom, and how we can, at the same time, better advance economic opportunity and prosperity.

Mr. MACK. Thank you. Can you tell me then why looking at the budget, it appears that—so you would agree that security is either the, or one of the top issues and concerns facing all of us in the Western Hemisphere.

Mr. VALENZUELA. That's correct.

Mr. MACK. Can you tell me then why in the budget that was submitted to the Congress, that it appears less of an emphasis on security, and more emphasis on other programs, including $109 million for Global Climate Change?

Mr. VALENZUELA. If I might summarize very briefly our priorities. The largest commitment that we have in our budget is, in fact, to citizen safety initiatives. It's 48 percent of the entire budget. And that includes Merida, it includes CARSI in Central America, it includes the CBSI initiatives in the Caribbean, it includes Colombia. This is a substantial commitment and the lion's share of our budget commitments.

We also have other priorities that are indicated by the three objectives that you, yourself underlined. And we want to be responsive to some of the other priorities, as well.

And alternative energies and climate change is an issue that is a priority in the Western Hemisphere in all the countries. When I travel, as I did recently with the President, one of the conversations it was clear both in Brazil and in Chile, was the importance of addressing issues of alternative energy and climate change.

Mr. MACK. Again, let me get back to the priorities, though. So, you can't help but to see things in the news that's talking about Mexico, and the problems that's happening in Mexico with the drug cartels, and security concerns there.

Guatemala, there's concerns in Guatemala, and the security threats and challenges in Guatemala. The drug trade that continues to flow through Venezuela, but also is impacting most of the nations in Latin America.

And when we look at the budget, and we see a diminishing priority in budgetary items for security issues, it puts up red flag. And then you superimpose that on $109 million for global climate change, which I understand is a priority of the President, but I don't know that it's a priority of the people who are seeking security in Latin America.

How do you justify those? And you've got about—if you could, really quickly, on that. And then I've got a follow-up question.

Mr. VALENZUELA. Yes. Well, again, I would reiterate that our commitment to programs like Merida, and CARSI, and CBSI is fulsome.

One of the reasons why there's some decline——

Mr. MACK. Okay. Let me, real quick, because you keep talking about——

Mr. VALENZUELA. Sure.

Mr. MACK. Only $300 million of the $1.1 billion has been delivered in Merida, so there's an issue there.

Let me ask this one last question. And I mentioned this in my opening statement about ALBA countries.

We continue to support with U.S. tax dollars countries like Venezuela, Bolivia, Ecuador, and Nicaragua, who are building—trying to build up their nations by spewing anti-U.S. rhetoric. Why would we spend almost $95 million in assistance to countries like Venezuela, Bolivia, Ecuador, and Nicaragua, who have made it clear that their priorities, their goals, their visions in life are not the same as the United States, or the people of the United States? Why would we continue to support those countries?

Mr. VALENZUELA. Mr. Chairman, if I might simply respond to your earlier remark, as well.

With the $408 million has been already delivered in the case of Merida, and we expect that $500 million more will be delivered by the end of this year. So, it may have been slow at the beginning, but we're really meeting our commitments with the case of Merida.

And, also, the final traunche of Merida is focusing on some—we moved beyond equipment and things like that to, in fact, some of the really critical issues, such as institution building, and judicial reform, and police training.

I don't want to——

Mr. MACK. The issue, though, there is that we are lagging behind the drug cartels. And this is since 2008. It's extremely disappointing that a commitment that we made to work with the Mexicans in this, the fact that $300-, $400 million of $1.1 billion has only been delivered since 2008 is cause for concern; I think you recognize that.

My time is up, so let me move on. We'll have a chance to——

Mr. VALENZUELA. All right, thanks.

Mr. MACK [continuing]. If you need it, to discuss this.

Mr. Sires is recognized for 5 minutes for questions.

Mr. SIRES. Thank you, Mr. Chairman.

First, let me associate my remarks—associate myself to the remarks of Dana regarding Honduras. I'd be happy to work with you, Congressman, on this issue.

You know, we talk a lot about the Merida initiative. And one of the things that I had a concern with when this whole thing was first conceived was the fact that we seem to not take a regional approach to the problems in the Western Hemisphere, but we seem to be focusing—we focus on Mexico, so the drug gangs move to another country. It's like a balloon, you push it here, and it pops out someplace else.

We were very successful in Colombia. I think until we do a regional approach in all these countries in Central America, we're not going to be as successful as we want to be. Let me put it that way.

The fact that the President is putting $200 million, I would like to see more details about it. I don't know enough about it. Is it going to be more of a regional-basis, or is it not?

So, I was just wondering how you feel about the comment that I just made, that I think we should take more of a regional approach, instead of taking—it seems that we're taking country by country, and where the problem pops up, we try to throw some money in there.

Can you just comment, both of you?

Mr. VALENZUELA. Congressman, I couldn't agree with you more that, in fact, this cannot be approached simply by doing bilateral relationships with particular countries and assistance with particular countries. It has to be a broad regional focus.

And, indeed, one of the first steps that the administration did with Merida when this administration came in was, in fact, to broaden Merida to include a strong component with regard to Central America, which led to the development CARSI initiative, the Central American Regional Security Initiative, as well as the CBSI initiative with regard to the Caribbean; mindful of the fact that we still needed to continue to cooperate with Colombia on this.

So, at this particular point, our entire focus is really very significantly regional. It extends from Mexico, through Central America, through the Caribbean, and into Colombia. And we're working together with all of the countries there.

And if I might say something about the Partnership for Central America that the President referred to. This is a broad partnership that not only includes the United States, but it also includes key actors, such as Colombia, and, in fact, Mexico, working in Central America, but other donor organizations. And by that I mean the Inter-American Development Bank, and the World Bank, and other countries, such as the European Union, and others.

We're trying to do a much more strategic planning effort with other countries, with donors, so that we can, in fact, address what is, indeed, a regional problem, as you suggest.

Mr. SIRES. Would you like to comment on that, sir?

Mr. FEIERSTEIN. Yes, thank you. I very much appreciate the opportunity to address that.

I think if you look at the FY12 budget request, and, in fact, look at our budget today, and our programs, you'll see it reflects the approach that you're encouraging.

The largest budget for us in the Western Hemisphere after Haiti, of course, is in Colombia. And that is largely a security program, where we do a lot of alternative development work in helping the government establish a presence in areas that were in conflict recently.

Peru, which is our second-largest budget in the hemisphere, half of our budget there is devoted to alternative development, which, of course, is security-related work.

And at the same time, for FY 12 we've been able to, in a very challenging fiscal environment, in our austere budget, been able to protect and even increase funding for Mexico, El Salvador, Guatemala, and Honduras. And, again, those are security-related programs.

In the case of USAID, which has a relatively smaller piece of the overall U.S. Government security package, we're focusing our work, and Rule of Law with extensive programs in Mexico and elsewhere. And, also, working with at-risk——

Mr. SIRES. I'm running out of time, and I just want to ask this other question.

One of the problems that I talked to the Ambassador from Guatemala was that when we find people that are illegally in this country, and there are gang members, we send them back to the country. We don't let them know that these people were gang members. Has that changed? We don't let these countries know that I am sending you 20 gang members from whatever gang. Do we let them know now?

Mr. VALENZUELA. Congressman, my understanding is that the law enforcement agencies are making much more of an effort now to, in fact, inform their counterparts in countries of the background of some of the people that are being sent back.

Mr. SIRES. Okay.

Mr. VALENZUELA. But you would have to—I would refer you to them, however, for a fuller explanation.

Mr. SIRES. Chairman, thank you very much.

And my last question has to do with the budget for democracy promotion. I understand that there were cuts there in this budget for foreign programs, and so forth. How are you going to prioritize that, if we're going to have these cuts?

Mr. FEIERSTEIN. Congressman, I think if you look at the budget you'll see that, in fact, the largest sector of the FY12 budget request is for democracy. We have a whole host of democracy programs, which range from strengthening institutions like parliaments in local government, but also working in countries where there's been a backsliding, or repression. We have important programs in Cuba, Venezuela, and elsewhere. So, it is a high priority for us, and those programs will continue.

Mr. SIRES. If we ever get the programs going in Cuba.

Mr. FEIERSTEIN. Well, our programs are ongoing in Cuba. There's been no interruption there. We have just submitted a CN for an additional $20 million, and we look forward to continuing those programs.

Mr. SIRES. Okay. Thank you very much, Chairman.

Mr. MACK. Thank you, Mr. Sires. Mr. McCaul is recognized for 5 minutes for questions.

Mr. MCCAUL. Thank you, Mr. Chairman. And I want to thank the witnesses for being here today.

Mr. Secretary, I—when Secretary Clinton testified before the full committee, I brought up Merida. And as with the chairman of this subcommittee, expressed my disappointment in the flow of—in the implementation of that, particularly at a time when Mexico is in a real crisis. And I know the Ambassador has expressed his concerns from Mexico to us about that.

I asked her to respond in specific numbers what is the latest with that program, and I look forward to getting that response.

I've spent a lot of time talking about Mexico lately, and the drug cartels. I wanted to focus on another issue of importance today; and that is Venezuela.

And I'm concerned, as I believe the chairman is, as well, of the influence of Venezuela in Western Hemisphere. Under this budget, $5 million will be given to Venezuela in economic assistance, so I think it's appropriate to talk about the role of Venezuela.

Clearly, they're not our friend. Their allegiance to Iran concerns me greatly. I recently had Bolivian law makers who came to me in my office, and told me about these large aircraft that were leaving Bolivia, flying to Venezuela, and then on to Iran. They mentioned these uranium mine fields, or mining facilities in Bolivia. That's a real concern.

Maybe you can tell me whether that's fact or fiction, or perhaps another setting, but that is very concerning to me. And then we had the Commander of SOUTHCOM, General Fraser, testify before the Senate last week, and talked about his concerns about the flights between Caracas and Tehran.

And just recently, I was told that the administration is considering issuing special licenses to allow Iranian aircraft and engines of U.S. origin to be serviced and repaired.

To me, that's pretty stunning. I mean, if we have a role in servicing Iranian aircraft that could be complicit with exporting uranium from Bolivia and Venezuela.

Mr. Secretary, let me just throw that out. This is what's being reported to me. If it is, in fact, true, it's very disturbing news, and I hope you can perhaps shed some light on this information.

Mr. VALENZUELA. Thank you, Mr. Congressman. I want to thank you for your concerns, and your focus on Mexico, and the things that you've done, and brought to our attention. And want to be as responsive as we can to you on your concerns about that.

With regard to Venezuela, I couldn't agree with you more, that we're concerned about Venezuela's position. We have been for some time, not only internally, the way Venezuela has been going after press freedoms, and after opposition sectors, undermining democratic institutions, issuing things like, or doing things such as having the National Assembly delegate authority to the Executive that goes beyond the term of that National Assembly, and so on. So, the pattern is a long one.

And we're also concerned about the relationships that Venezuela has with Iran. And we've been tracking those very carefully, and

very closely. And we've been following up. In fact, we're in continuous communication with our intelligence community, we're in continuous communication with other partners.

I just had a bilateral set of meetings, day-long meetings with the Israelis recently where we went through a whole host of issues, including this particular concern that we share with regard to Iran.

And let me just simply say that Iran does clearly want to increase its profile in the Western Hemisphere. The base point from which they start, however, is extremely low. And, in that sense, you know, we haven't seen some of the things that have been alleged out there. But I can assure you, Mr. Congressman, that we really are looking very closely at these sorts of——

Mr. MCCAUL. And my time is running out, but, again, we had the Commander of SOUTHCOM. It's not me, or some anonymous—this is the General as Commander of SOUTHCOM, expressing concerns about these flights between Caracas and Tehran. That gets my attention. And I think it gets most people's attention.

Do you have any information about these flights, not only from Venezuela, but also originating out of Bolivia, and the potential that these aircraft may be carrying the very materials that Tehran may be using to produce a nuclear bomb?

Mr. VALENZUELA. Yes. We are concerned about these allegations. We've looked at them extremely carefully. We continue to monitor them very carefully.

And, Mr. Congressman, I want to be responsive to your question regarding the alleged licensing of—I don't know about that. This is the first I've heard about that, and I would be glad to look into that, and get back to you on it.

Mr. MCCAUL. And just in closing, and thank you for your cooperation on that. I just find it absolutely absurd that we would be providing assistance to Iranian aircraft by way of—basically, providing material support to a terrorist nation. And if these licenses are granted, to fix these airplanes.

So, with that, and thank you for your time, and I yield back.

Mr. MACK. Thank you, Mr. McCaul. And now I'd like to recognize Mr. Payne for 5 minutes for questions.

Mr. PAYNE. Thank you very much.

Although you touched on a question of Haiti, could you update us on the development; are many people still in tents, and there's been a tremendous amount of pledges made. I wonder do you know how many of the pledges from countries around the world actually have been lived up to. And is there a program going on to relocate the people that are in tent cities?

Mr. FEIERSTEIN. Well, thank you, Congressman. I appreciate the question. Of course, you are very much aware of the enormous challenges we're facing in Haiti. This was a country that was before the earthquake the poorest in the hemisphere, one of the poorest in the world. And the devastation was tremendous from the earthquake, with 20 or 30,000 people being killed, and government ministries being damaged.

In terms of the people living in tent camps, at one point it had reached 1.5 million people. We are encouraged that that number is now down to under 700,000. Now, to be sure, that's too much, but

we're working very hard to continue that transition. We have a number of programs in place to do so.

We're repairing what's referred to as yellow homes. These are homes that were damaged in the earthquake, but they could be repaired. We're helping transition people into what are called green homes. These are homes that are ready to be moved into. We've also provided two shelters, transitional shelters. And we have a long-term program in place to build more permanent homes.

At the same time, we're trying to insure that the people who are living in these tent camps are being taken care of, and we've been providing free food, free water, health care. In fact, as I noted earlier, today in Haiti more people have access, more Haitians have access to clean water and health care than before the earthquake. And, in large part, that's because of the services that exist in the tent camps.

And what's remarkable with regard to the cholera crisis, which we're hoping to—we think is under control now, has barely touched the tent camps. If you look at the conditions in which people are living in there, there was great fear when the cholera crisis broke that it would have a terrible impact on the camps. In fact, there has been very little impact on the camps because of the clean water people have there, and their access to health care.

But the reconstruction of Haiti is going to take many years, and we are very much committed to the reconstruction of Haiti, and looking forward to working with the new government.

Mr. PAYNE. Is there any assessment yet of the new government? I know with President Aristide there, back—has that had any impact on what's going on in Haiti?

Mr. FEIERSTEIN. To the best of my knowledge, there hasn't been any impact yet. We've had some discussions with the candidate string, the campaign, and there have been discussions between the Embassy and USAID Mission in Haiti with the incoming government. And we believe that there is—there will be an alignment in terms of the priorities with regard to development and reconstruction there.

Mr. PAYNE. There is, as I mentioned earlier, the Western Hemisphere Bureau has a Race, Ethnicity, and Social Inclusion Committee, and it seems that the committee is about to expire. And I just wondered are you aware of it, and has there been any allocations in the current budget for the unit, or is there enough interest in keeping this going, especially in Brazil and Colombia?

Mr. VALENZUELA. Congressman, I participated personally in these events with that unit. I think that it's extraordinary work that the unit has done. Our dialogue with Brazil on race and discrimination issues has been extremely important, and we've been very interested in the level at which Brazil has responded with regard to that.

Also, our interest in continuing to work the Colombians, particularly on the issues with Afro Colombians is very important. So, it's our commitment to look for ways to maintain that unit, and to keep it vibrant. It will certainly be continued to be part of our diplomacy.

We're encouraging embassies throughout the hemisphere to adopt programs like this. They're very valuable. They allow us to

share best practices with regard to measures that can be taken to address issues of social exclusion, racial discrimination, and things like that. So, we're very committed to this kind of a program.

Mr. PAYNE. My time has expired. Thank you very much.

Mr. MACK. Thank you, Mr. Payne. Now I'd like to recognize Mr. Rivera for 5 minutes for questions.

Mr. RIVERA. Thank you, Secretary Valenzuela. I'm still a little murky as the real impact of the recent announcement on the Colombia Free Trade Agreement. When President Santos left the White House, and our Trade Ambassador, Mr. Kirk, came outside and gave a statement, I saw a video of the statement, and what he said, in essence, was that: "The agreement allows us to be put on a path to begin a discussion on how we can come to an agreement on steps that can be taken to move forward with the Colombian Free Trade Agreement." What in the world does that mean?

Mr. VALENZUELA. Congressman, it means that we want to move forward, and this is the administration's policy to conclude the Free Trade Agreement with Colombia and Panama. We hope to move as expeditiously as possible on that. We've had an excellent, excellent dialogue with the Colombians on this.

There is an action program that we've worked together with them on it, and I think—I'm very optimistic. This is something, also, that the Colombians are doing not because the United States has asked them to do it. It's something that they are committed to. And I'm referring very specifically to such things as labor rights, and the treatment of labor official——

Mr. RIVERA. Where are we today that's different from the day before this agreement, or this quasi agreement was announced? What's the difference?

Mr. VALENZUELA. I think that we're close to being able to move this forward. And I'm confident that this is something the administration wants to get done this year.

Mr. RIVERA. We're close to moving it forward, because we had heard that previous to this agreement they signed, also. This agreement does not mean this Congress is going to get the Colombia Free Trade Agreement any time soon.

Mr. VALENZUELA. I would defer to USTR, on issues like timing. But we're optimistic that this is moving forward.

Mr. RIVERA. Well, I hope you'll take back the message to USTR that in no way will this agreement mollify the commitment of many Members of Congress to move forward on the Colombia Free Trade Agreement. And I'm speaking in terms of a bipartisan commitment that I've heard from colleagues, such as Congressman Farr, who although I may disagree on a variety of issues vis a vis U.S. policy toward Latin America, when he says that he's going to vote against the South Korea Free Trade Agreement, and work to kill the South Korea Free Trade Agreement, if the Colombia Free Trade Agreement does not come forward, as well, you can put a lot of members on the list that will do that, including myself. I will work day and night, whatever I can do to kill the South Korea Free Trade Agreement unless there is concrete movement on the Colombia Free Trade Agreement, as well.

A second issue——

Mr. VALENZUELA. We're committed to Colombia Free Trade.

Mr. RIVERA. I hope as committed as you are to South Korea.

Going to the issue of Cuba and democracy promotion, is there any conversation or consideration to taking Cuba off the list of state sponsors of terrorism?

Mr. VALENZUELA. No, there's not.

Mr. RIVERA. So, this administration is fully committed, and believes that Cuba merits being on the list of state sponsors of terrorism.

Mr. VALENZUELA. That's correct.

Mr. RIVERA. Why does this administration believe Cuba merits being on that list?

Mr. VALENZUELA. Because the finding has been that this is a country that has in the past supported terrorism, is involved in terrorist actions. And we're not intending to change that.

Mr. RIVERA. Well, I hope the administration will also remember there is currently activities, as well, in terms of activities with terrorist organizations, whether it be the ETA, Basque terrorists, or FARC terrorists, and so forth. And we also have to remember that one of the main tactics that terrorists will often use is hostage taking.

And in that sense, I want to come to the issue of Alan Gross, and ask you where are we in terms of making sure that this particular American hostage is released by the Cuban Dictatorship immediately?

Mr. VALENZUELA. Congressman, thank you for asking. We've made it very, very clear that we think it's an outrage that not only was he detained for as long as he was, but that, in fact, that he was convicted inappropriately. This is a dedicated international aid worker, who was working—and Mark can speak more specifically to the kinds of programs he was working with. And we think that, and we've made it very clear to the Cuban authorities that we would want him to be released immediately.

Mr. RIVERA. So, there is no consideration——

Mr. VALENZUELA. And we're working very assiduously in that direction.

Mr. RIVERA. So, there is no consideration, whatsoever, to the possibility of making an agreement whereby Mr. Gross is released, and Cuba is taken off the list of state sponsors of terrorism.

Mr. VALENZUELA. No.

Mr. RIVERA. Thank you, Mr. Chairman.

Mr. MACK. Thank you, Mr. Rivera. Mr. Rohrabacher is recognized for 5 minutes for questions.

Mr. ROHRABACHER. Thank you very much, Mr. Chairman. Mr. Chairman, at this point I'd like to submit for the record a letter from Senator Inhofe to President Lobo of Honduras, as well as a copy of the letters that were sent to the President of Honduras by other members of the House.

Mr. MACK. Without objection.

Mr. ROHRABACHER. Thank you very much. And the letters are self-explanatory, and let me just ask, what is the policy of American properties expropriated in a country in this hemisphere? Do we just shrug our shoulders and say we're going to give them aid, anyway?

Mr. VALENZUELA. Thank you for the question, Congressman. I'd be happy to look at the letters and the information you're going to send me.

This issue has been raised before in previous testimony. We don't comment on investment disputes. This is something that is between private parties, but we'll be very happy to look at the letters that you are referring——

Mr. ROHRABACHER. It has been adjudicated, and there are a number of cases that have been adjudicated. We're not just talking about one, although there's one that we all know about. That adjudication then at some point put has some sort of moral, if not legal, onus on us to follow-up, and have a different kind of policy based on the fact that there's been a legal finding of wrong-doing. And I would hope that we do not provide foreign aid of American taxpayers dollars to governments that have taken property from Americans. And after having it legally decided that it was unlawful expropriation, that we would then just continue sending money, our aid dollars to them.

On a totally different issue, what role does the Export Import Bank play in your development goals in Latin America?

Mr. VALENZUELA. It actually plays a very important role. You would have to—I would have to refer you to them for the specifics on their programs, but I might point out that during President's trip, the chairman of the Export Import Bank was one of the members of the cabinet, and sub-cabinet that attended some of the meetings, and participated in the CEO forum. And, in fact, the Export Import Bank has made available, I believe, $1 billion line of credit for U.S. companies to be able to participate in some of the infrastructure projects that——

Mr. ROHRABACHER. The Export Import Bank, if I'm correct, we, the taxpayers, although there's no appropriation for the Export Import Bank, we are, basically, guaranteeing the loans of the Export Import Bank.

Mr. VALENZUELA. Exactly.

Mr. ROHRABACHER. And, again, the Export Import Bank then guarantees other loans to do business where it targets. What do you make of this report that the Export Import Bank has promised Brazil's state-owned oil company a $2 billion loan guarantee to help them with their offshore oil drilling, at a time when, of course, our Government is opposing, and has actually stopped the offshore oil drilling in the Gulf of Mexico?

Mr. VALENZUELA. I would have to refer you to the Export Import Bank for comment on that.

Mr. ROHRABACHER. You don't know anything about this.

Mr. VALENZUELA. I don't know much about that, yes.

Mr. ROHRABACHER. Let me just note for the record, Mr. Chairman, that there are reports that the Export Import Bank has offered this $2 billion loan guarantee to the Brazilian state-owned company here, an oil company. And the oil company is actually, also, being involved in this happens to have an investor. And there are millions of shares of Petrobras, this Brazilian oil company, the state-owned oil company, I guess. But they actually are—it's on the market, as well. And billions of shares of this have been bought and sold by various interests. The largest firms holding this prior

to the disclosure of the Export Import Bank's offer for this credit line, the firm that had the most shares in this company prior to this announcement, in some way the biggest owner of those shares of that company was Mr. George Soros, who happens to be one of the President's biggest campaign contributors. This deserves to be looked into, don't you think?

Mr. VALENZUELA. Again, I would refer you to the Export Import Bank for the details on that. I have no comment.

Mr. ROHRABACHER. Well, I can tell you, if it was a Republican administration, that people would be up in arms. There'd be-every news show would have something about this. Something stinks down there about this. Two billion dollars going to help offshore oil drilling off Brazil with no guarantee that we're going to get any of that oil, at a time when the administration is clamping down on our own people who are trying to do offshore drilling, that, itself, is questionable.

Then when you tie this into the fact that George Soros probably made hundreds of millions of dollars off the stock that he owned in the company that we were providing these loan guarantees for, which he's probably already liquidated and made—and pulled in his cash, this is outrageous, and deserves a very close look from this committee, Mr. Chairman. Thank you very much.

Mr. MACK. Thank you, Mr. Rohrabacher. And if the witnesses don't mind, we will, I think, go another round of questions, because I think there's a little more to chew on here. So, I'll recognize myself for 5 minutes.

I want to get back to this question about the ALBA countries, and why would we continue to fund them. The President of Ecuador is quoted as saying to the U.S.: "That we can keep our dirty money, and that Ecuador doesn't need it." So, the question is, is why do we continue to send U.S. taxpayer dollars to countries like Ecuador, who (a) think that the taxpayers in the United States are dirty, and they don't want their dirty money, and they don't need it.

Mr. VALENZUELA. Right. It's a very fair question, Congressman. Let me answer it this way. We have fundamental strategic interests in the Western Hemisphere that we need to advance. Among those strategic interests are, indeed, strengthening democracy freedoms, as you pointed out earlier, addressing security issues, and looking for greater opportunities.

The ALBA countries are, by choice in this one group, but they're very different societies. And their histories are really quite different. So, the phenomena in Bolivia is a very different phenomena from the Venezuelan, and from the Ecuadorian phenomena, or the Nicaraguan phenomena. And we need to be mindful of those differences.

And our response needs to be one that is a strategic response. We shouldn't just have a blanket answer that says oh, we won't fund, or we will fund. What we need to do is to see how we can, in fact, advance our interests.

Mr. MACK. But what interests——

Mr. VALENZUELA. And in some——

Mr. MACK. Okay.

Mr. VALENZUELA. Well, in some cases——

Mr. MACK. Wait. Hold on.

Mr. VALENZUELA. Yes.

Mr. MACK. I get your—so, what you're saying is we have strategic interests, and that helping some of these countries with U.S. taxpayer dollars to help fight drug trafficking is a good thing. So, I hear what you're saying, but why would we send $8 million to Ecuador for Global Climate Change Initiatives?

Mr. VALENZUELA. Because we're interested in advancing Global Climate negotiations, and things like that.

Mr. MACK. I mean, I'm sorry, but there is no—other than if there's—this is my opinion, that there's a political motivation by the President and the administration to promote Global Climate Change Initiatives, but when a country like Ecuador, the President says keep their dirty money, and that the Ecuadorians don't need it, I say we take him at his word. And that if he doesn't need the money, and if he's going to join with Venezuela and other ALBA countries in trying to build his own country on spewing against the United States, then we should—the taxpayers of America don't want their money being spent on programs like this.

Mr. VALENZUELA. I understand your position on this. Congressman, let me say a word about Ecuador, if I might, because, as you know, the Ambassador was PNG'd from Ecuador. We think that this was an outrageous determination on the part of the Ecuadorian Government. We immediately took reciprocal act by PNG'ing their Ambassador here in Washington, and we've cut off, in fact, the high-level bilateral dialogue that we had on a series of issues.

And at this particular point, we are reviewing all of our cooperation with Ecuador to see where we, in fact, move ahead. And there may be some areas where it—in fact, maybe it is in our interest, for example, to deal with support for certain sectors of Ecuadorian society, where we may have some benefit to having some contacts with them.

Mr. MACK. Well, let me——

Mr. VALENZUELA. But those are things that we're still considering.

Mr. MACK. Okay. Let me just say this for the record, and I hope they hear me loud and clear.

I understand that what you're referring to is the President's budget and request. In this Congress, with the majority being now in the Republican's hands, I'm going to work hard to defund any assistance to the ALBA countries, because I don't—first of all, we've got our own financial problems here in the United States. We certainly don't need to be funding programs like Global Climate Change, or any other initiatives in countries where the leaders of those countries don't want the support of the United States.

And I think we can save the American taxpayers' money, and at the same time send a strong message to these ALBA countries, if you continue down this path, you can expect zero assistance from the United States. Nine seconds. You agree?

Mr. VALENZUELA. It's your prerogative.

Mr. MACK. Thank you. My time is expired. Congressman Sires is recognized for 5 minutes for additional questions.

Mr. SIRES. Thank you, Mr. Chairman.

You know, Senator Kerry made a big issue out of the $20 million that were used to promote democracy in Cuba, where he claims that what this does is antagonize the country, and so forth. You know, my comment to that is, I don't think Cuba needs any antagonizing to put people in jail. They've been doing that for the last 50 years.

And I would just wonder how the administration feels about the comments made by Senator Kerry? Is it going to change your mind? Are the programs going to be stopped? Because I know Senator Menendo is pretty harsh on the comments that the Senator made.

Mr. FEIERSTEIN. Thank you, Congressman. We are fully supportive of our programs, our democracy programs in Cuba. These are programs that began in 1996 under the Clinton administration. They've continued throughout through three administrations now. They have strong bipartisan support. We think those programs are essential. We intend to fully fund it at levels consistent with previous years. We've just submitted a CN. I believe there will be a briefing later this week by the State Department and USAID to go into greater detail with those programs. And we look forward to full funding from Congress for them. Thank you.

Mr. SIRES. I was just wondering, when you sit next to these people across from you in Cuba, and you have their interest groups, do you bring up the criminals that are in Cuba, like Chesimard, who killed a state trooper in New Jersey, and fled to Cuba? She shot him point blank. She's there now. Her new name is Assata Shakur, we know her as Chesimard. Do you raise those issues with the Cuban Government? I mean, these are people that are wanted here for killing a state trooper in New Jersey. Sir? Don't run away from me. Please let me know, yes or no.

Mr. FEIERSTEIN. I'll have to defer to my State Department colleague on that. They handle the relations with Cuba.

Mr. SIRES. Okay. Thank you.

Mr. VALENZUELA. I'm not familiar with this particular case that you're referring to, Congressman. I'd be happy to look into it. But let me say that when we do have our discussion, and I haven't conducted them myself, but when we have discussions from my Bureau with the Cubans on things like the post office, and the migration talks, we always raise issues like these. And we also insist on meeting with people from civil society in these countries.

Mr. SIRES. Well, New Jersey has put a bounty on her head of $1 million. And I know that the State Troopers in New Jersey are constantly coming to see me to make sure that the woman that shot this state trooper is not forgotten. So, I would just put it on the list to do, when you meet with some of these people.

There are over 100 criminals in Cuba, or more that have fled from this country. And they have sanctuary there, so I was just wondering, with all this talk about Alan Gross, what a terrible person he is, we have people that committed murder here in this country, and are living in Cuba, and it's like a sanctuary. So, I just don't know—I think the administration could be a little firmer, and more aggressive in trying to pursue some of these criminals, and bring them back for justice here in the United States. I mean,

these are people that are convicted here by our courts. These are people that escape from jail, and went to Cuba as a sanctuary.

All right. Thank you very much.

Mr. VALENZUELA. Sure. Thank you.

Mr. MACK. Thank you, Mr. Sires. Mr. McCaul is recognized for 5 minutes for questions.

Mr. MCCAUL. Thank you, Mr. Chairman.

I, actually, do want to go back to, now that we have a second round, go back to Mexico. And Congressman Cuellar and I were involved with Merida, and I think we're almost in a post-Merida phase, and that we need to start thinking about what is the next—what is the strategy?

And I chaired a hearing on Homeland Security where the focus was, what is the plan, and what is the strategy to help the Mexican Government win this war against the drug cartels, which President Calderθn clearly says, "It's a war." I think when 35,000 people died at the hands of the drug cartels, he's correct in saying that.

But we've had contracts and problems with Merida. Mr. Feierstein, I know you're aware of some of these, 90 percent to one company for training, that people don't even show up. But I'm interested in what is the—you know, I had the Department of Defense, DHS, State Department all at this hearing. What is the plan? It seems to me that these different agencies ought to be working together on what is the overall strategy that we should be implementing to help Mexico. After all, it is in our backyard. It's not Libya, halfway around the world. It's right next door.

And one issue that came up, and the two of you are very familiar with what we did in Colombia, not that you want to use a cookie cutter approach, but it seems to me that we should be looking at maybe the best practices, and lessons learned from the Colombia experience. And I know that sometimes this gets people nervous, but I think we ought to look at what worked down there in Colombia, and apply that to Mexico.

Can you tell me if either one of you agree with that assessment? And, if so, what can we do working together? And Congressman Mack and I will be traveling down to Colombia and Panama and meeting with President Calderθn in Mexico City. What can we do working together, not only this administration, the majority and the minority in Congress, but also with the Mexican Government? What can we do working together to help them win this war, which I believe Merida is not being implemented as it should, and it's not working, and we're losing. They're losing, and we're losing, also.

So, with that, do you agree that we ought to be looking at what happened, our experience in Colombia, and are there things we can be doing in Mexico, applying those principles, and how can we work together on this?

Mr. VALENZUELA. Congressman, I couldn't agree with you more that this is of the highest priority for the United States in terms of our fundamental interests to be able to work effectively with Mexico, to be able to overcome this challenge.

And I also would agree with you that to draw on lessons that have been learned elsewhere is a very valuable way to go. And, in fact, there is much more conversation. One of the aspects of this regional strategy with regard not only to Mexico, but also to Cen-

tral America, and the Caribbean is to get other partners involved. And the Colombians have really stepped up to the plate in this regard.

They're training policemen, as you know, in Mexico. They're also helping training policemen in Central America right now. But taking this a step further, some of the strategies that were used, in fact, to go push back on the criminal organizations that the Colombians used is something that the Mexicans might look into.

We're fairly confident that the essential pillars that we've been following are the correct ones, that we need to bring down the drug trafficking organizations, and criminal cartels, and that sort of thing. That you also cannot do this without paying attention to building stronger institutions, including judicial institutions, and——

Mr. MCCAUL. And I agree. We have a President in Mexico who wants to work with us, and I don't know what the next election will bring, whether we'll have that same window of opportunity. And time is kind of running out. I think President Calderθn has been a great ally, and we've been a good ally to him, but time is running out, and the window is shutting. And it seems to me we need to maybe start thinking, maybe not outside the box, but think about an overall new strategy that we can bring to bear down in an area that's right next door, where there's a crisis on our doorstep.

So, I would hope you would take a look at that. I, personally, think it's getting to the point where the idea of a joint intelligence/joint military type operation is going to be necessary. Now, I know the sovereignty issues are great. And I understand the obstacles that you have in the State Department to convince them that that's the best thing, but if you're sending our guys down there, we ought to do it without one hand tied behind our backs.

So, if I could indulge the chair, and ask one more question. And this has to do with—it was called to my attention that the Palestinian authority, President Abbas, was traveling. He's traveled around the world, but particularly in Latin America, trying to get support for the recognition of a Palestinian State outside of the Negotiation Peace Process.

I think that's troubling, obviously, to the Israelis, because I think their view is look, let's come to the table, but let's come without any conditions, without any preconditions. And I think that has some merit to it. Why bring conditions before you even sit down at the table?

So, I, personally, I think I find this activity a little bit—it's counterproductive, in my judgment, to what Secretary Clinton and the State Department is trying to do with respect to the Peace Process in the Middle East. And this may even come down to a U.N. resolution.

What is your position on this strategy that President Abbas has been taking? And what would be the position of this administration, if a U.N. resolution was to come down recognizing a Palestinian State outside of the negotiation process?

Mr. VALENZUELA. Congressman, our position has been very clear on this, that this is not a helpful step for countries to recognize the Palestinian State at this particular point. This is something that

is being negotiated by the two parties. In fact, it's far better for them to address these issues, and that this, in fact, could be counterproductive to have countries do this kind of recognition. And we've made that very clear to our counterparts throughout Latin America.

As you well pointed out, there are some countries that have recognized the Palestinian State, some of them have actually indicated that they recognize it with the 67 borders. We've made it very clear to all of our counterparts that we don't think this is a good idea.

Mr. MCCAUL. Well, I think that's the right course of action. And thank you for your answer.

Mr. MACK. Thank you very much. And I'd like to thank the witnesses for being here today, and bearing with us as we move through this. And always appreciate your input, and trying to work on making America stronger around the world, and at the same time protecting the taxpayer dollars. So, thank you very much.

Mr. VALENZUELA. Thank you, Mr. Chairman. Thank you, Congressmen.

Mr. MACK. And I think now we will have a second panel. We'll give a moment for this panel to gather their things.

I'd now like to introduce the second panel. First, the Honorable Adolfo Franco. Mr. Franco is the vice president for global regulatory affairs for Direct Selling Association. Previously, Mr. Franco served at USAID as the Assistant Administrator for Latin America and the Caribbean. Welcome.

And, second, the Honorable Mark Schneider. Mr. Schneider is the senior vice president for International Crisis Group. Mr. Schneider has previously served as the Director of the Peace Corps, and as the Assistant Administrator for Latin America and the Caribbean at USAID. And welcome to you, too, sir.

I would now like to recognize Mr. Franco for 5 minutes for an opening statement.

STATEMENT OF THE HONORABLE ADOLFO A. FRANCO, VICE PRESIDENT FOR GLOBAL REGULATORY AFFAIRS, DIRECT SELLING ASSOCIATION (FORMER ASSISTANT ADMINISTRATOR FOR LATIN AMERICA AND THE CARIBBEAN FOR THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT)

Mr. FRANCO. Thank you so much, Mr. Chairman. And thank you for the invitation to testify today. It's really great to come home to the House Foreign Affairs Committee. And I appreciate the opportunity to share with you my perspectives on how the United States should advance our interests in Latin America and the Caribbean.

Let me begin by saying that although I may disagree with some of my colleagues, including my good friend, Mark Schneider, testifying here today, I have great respect for them, and for the commitment they bring they bring to their work.

Arturo Valenzuela and I had many vigorous debates during the 2008 Presidential election when he worked for the Obama campaign, and I worked for the McCain campaign. And I look forward to continuing these exchanges with him, and others in the future.

However, we do have significant, even profound differences in our views regarding U.S. interests, and how best to secure them.

These are clearly seen in our positions regarding the President's proposed budget for Fiscal Year 2012, and his conduct of foreign affairs in the region, as a whole.

I have trouble, Mr. Chairman, understanding a foreign policy that espouses a hard line with respect to democratic Honduras, and yet extends a welcoming hand to the brutal regimes in Venezuela and Cuba. I believe our current policy is driven by an effort to appease and reach accommodation with those adversaries at the expense of diminishing support for our allies, most notably Mexico and Colombia.

A subject that is particularly close to my heart is the Cuba democracy program that Congress authorized 15 years ago. This program is designed to bring about genuine change in Cuba by providing the growing dissident movement with the tools needed to overcome Castro's information blockade. As we witnessed in Eastern Europe a generation ago, true change is only possible when it is broadly supported at the grassroots level, and information about the outside world is widely disseminated, and Cuba is no different.

When I assumed my position as Assistant Administrator for USAID's Latin America Bureau, the Cuba program budget was a paltry $5 million, and most of that was unspent. By the end of the Bush administration, the Cuba program had increased dramatically, reaching $40 million at USAID alone. Other government agencies who were also actively engaged and provided financial resources to support those pressing the Castro regime for change.

Moreover, our efforts in Cuba were bolstered by a multinational component that included a range of prominent individuals in Europe who identified with the struggle for freedom, such as Lech Walesa and Vaclav Havel, as well as statesmen such as former Spanish Prime Minister Joe Maria Aznar. These inspiring leaders and the organizations they represent were active participants in our programs, USAID's programs, to bring about light and hope to the Cuban people.

Unfortunately, the U.S. Government's interest in this multinational effort has dwindled to nothing. This is no accident, Mr. Chairman. Instead of assisting growing democracy movement on the island, U.S. foreign policy now focuses on expanding contacts with the Castro regime, and relaxing regulations, including travel, to Cuba.

Instead of ratcheting up pressure on Castro, the Obama administration has relaxed travel restrictions, and provided the regime with the additional resources that will allow it to perpetuate its tyranny. Since I left USAID, the Cuba program I ran has had its budget cut in half. Support for Radio Martii, another vitally important tool in our arsenal to provide a democratic transition to Cuba, is also waning. The simple fact is, Mr. Chairman, that in spite of the continued repression in Cuba, the President's goal is to reach an accommodation on the Cuban regime's terms rather than those of the Cuban people.

The Obama administration not demonstrated an ability to learn from its mistakes in Cuba or elsewhere in Latin America, and so it falls on Congress, and you, Mr. Chairman, as well as this committee, to insure that basic American interests are not undermined.

This starts with a careful review of the President's request of over $2 billion for Latin America and the Caribbean in Fiscal Year 2012. While I applaud the President for his restraint regarding the overall request this year, I take issue with the proposed allocation of the funds requested.

In a time of increasing violence and insecurity in the region, nearly all of the 2012 reductions come from military and police assistance programs. For example, under the President's budget only 23 percent of the 2012 request is allocated for police and military aid. In the last budget President Bush sent to this Congress, nearly 40 percent of our assistance was allocated to police and military-related activities, including community policing, which I strongly advocated to reduce gang violence, which poses a clear threat to democracy in the region, and to our own internal security.

Sadly, most of President Obama's proposed reductions would be borne by our key allies, Colombia and Mexico. Let me be clear: Despite the extraordinarily successful presidency of Alvaro Uribe, Colombia's struggle with narco traffickers and its internal insurgency is far from over. Colombia is increasingly threatened by hostile Venezuela that has openly and repeatedly threatened to attack it, and though close to bankruptcy, itself, Venezuela continues to lavish enormous resources on a massive military buildup with Russian and Iranian assistance.

Equally important, President Bush's Merida Initiative for Mexico should be built upon, not reduced. Some will argue that the necessary military and police equipment has already been provided, and a reduction in outlays is now warranted. I strongly disagree. Long-term and sustained institutional training of the Mexican police and military, as well as assistance to its justice system, will remain a basic necessity. I fact, Secretary of State Hillary Clinton recognized this need when she promised a $500 million aid package to Mexico during her recent visit. But, apparently, the administration has decided to ignore her pledge, as the President's request falls short of the promise made to Mexico, allocating only $112 million in Fiscal Year 2011, and $102 million in Fiscal Year 2012.

But even as the President's request, if enacted, will undermine our allies' security, it spares most of the social development assistance. Social development programs, such as Climate Change, will do little to counter the growing threats from Ecuador's authoritarian Rafael Correa, or the likes of Evo Morales in Bolivia, and Daniel Ortega in Nicaragua. It simply ignores what even the magazine The Economist says of Hugo Chavez' drive to turn Caracas into a "Caribbean Tripoli" with "people's communities and communes' and militias.

Simply stated, Mr. Chairman, this committee should review each and every expenditures proposed by USAID and the Inter-American Foundation, an independent agency of the United States Government, to insure that organizations and programs supported by these organizations support the interests of the United States, its allies, and those who share our values and ideals.

I can tell you in closing from my own experience, that providing such assistance, especially hard assistance in the form of military and police equipment sends a very clear statement to both our friends and adversaries. Suspending assistance to countries that

are clearly not committed to democracy, such as Ecuador, Bolivia, Nicaragua, would send an equally strong message. Make no mistake about it, assistance provided through "non-governmental organizations" is often assistance to the various regimes and often heads directly into the hands of tyrants.

The simple fact is that we are now competing with Iran, China, and other non-hemispheric global players for influence in the region. We need to stand with our friends and allies, and provide them with the tools they need to provide internal security and prosperity.

Mr. Chairman, I am convinced that with your continued leadership, we can, as Speak Boehner has said, persuade this President to change course.

I would be pleased to answer any questions that you and other members of the committee may have for me. Thank you very much, sir.

[The prepared statement of Mr. Franco follows:]

Written Testimony of
Adolfo Franco
Vice President for Global Regulatory Affairs
Direct Selling Association

Before the
United States House of Representatives
Committee on Foreign Affairs
Subcommittee on the Western Hemisphere

"Priorities for U.S. Assistance in the Western Hemisphere"
April 13, 2011

Thank you, Mr. Chairman for the invitation to testify today. It's good to come home to the House Foreign Affairs Committee, and I appreciate the opportunity to share with you my perspectives on how the United States should advance our interests in Latin America and the Caribbean.

Let me begin by saying that although I may disagree with some of my colleagues testifying here today, I have great respect for them and for the commitment they bring to their work.

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However, we do have significant, even profound, differences in our views of U.S. interests and how best to secure them. These are clearly seen in our positions regarding the President's proposed budget for Fiscal Year 2012 and his conduct of foreign affairs in the region as a whole.

I have trouble understanding a foreign policy that espouses a hard line with respect to democratic Honduras, yet extends a welcoming hand to the brutal regimes in Cuba and Venezuela. I believe our current policy is driven by an effort to appease and reach accommodation with our adversaries at the expense of diminishing support for our allies, most notably Colombia and Mexico.

A subject that is particularly close to my heart is the Cuba democracy program that Congress authorized nearly 15 years ago. This program is designed to bring about genuine change in Cuba by providing the growing dissident movement with the tools needed to overcome the Castro regime's information blockade. As we witnessed in Eastern Europe a generation ago, true change is possible only when it is broadly supported at the grassroots level and information about the outside world is widely disseminated. Cuba is no different.

When I assumed my position as Assistant Administrator for USAID's Latin America Bureau, the Cuba program budget was a paltry $5 million, and most of that was unspent. By the end of the Bush Administration, the Cuba program had increased dramatically, reaching $40 million at USAID alone. Other government agencies were also actively engaged and provided financial resources to support those pressing the Castro regime for change.

Moreover, our efforts in Cuba were bolstered by a multinational component that included a range of prominent individuals in Europe who identified with the struggle for freedom, such as Lech Walesa and Vaclav Havel, as well as statesmen such as former Spanish Prime Minister Jose Maria Aznar. These inspiring leaders and the organizations they represent were active participants in our programs to bring light and hope to the Cuban people.

Unfortunately, the U.S. government's interest in this multinational effort has dwindled to nothing. This is no accident. Instead of assisting the growing democracy movement on the island, U.S. policy now focuses on expanding contacts with the Castro regime and relaxing regulations regarding Cuba.

Instead of ratcheting up pressure on Castro, the Obama Administration has relaxed travel restrictions to Cuba, and provided the regime with additional resources that will allow it to perpetuate its tyranny. And since I left USAID, the Cuba program I ran has had its budget cut in half. Support for Radio Marti, another vitally important tool in our arsenal to provide a democratic transition in Cuba, is also waning. The simple fact is, Mr. Chairman, that in spite of the continued repression in Cuba, this President's goal is to reach an accommodation on the Cuban regime's terms rather than those of the Cuban people.

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But apparently this Administration has decided to ignore her pledge, as the President's request falls far short of the promise made to Mexico, allocating only $112 million in FY 2011 and $102 million in FY 2012.

But even as the President's request, if enacted, will undermine our allies' security, it spares most of the social development assistance. Yet social development programs will do little to counter the growing threats from Ecuador's authoritarian Rafael Correa or the likes of Evo Morales in Bolivia and Daniel Ortega in Nicaragua. It simply ignores what even the magazine *The Economist* says is Hugo Chavez' drive to turn Caracas into a "Caribbean Tripoli" with "people's communities and communes" and militias.

Simply stated, Mr. Chairman, this Committee should review each and every expenditure proposed by USAID and the Inter-American Foundation, an independent government agency, to ensure that the organizations and programs supported further the interests of the United States, its allies, and those who share our values and ideals. I can tell you from my own experience, that providing such assistance, especially hard assistance in the form of military and police equipment sends a very clear message to both our friends and adversaries. Suspending assistance to countries that are clearly not committed to democracy, such as Ecuador, would send an equally strong message. Make no mistake about it, assistance provided through "non-governmental organizations" is often assistance to the various regimes and often heads directly into the hands of tyrants.

The simple fact is that we are now competing with Iran, China, and other non-hemispheric global players for influence in the region. We need to stand with our friends and allies, and provide them with the tools they need to provide internal security and prosperity for their peoples.

Mr. Chairman, I am convinced that with continued leadership, we can, as Speaker Boehner has said, persuade the President to change course.

I would be pleased to answer any questions that you or the other Members of this distinguished Committee may have for me.

Thank you.

Mr. MACK. Thank you very much.

And, Mr. Schneider, you're now recognized for 5 minutes. And if you go a little longer, I'm not sure we're going to get much complaint up here. Is your microphone on?

STATEMENT OF THE HONORABLE MARK L. SCHNEIDER, SENIOR VICE PRESIDENT, INTERNATIONAL CRISIS GROUP (FORMER ASSISTANT ADMINISTRATOR FOR LATIN AMERICA AND THE CARIBBEAN FOR THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT)

Mr. SCHNEIDER. Now it's on.

I want to commend the committee for addressing Priorities in U.S. Foreign Assistance at this time, while the Executive and Legislative Branches are really grappling with the question of a budget crisis.

This hearing offers an opportunity to identify those assistance programs for Latin America and the Caribbean which should be

protected from budget cuts. And I think it's important to understand that the reason that they should be protected is because they're vital to U.S. foreign policy goals, those that prevent conflict, strengthen democratic institutions, especially those related to the Rule of Law, and directly encourage economic growth that reduces poverty and inequality.

The International Crisis Group is a leading non-partisan, non-governmental organization that focuses on analyzing from the field what drives conflict, coming up with policy recommendations to you, and others, as to how to prevent conflict, or to resolve it.

In Latin America, our headquarters is in Bogota, and we focus in the Andes, significantly on the Colombian civil conflict. We also have an office in Haiti, where we've been since 2004, and we've just opened a project in Guatemala, given the rising threat to the State from organized crime and drug trafficking in that country.

It's useful to step back a moment and recognize that in this hemisphere over the past three decades, most of the countries have made the difficult transition from military rule to democratic government.

On the economic front, most of the countries have adopted reforms that enable the region to bounce back faster than any other region, including the United States, from the recent financial crisis.

Unfortunately, in 2011, and this is something to take into account, the estimates are that GDP growth in the hemisphere is likely to drop to about 4 percent, again demonstrating the drag of continued inequality and poverty on the region's prospects.

And when you talk about innovative social policies, many of those have been initiated in the region, and are being used elsewhere; the conditional cash transfer policies, particularly. They need to be supported.

The challenges that continue to face the hemisphere, though, are first, confronting inequality and exclusion; second, combating drugs and crime; and, third, strengthening democracy and combating corruption. And I would argue, Mr. Chairman, that in the discussion earlier this morning, those three elements are fundamental to security, security of the countries of Latin America, and, actually, security of the United States, as well.

First with respect to inequality and exclusion. Despite economic growth last year, in 2010, more than 180 million people lived on less than $2 per day, more than 72 million lived on less than $1 dollar per day in this hemisphere. I believe that there are three ways that the United States through its assistance programs can help the countries of the region deal with that. First is to expand help for rural development and small farmers. Second, to help the region expand quality education; and, third, to encourage tax reform.

I'm going to focus a little bit in detail, in my testimony, you'll see the actions that I suggest, but let me explain the reasons why it's important to help the countries deal with that from the standpoint of U.S. national interest.

First, much of the flow of the illegal migration from Mexico and Central America actually originates in the rural areas of those countries, not just the overcrowded urban areas. Economic growth

south of the border, in fact, is the only long-term way to decrease illegal migration north of the border.

Second, coca cultivation takes place in the poorest rural regions of the Andean ridge countries, yet campesinos there have no desire to work with or for the illegal drug cartels. They need the same help to grow legal crops, as they get to grow illicit crops. Those are the same regions where the FARC in Colombia and illegal armed groups now in Peru, have found a home in the past, and today. And those are the same rural areas where the Afro Colombians and the Indigenous live who have been excluded for so long.

I won't go into the issue of quality education, but it's crucial. And the fact is that the budget of USAID, essentially, ignores that. Only in Latin America, it's about $50 million, $50–60 million out of a $2 billion budget. I think we can do better. Not all by ourselves, but linking and partnering with the IDB, the World Bank, and others to focus on this issue.

Today in Latin America, just to give you some sense of the problem, the richest fifth of the population receives as much from every dollar publicly spent on elementary education as the poorest fifth. And when it comes to higher education, the richest fifth receive many times as much as the poorest fifth in terms of benefitting. Something needs to change.

Tax reform is fundamental to allow those governments to function.

The second challenge is drugs and organized crime. A lot of the discussion today is focused on this issue. The response of the Mexican State with U.S. support under Plan Merida has blocked the cartels from acquiring full control over border states. It's also pushed more of the drug flow into Central America. And those governments are far less equipped to defend themselves.

And I just note that between Guatemala and Mexico, there are 58 border crossings, only four are permanently covered by police control. So, when you wonder about how it gets through, it's pretty easy.

I just want you to just also note that in Guatemala in 2009, the death toll is equal to that of Mexico, a country about 10 times larger. And last year, the death toll again in Guatemala is among the highest in the world.

And something that I didn't hear much mention of earlier is impunity. The ability of those criminals to believe, and to be successful in not being held to account for their actions. Last year, the International Commission Against Impunity in Guatemala found that less than 1 percent of those who were arrested for violent crimes were convicted.

In Colombia, Plan Colombia has strengthened the capacity of the Colombian State to defend itself against the FARC and the ELN, and encouraged paramilitary demobilization. However, the rise of what they call the BACRIM, Bandas Criminales, made up in large part by undemobilized paramilitary continue to pose threats to citizens' security throughout the country. They now number between 6,000–10,000. There's a need for much more coordinated effort by the Colombian Government with others help, including our's, to deal with that.

At the same time, in Colombia, while there's been a reduction in overall cultivation of coca in terms of number of vectors, the fact is that there is a wider area that's affected than there was 10 years ago. And, in addition, now the movement has gone back to Peru and Bolivia, and the same amount, virtually the same amount of cocaine is flowing north. The Inter-Agency Assessment of Cocaine Movement that DIA runs continues to estimate about 1,000 metric tons coming out of the Andean ridge countries coming north, and to Europe.

And I should note, as you already have, that while 90 percent of the cocaine coming to the United States comes through Central America and Mexico, the vast bulk of the cocaine going out to Europe goes through Venezuela, and then out to the Caribbean, or through the Atlantic to West Africa.

The response, it seems to us, the Latin American Commission on Drugs and Democracy led by Former Presidents Fernando Henrique Cardoso, Cesar Gaviria, and Zedillo, came up with a serious proposal. Last year, Members of Congress offered a similar proposal for a bipartisan commission to fundamentally look at our counter drug policies, and come up with some better answers. And I would urge this Congress to move forward with that.

In Colombia, President Santos has launched a welcome set of new reform initiatives. That needs to be supported. And I would just add here that I traveled to La Macarena consolidation zone in December, and there needs to be a greater buy-in by civilian government, and civilian administration in making that work. And, also, in insuring that human rights protections are a major focus of attention.

Mr. MACK. Mr. Schneider, I'd ask you to——

Mr. SCHNEIDER. The final comment is this. The third challenge is strengthening democracy and confronting corruption. And I think there are ways that we can do more.

And, finally, on Haiti, don't forget Haiti. If we move away from this effort to help Haiti recover from the earthquake, the future, unfortunately, is going to be one which we're going to have do more in terms of preventing refugees from Haiti coming to the United States. And it will be a failed state forever. And we really can't afford that.

[The prepared statement of Mr. Schneider follows:]

Testimony by Mark L. Schneider, Senior Vice President, International Crisis Group to the House Committee on Foreign Affairs hearing on "Priorities for U.S. Assistance in the Western Hemisphere"

Washington, DC
April 13, 2011

I want to express my appreciation to the House Committee on Foreign Affairs for the opportunity to testify this morning on "Priorities for U.S. Assistance in the Western Hemisphere." I want to commend the committee for addressing this issue when the executive and legislative branches of government are wrestling with questions of what is required for the federal government to meet the security requirements, national interests and humanitarian obligations of the United States.

This hearing offers an opportunity for the committee to identify assistance programs for Latin America and the Caribbean which should be protected from budget cutbacks. Why? Because they are vital to U.S. foreign policy goals—those that prevent conflict, strengthen democratic institutions—especially those related to the rule of law---and directly encourage economic growth that reduces poverty and inequality.

The International Crisis Group has been recognized as the leading independent, non-partisan, non-governmental source of field-based analysis, policy advice and advocacy to governments, the United Nations (UN), Organization of American States (OAS) and other multilateral organizations on the prevention and resolution of deadly conflict. Crisis Group publishes annually some 80 reports and briefing papers, and the monthly *CrisisWatch* bulletin.

Our staff is located on the ground in twelve regional offices and seventeen other locations, covering more than 60 countries. We maintain advocacy offices in Brussels (the global headquarters), Washington, and New York, with 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 have also published reports on Venezuela, Ecuador and Bolivia, identifying the drivers of conflict in those countries. We have been in Haiti since 2004, and have just opened a project in Guatemala, given the rising threat to the state from organized crime, drug trafficking and corruption.

Before examining the critical challenges facing the region and the priorities for U.S. assistance, it is useful to step back and recognize that most of the countries in this hemisphere have made successful transitions from authoritarian military rule to civilian democratic government. The hemisphere is also largely free of the ideological conflict in Central America that sparked decades of deadly violence and cost hundreds of thousands of lives.. In Colombia, the last remaining insurgency has been weakened and splintered, but still persists. A once-powerful and equally brutal paramilitary has been largely demobilized, but a group known as BACRIM, a mix of former paramilitary and organized crime mafias, now has an estimated 6-10,000 members. Cuba is the region's last authoritarian regime, and serious distortions hamper democratic expression in a handful of other countries. Social exclusion and crime are the major threats to democratic stability in the region.

On the economic front , most countries adopted economic reforms that enabled the region to bounce back faster than any other—including the U.S.—from the global financial crisis. The economies in the region have grown steadily during this century, averaging 5.5 percent annually 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 gross domestic product (GDP) in 2009, the Economic Commission on Latin America and the Caribbean (ECLAC) now puts average growth last year at 6 percent, with Brazil leading the way at 7.7 percent. Unfortunately, in 2011, GDP growth is likely to slow to 4 percent, again demonstrating the drag of continued inequality and poverty on the region's prospects. Recent reports from ECLAC and the World Bank show countries with major commodities exports (essentially South America) with 6 percent growth prospects in 2011, and those relying on remittances and manufactures (essentially Mexico and Central America) with expectations closer to 2 percent.

Innovative social policies—from conditional cash transfer programs such as *bolsa familha* in Brazil or *oportunidades* in Mexico, to widespread access to microcredit and village banking—began in Latin America and spread across the globe. These policies, coupled with growth, helped millions escape poverty for the first time, but still amounted to only 0.4 percent of regional GDP.

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

First, inequality and exclusion. Despite economic growth, in 2010, more than 180 million people lived on less than $2 per day, and more than 72 million people lived on less than $1 per day. Many who climbed above the poverty line during the "boom" years slid back into poverty in 2009 and have yet to feel the impact of the recovery.

More destabilizing still is the fact that Latin America is home to 11 of the world's 18 countries with the worst income inequality. The United Nations Development Programme (UNDP) and ECLAC report that on average, the top 10 percent of the population receives 48 percent of national income, while the bottom 10 percent receives just 1.6 percent. These income disparity figures not only reflect lost opportunities for millions, but they could also make political extremes more attractive to a frustrated population with newfound access to the voting booth. Combine that inequality with the corruption that people see daily and the threat of crime and violence in their neighborhoods, and the drift toward populist visions becomes more understandable.

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 barred its indigenous majority from meaningful participation in national life. Electing Evo Morales demonstrated the success of an expanding democratic franchise, although his administration has thus far failed to produce sustainable economic and social progress, and it abused due process in pursuing far-reaching constitutional changes. In Peru, recent election

returns may also be showing that positive macro-economic growth is insufficient if the benefits do not reach the majority of the population.

Response: There are at least three ways the U.S. can use its foreign assistance programs and diplomatic tools to assist countries seeking to significantly reduce inequity and exclusion: (1) expand help for rural development and small farmers; (2) expand quality education; and (3) encourage tax reform. Re-examining and prioritizing U.S., Inter-American Development Bank (IDB) 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 for 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, United States Agency for International Development (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. The way to do that is to convince private banking to adopt the same strategies and engage the poor as customers.
- Invest in human capital formation— 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 U.S. made a massive investment in rural infrastructure. The same needs to happen in Latin America. Removing key agricultural trade barriers in the U.S. would also help significantly. Let me quickly enumerate the reasons these actions are in the U.S. national interest:

--Much of the flow of illegal migration from Central America and Mexico originates in the poorest rural communities of those countries, not just in overcrowded urban areas. President Obama was correct when he said economic growth south of the border is the only long-term avenue to decrease illegal migration north of the border.

--Coca cultivation takes place in the poorest regions of the Andean ridge countries, yet the poor campesinos have no desire to work with or for drug cartels. They need at least the same help to grow legal crops as they receive to grow illicit crops.

--Those are the same regions where the Revolutionary Armed Forces of Colombia (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 FY2011 $2 billion budget request for Latin America only included $55 million for basic education. The FY2012 budget barely raises that to $59 m. 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, to build a better trained teacher corps, keep children in school longer and improve educational quality. There are proven ways to do that—as the work of the PREALC at the Inter-American Dialogue has spelled out for many years: Improve the quality of the teachers, support and value them, enhance accountability by providing parents and communities with more information on performance, support the school nutrition, health and cash transfer programs, as well as , and programs that give children access to 21st century computers and information technology. Reform also means reversing the current financial model in which the richest fifth of the population receives more than the poorest fifth of every dollar spent on elementary education and many times the amount received by poor children --50 cents of every dollar—of what is spent on higher education.

Tax reform: A third option is to generate adequate tax revenues to fund these needs, and to do it in a way that promotes greater equity. Despite all of the commitments to increase tax revenues in the 1996 Guatemala 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 infrastructure, is severely limited. In Colombia, tax revenues are not much higher, and inequality is rampant as well. And in both countries — and most of the region — the structure is hugely regressive, and depends heavily on indirect taxes that make little distinction between rich and poor. Tax evasion by the wealthy also is still extremely high. The U.S. could also be a much better models. Reports that General Electric paid no U.S. taxes last year, using loopholes like tax shelters and transfer prices-,sent the wrong message to Latin America.

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, Haiti 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 U.S. Since 2006 the Government Accountability Office GAO) has estimated that some 35,000 Mexicans have been killed in the violence across the country. Despite Mexican troops patrolling streets, mayors and governors have been kidnapped and killed, and entire regions live in fear. Mexico is a democracy under siege.

Mexico's armed forces, which are not trained in civilian law enforcement, have been charged with human rights abuses.. The use of the military was a last resort, and essentially confirmed the civilian police's inability -- whether through lack of equipment, capacity or corruption -- to handle the cartels. 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, whose governments are far less equipped 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", who have morphed into one of the major cartels. From 2004 to 2008, homicides rose by 50 percent according to the UN-sponsored International Commission against Impunity (CICIG). In 2009, the death toll climbed to more than 6,000, matching the toll in Mexico, a country with a population nearly 10 times larger. In 2010, the death toll was again among the highest in the world. Impunity is starkly evident when CICIG reported that fewer than 1 percent of serious crimes resulted 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.

In Colombia, Plan Colombia has strengthened the capacity of the Colombian state to defend itself against the FARC and the National Liberation Army (ELN), and encouraged paramilitary demobilization, However the rise of BACRIM and continued concerns regarding impunity and human rights violations tarnish those achievements. Declines in cocaine cultivation in parts of Colombia also have seen its extension, even at lower levels, to new regions, expanding violence along with it. 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.

The decline in Colombia also has seen an upswing in coca cultivation in Peru and Bolivia that underscores the patchwork progress of the counternarcotics programs. 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, much of it through Venezuela, then to the Caribbean, and West Africa -- continues at levels around 1,000 metric tons year in and year out. Venezuela now is the main drug trafficking corridor from Colombia to Europe and allegations abound regarding involvement of high level officials.

One other noteworthy point is that the Colombia drug flow remains in the hands of the FARC, "un-demobilized paramilitary", new illegal armed groups and "pure" drug traffickers.

Response: The Latin American Commission on Drugs and Democracy led by former Presidents Fernando Henrique Cardoso, Cesar Gaviria and Enrique Zedillo, argued for a fundamental re-thinking of counter drug programs which have failed to stop the northern drug flow and have contributed to rising violence throughout the region. Congressional legislation to create a similar high-level bi-partisan commission for the United States, which many on this committee championed last year, should be re-introduced and passed.

Organized criminal networks now reach from the Andes to the Caribbean, Central America and Mexico. Tackling drugs and crime will require fundamental changes in the counter-drug strategy. Demand reduction policies need to be considered a public health issue, and must move away from a one-size-fits-all approach to criminal incarceration. Limiting criminal treatment to the traffickers and treating chronic users through a public health prism would produce more effective policy, and perhaps allow law enforcement to do a better job at breaking up the trafficking combines. This will require a high-level review of current counterdrug policies by the Administration and Congress. The funding for demand reduction proposed in the FY2012 budget

barely increased 2.1% from FY2010 to FY2012. That is too little. More resources should be concentrated on demand reduction here, and on strengthening relevant rule of law institutions throughout the Americas.

It also needs to include much more stringent measures to end arms trafficking from the U.S. to illegal groups in Latin America, and an equally strong effort to track money laundering that allows dirty drug money to line the pockets of organized crime.

In **Colombia** President Santos has launched 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. The report Crisis Group produced last October, *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 and end impunity, economic reforms to reduce inequalities, and political reforms. The roots of Colombia's conflict need to be addressed frontally. Land restitution to victims planned by the Santos administration is critical to that end but still lacks a clear strategy for protecting and assisting victims when they get the land. I was in Colombia and La Macarena consolidation zone in December, and it was evident that the national consolidation plan, positively aimed at extending state presence, needed more civilian government buy-in and more adequate response to the continued existence of both FARC and BACRIM. That also would engender greater trust between the population and security forces.

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 extra-judicial executions. Those responsible should be prosecuted vigorously in civilian, not military, courts. The new attorney general needs additional support. The recent report of the plan to boost the number of labor rights attorneys should be paralleled by those working to bring to justice those responsible for extra-judicial killings.

President Santos now has reportedly broadened the state's focus beyond the FARC and ELN to include combating the BACRIM. In particular, ties between illegal armed groups and some state security forces, which undermine government legitimacy, once again need to be severed. Crisis Group also is investigating links between those groups and political elites in the run-up to local elections in October. 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. Concrete progress on those reforms could lay the groundwork for a negotiation with the guerrillas that ends Colombia's insurgency once and for all, while respecting the rights of victims.

Guatemala and Central America, once the center of the Cold War conflict, are now at the epicenter of an equally deadly conflict. President Obama's recent pledge of some $200 m. for a Central American Citizen Security Initiative is welcome, if late. That level of support should have begun five years ago when the threat became apparent. The Central American Regional Security Initiative was just too limited. It should also be targeted at strengthening law enforcement institutions, perhaps with the help of regional mechanisms such as CICIG. Finally, it should offer vulnerable youth alternatives to becoming foot soldiers of the cartels.

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 those values need to be reasserted continually along with strengthening civil society and political parties.

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 follow-up mechanisms, in 2005, the Latinobarómetro, a hemisphere-wide 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. Last year the poll found most Latin American countries average at the bottom third of the Transparency International's perception of corruption. 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 subsequent 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 must be a top priority for anyone interested in political stability, sustaining economic reform policies and strengthening social cohesion. It is also critical to addressing the 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 U.S. government 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 U.S. needs to do more bilaterally as well as with institutions like the IDB, the UN, 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 call for similar support. Finding a way to replicate the capacities of CICIG in other Central American countries while empowering local judicial systems 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 U.S. work with other democracies to design new, more effective policies and programs that can 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 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, Haiti would be the largest single recipient in the Western Hemisphere of U.S. assistance proposed in the FY2012 budget--$405 million. Given its absolutely critical condition of vulnerability, one has to hope that the budget cuts will not reduce that amount and that funds will be targeted to strengthen Haitian government capacity, economic and political decentralization that extends energy, infrastructure and services out beyond Port-au-Prince, and the rule of law. The recent general elections are in their final stretch. Results for presidential elections have not been appealed. Appeals to the legislative elections, now being heard, will conclude on 15 April and final results are to be published on April 16. It appears that Michel "Sweet Mickey" Martelly has won the Presidency, that the Inite platform supported by President Preval will have the largest share of national assembly delegates and at least half of the 30 member Senate. At the same time, the absence from government of the Lavalas party of former President Aristide, now back in the country, could add additional complications to stability. So too will any decision by the Martelly government to undermine the prosecution of former dictator Jean Claude Duvalier. U.S. assistance mechanisms and coordination with other donors and the United Nations Peacekeeping Mission (MINUSTAH) should be aimed at supporting efforts at national reconciliation and national consensus on a single strategy for the physical and institutional reconstruction of the country.

As to those elections, Crisis Group questioned the preparations prior to the first round last November amid a nationwide cholera epidemic that has resulted in 4500 deaths. We saw the chaos of that first round, and were pleased that many of our recommendations were incorporated into the OAS/CARICOM report and adopted by Haiti before the second round. There was still low turnout due to voters not receiving their cards, mistakes in the voter list and quarantining of eight percent of the returns. Nevertheless, there was less confusion and less violence.

Haiti's weak institutional infrastructure even before last year's earthquake, is reflected in the protracted makeshift status of the Provisional Electoral Council (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. All this lies at the root of a perpetual crisis of confidence in the electoral process that requires fundamental reform early in the coming government. The speaker of the senate, Dr. Kely Bastien, announced last week support for the passing of planned constitutional amendments that will ease the situation. This will be one of the first tasks of the 49th legislature expected to be sworn in on 20 April.

Today, one year after donors pledged $5.3 billion over 18 months to help Haiti start its recovery from a devastating earthquake, barely 37 per cent has materialized in Haiti. Some $300 million of the U.S. funds, after delays of several months following enactment, have been made available for disbursement yet the remainder of the $1.15 billion pledged last March apparently still is in the process of obligation. According to the Interim Haitian Recovery Commission (IHRC), led

by former President Clinton and Prime Minister Bellerive, an even smaller amount has been transformed into completed projects that people can actually see and benefit from.

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

- **Some 680,000 Haitians should not be living in misery in tent cities without a firm idea of where or when their situation will change. The adoption of a firm resettlement policy with clear timelines is essential and blame has to be levied both at the international community and the Government of Haiti. The IHRC stated last week that there is a need for "policy clarity" on land titles, tenure and subsidies on housing reconstruction.**
- **Donors who have promised reconstruction help need to fulfill those promises. More of the funds—with appropriate transparency and accountability provisions—should be channeled through Haitian public agencies and civil society organizations.**
- **The mandate for MINUSTAH will need to be extended in October and the Latin American led peacekeeping force remains essential to stability there.**
- **While the Haitian National Police are now more professional and robust, and have somewhat improved their operations and reporting, the vetting of the police needs to be completed and those found not to be meet standards or with past violations need to be jettisoned or prosecuted.**
- **The rule of law is not simply police. The courts do not have enough trained judges to hear the cases they bring in, and many case management records were destroyed by the earthquake. Partial reforms that would have permitted standard-setting and monitoring of judges need to be completed along with corrections system reforms.**
- **Equally serious is combating the violent crime taking place both inside and outside the camps. Local Women's organizations like KOFAVIV** (Komisyon Fanm Viktim pou Viktim) **have reported high numbers of rapes in camps, and both the police and MINUSTAH have asserted that gang members who escaped from prison during the earthquake have infiltrated camps. Even the authorities are falling victim to violence. In the last eight weeks, some fourteen policemen have been killed, more than any number since the 2004 rebellion that forced President Aristide from power. Law enforcement is critical and US assistance should make this a priority.**
- **The kind of partnership that has allowed cell phones to be used for financial transactions and remittances with the private sector should also be expanded with funding support for rural development, small and micro enterprise financing for reconstruction and operations.**
- **And the next government's reforms must include electoral reforms spanning the national identification of citizens, civil service and non-partisan elections management, a permanent electoral council and reducing the frequency of elections.**

The Martelly government, the Parliament, opposition political parties, Haitian private sector and civil society need to come together to forge a path to governance reforms, the rule of law and an accelerated rebuilding of their country—and the U.S. should be a leader within the international community in helping to achieve those goals.

Mr. MACK. Thank you, Mr. Schneider.

Mr. Franco, I want to continue on part of your opening statement. And you talked about how to make a statement in Latin America. And when we talk about Bolivia, and Ecuador, and Nicaragua, Venezuela, how do you see this budget that has been put forward, does it support, you think, the ideals of America, or does it support some other agenda?

Mr. FRANCO. Mr. Chairman, I'm not going to question the President's motivations, and patriotism, or anybody at the administration. They're not my priorities, or the way I would allocate it. I don't think they further our interests for the following reasons, and I think you've articulated them very well.

The first has to do with what you described in your opening statement about freedom, prosperity, and security. And I think it falls very short on the security front. And you can't have freedom and prosperity without security, and promoting our interests in that regard.

Don't take my word for it. Your able staff here, Kristen, Nathan, and the rest of them, they can look it up on something called Just the Facts, which is analysis, a non-partisan analysis of the President's budget, and it is reduced by 43 percent, despite what the witnesses said earlier on military and security, and police matters. And I don't think that's in our interest, first and foremost, to do that. And it's really balanced on the backs of Mexico and Colombia. They fall far short. The Merida Initiative falls short, and Colombia's military spending is slashed significantly.

Secondly, I don't believe, and I share your view, in rewarding enemies and adversaries of the United States. I think it sends the wrong signal. I think it is fine to talk about Global Climate Change, and I have a lot of respect for Mark. And he always gives a very good academic presentation, and he's a very smart guy. But with respect to our narrow foreign policy specific interest in the region, I think we need to send a very strong message to those countries that have taken positions that not only are contrary to our own, but they threaten our own security, and the continued spread of populism a la Hugo Chavez being the ringleader in the region.

I think it's making a mockery of the United States that we continue to engage in these programs in countries that have kicked out an ambassador, for example, of the United States. Of course, she's not the only one. We have that track record in Venezuela, and Bolivia, as well.

So, the short answer is, I think the $2 billion should be reallocated. I commend the President for coming in with a $2 billion budget, but I think it should be—and I went at length about the Cuba program.

I would ask, though, last thing on Cuba, is that you take a very close look at the Congressional Notification Document. I question the allocation of the funds to Cuba, how they're being used. I don't believe talking to lawyers in Cuba on human rights, and gay and lesbian rights in Cuba, these are fine things in a free society, but Cuba is not a free society. There are no lawyers in Cuba per se, or anything of that kind.

What's been suspended is the multinational efforts that we were—the information, to get information into Cuba. Frankly, what

Mr. Gross was doing, and those are the things that have now been changed. So, I would take exception with even the money allocated to Cuba.

Mr. MACK. Thank you. So, I put up on the monitor there a chart that shows the security funding in relation to all the other funding. And I just don't know, with all that's happening in Latin America, and security being such an important issue, because, frankly, without, as you said, without security, freedom and prosperity will not exist. And I just—I'm very disappointed, and you can't say this, or chose not to, but I can. I'm very disappointed that the President's budget request appears to be more interested in things like Global Climate Change, which I'm not sure that there's agreement here in this country on a way to go forward on Climate Change.

But, certainly, I share your thoughts when it comes to our adversaries in Latin America. And whether it's $95 million that we're giving to countries that said that our money is dirty, and they don't want it. So, Mr. Schneider, can you—would you like to respond to that? I mean, I know that you have a slightly different opinion in what kind of goes into security, and what doesn't go into security. And I respect your opinion very much. I may disagree, and look at how we place our priorities differently, but I understand.

But how, on this question of our adversaries, those that have—they've chosen to be adversaries of the United States. We didn't choose to push them out. How do we continue to fund programs in those countries?

Mr. SCHNEIDER. Two things. You're right, I'm desperate to answer the question.

I think, first, that the issue of security, particularly when you look at this hemisphere, needs to be viewed as what our threat is. And the threat is really from organized crime and violence. And, therefore, the question is, how do you strengthen the capacity of the law enforcement institutions from the police, to prosecutors, to judges, to prisons to operate effectively, and insure that somebody who engages in murder, or drug trafficking is brought to justice, and put away? And that seems, to me, to be fundamental.

Now, you don't get that with just security assistance out of FMF. You get that, in part, from ESF that goes to strengthen Rule of Law.

The second part of that is, one of the real problems in Central America is you've got the large number of unemployed, and in a sense frustrated youth who become the foot soldiers, and they become most vulnerable. We need to do a better job of dealing with them. That's on the security side. At least, I would think that that needs to be—you need to look at both sides of security when you're making your assessment.

The second is, on the question of the ALBA countries. There are two things, and let me start off where I'm most in disagreement with Adolfo, and that is about non-governmental organizations. And let me explain.

Adolfo spoke very eloquently about trying to provide assistance to groups in Cuba. Why? Because he wants to focus on strengthening civil society in a country with a repressive, authoritarian regime.

In Ecuador, in Bolivia, in Venezuela, I want to see what the mechanisms are to strengthen civil society in those countries to bring pressure toward democratic change, and strengthening democratic battles in those countries. And I would look to do it not just directly, but with other countries in the hemisphere.

A long time ago, I started something in Chile to try and see whether Chile, and particularly the groups that had managed the transition from military rule to democratic rule could engage with countries who were still having the problems in this region. And now I think that this is something we might think about elsewhere. But it's basically to take the experience of democracy in this hemisphere, and to use it to strengthen civil society in countries in this hemisphere, and elsewhere that clearly are facing critical problems. So, I would say look for ways to strengthen civil society in those countries.

The other thing that I would say is, that when you're doing humanitarian work to, let's say, reduce maternal mortality in Bolivia or in Ecuador, or immunize children, I don't think that benefits the government. That benefits the people, and that's one of the reasons why over the last 2 years, 3 years the Latino Barometro shows the U.S. approval in Latin America has jumped 20 points, because I think that we need to continue to focus on how we can be identified with the things that the people are concerned about. That includes reducing crime in their countries, and it also includes providing benefits, and reducing poverty.

Mr. MACK. And look, I agree with that idea, that look, in a country where there's—on Madison Avenue in New York, advertising firms can convince people to buy a pet rock, we should be able to do a better job of communicating to Latin America all of the things that we do do for the people of Latin America. I agree with you.

Did you want to——

Mr. FRANCO. I just wanted to add a couple of things. I don't want to turn it into a debate here. But I just wanted to make a couple of comments regarding Mark's presentation.

Mr. MACK. Let me pose—I'll let you do that, but let me, if you might, I just want to get this other question out there——

Mr. FRANCO. Sure.

Mr. MACK [continuing]. Before we end up with votes and stuff. So, and both of you can take a crack at this. So, if you only have X amount of dollars to spend.

Mr. FRANCO. Right.

Mr. MACK. And you look at the priorities of our security in Latin America. And when I—I keep going back to security. This isn't just my own—I think, generally, most people recognize that the issue of security is paramount in Latin America, and all of the Western Hemisphere. So, if you only have X amount of dollars, how can you justify spending a large portion of that money on other things, other than security? That's one.

And, two, if you have only X amount of dollars, and you have to make priorities, how do you prioritize a country that is opposed to the United States, and in direct conflict with the United States? If you had more money, and you could do more things, then maybe you would look at ways to try to do some things in those countries,

but in this time, how do we justify that? So, you can respond, and then answer questions.

Mr. FRANCO. Well, Mr. Chairman, your question is excellent, because it answers what I was going to make some comments regarding Mr. Schneider's comments.

The first is, there is just a pie. You've put it up there on the slide. And that is the budget. And, yes, it would be great to do everything we possibly could for all kinds of humanitarian purposes throughout the world, including needs in our country. We just don't have the resources to do that. So, the pie is the pie. It's $2 billion, unless someone is advocating to go beyond what the President has requested, which I have yet to hear.

Therefore, that $2 billion, how best to allocate it? I'd love to hear what the Colombians think about the allocation of the resources, and the Mexicans, as well. I would venture to say from my experience at USAID, maybe things have changed, but in the last 6 years, I would think the security items you've just described is at the top of their list. I don't think it's going to be the NGO organizations that Mark made a reference to.

So, since this is a government-to-government assistance program, USAID, this is our foreign policy. These are our partners, they are our allies. I'd like to hear what they have to say. And I can assure you from my experience, that it tends to be the security items, and it tends to be the specific tools that they need to combat internal insurgencies, and gang violence that they clamor for in the first instance. And I think we should be responsive to that.

Secondly, I do take exception with my friend, Mark Schneider, on NGOs. First of all, when I was at AID, we did not support NGOs in Cuba. There's no such thing. Everything in Cuba is controlled by the Cuban Government. We supported the dissidents, as authorized by this Congress, but they're not NGOs.

What I did support was organizations from outside the country, particularly in Europe, since there was such a clamor from the other side at the time of the Democratic Congress that we needed—we had to not make this a bilateral problem with Cuba, but a multilateral one. Well, when I engaged the Europeans, and others, and they were all—I met with Mr. Hovell, I met with Mr. Bolessa, they were all very eager to help us out. And these efforts haven't continued.

So, to be clear, we don't support NGOs in Cuba. I don't know what they propose to do with these activities they're proposing in their CN. I don't understand how they could work with lawyers within Cuba that are not controlled or government agents.

Secondly, with respect to global change, or humanitarian efforts, or the rest of it is, I think it's high time that Brazil, a country that has an assistance agency, Mr. Chairman, it's called ABC. It's a cooperation agency, that's their acronym for AID. They can step up to the plate. In Brazil, they can step up to the plate in the region. They're a regional player. Chile is a very prosperous country. I don't think this should be shouldered by the United States.

The fact of the matter is, from my experience in development in 25 years, it's not $2 billion. You would be talking $2 trillion, and we still would not be resolving the problems. The problems are

often internal. They need to be resolved by the people and the governments, themselves.

I think what we can do is look at what our interests are first. And I can tell you, Mr. Chairman, gang violence is a problem in the United States. It is a problem now in about 46 states, not just the border states, where Mexican gangs are operating here. Those are the things we need to combat first and foremost.

The rest of the items that we've discussed here today, I think are the skewed and wrong priorities. They're skewed the wrong way by this President's budget.

Mr. MACK. Thank you, Mr. Schneider. And, Mr. Schneider, before you go, by the way, there's $10 billion to Brazil for Global Climate Change. And Brazil is the world leader on clean energy, so it seems that—well, I'll keep my editorial to myself. Mr. Schneider.

Mr. SCHNEIDER. Okay. Let me just go back to two things. One is on the question of—it seems to me there's a distinction between Colombia, Mexico on the one hand, and the countries of ALBA on the other. And it's in those countries that ALBA, where your aim is not to provide benefits to the government. Understood. But it seems to me there you have—there are avenues, and that's where I was talking about non-governmental organizations, and civil society, to try and support development, and helping the people in those countries. And down the road, resulting in, hopefully, changes that result in governments with whom we can cooperate.

And I'll just give you one anecdote, personal anecdote. In 1966, I was a Peace Corps volunteer in El Salvador. There was a military government there. The idea that because there was a military government we shouldn't do anything, including the Peace Corps, was wrong. We were in the Peace Corps, and the people that I worked with, those people became democratic government in El Salvador afterwards, and now.

And it seems to me that that's the kind of grassroots contact that we can have with civil society in those countries, and try and look down the road at the same time we provide benefit to the people now.

The second thing you mentioned in Colombia——

Mr. MACK. Mr. Schneider, wouldn't you—real quick. Wouldn't you agree, though, if the pie is only so big, and we have such security concerns that——

Mr. SCHNEIDER. I understand. I understand. I just do think that the pie is big enough to do that, because the benefit to the United States, it's going to be very small amounts of money relative to the $400 million that we're proposing for Colombia, or the $250 million for Mexico. I think it's actually $350 million for Mexico. But it's going to—we're talking about very small amounts for civil society in those countries. But those small amounts can have a significant impact immediately and down the road.

On the security side, again, please look at what—I went to Colombia. I met with the Minister of Defense, I met with the National Security Advisor in December, and talked to them about how the U.S. assistance could be most effective.

The most effective way is strengthening their capacity to go after these organized crime gangs, and strengthening their—the Fiscalia General is vastly underfunded. It needs substantial additional at-

torneys and investigators. The procura generale, the Defensor del Pueblo, they need to be out in those consolidation zones, where you want to have the civilian states say when you move the FARC out, what comes is the positive presence and activities of civilian government. That's why I've always said you need to task the ministries, agriculture, health, education to be out there along with the law enforcement.

Mr. MACK. Thank you very much. Mr. Franco.

Mr. FRANCO. I don't want to get the last word in here, Mr. Chairman, but——

Mr. MACK. Sure you do.

Mr. FRANCO. But the fact of the matter is, and I appreciate what Mark says, it is important to have security assistance. It's reduced by this budget. If it's so important, it's being reduced, and it's being reduced because—and you have to look at the graphs, and the figures. Social development programs are spared.

I understand and appreciate, and understand what you're saying, Mark, about social development programs. We've done them historically in this country, it shows the good will of the American people. Those programs are spared, and military and security spending, which you acknowledge is important, is reduced by 43 percent.

I think this hearing's purpose, which I applaud Mr. Chairman for holding it, was the foreign policy priorities, and the allocation of the resources. That's what this was about. This is not debating whether a vaccination program is a good thing, or a bad thing. I'm not here to do that. It is we have a pie, we have priorities, are they the right priorities? My simple answer to you and the committee is, they are not.

Mr. MACK. Thank you very much. And I want to thank—hold on. Okay. All right.

Mr. SCHNEIDER. Just one minor point. Secretary Gates, who, presumably, is concerned about security, has told us time and again that one of the key problems in Afghanistan is the failure to have parallel to our military capacity civilian capacity working to help build law enforcement at the local level, and development.

And all I'm saying is that that same concept in terms of broadly, what produces security has to be in the way we think about the priorities. And in Latin America right now, dealing with the problems of organized crime, law enforcement means not just tanks. It means judges, and prosecutors who are clean. It means police who can function, work in community policing, absolutely. But also police who are capable of going after these organized crime.

Mr. MACK. Well, thank you.

Mr. FRANCO. Have we reduced our budget for Afghanistan in the military side by 43 percent?

Mr. MACK. No. And here's what I would like to end with, is this; that all of this is great, but when we are broke, and we have to look at the priorities—I mean, every dollar we spend, we have to borrow at this point. So, to continue to fund things that aren't targeted to the goals of the United States, which should be security, my frustration is, is I look at the budget. There seems to be a lot of money in areas that do not further the security goals that we should have on one hand, and on the second hand, we continue to

fund countries who are our adversaries. And I'm just going to leave it with that.

I think this budget is wrong headed, that we need to have a course correction. We need to get back to funding the real priorities, which is in this case security.

Thank you, gentlemen, very much for being here. And the meeting is adjourned.

[Whereupon, at 12:43 p.m., the committee was adjourned.]

APPENDIX

Material Submitted for the Hearing Record

HEARING NOTICE
SUBCOMMITTEE ON THE WESTERN HEMISPHERE
COMMITTEE ON FOREIGN AFFAIRS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515-0128

Connie Mack (R-FL), Chairman

April 8, 2011

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, Subcommittee on the Western Hemisphere, to be held in **Room 2212 of the Rayburn House Office Building (and available live, via the WEBCAST link on the Committee website at http://www.hcfa.house.gov):**

DATE: Wednesday, April 13, 2011

TIME: 10:30 a.m.

SUBJECT: Priorities for U.S. Assistance in the Western Hemisphere

WITNESSES: **Panel I**

The Honorable Arturo Valenzuela
Assistant Secretary of State
Bureau of Western Hemisphere Affairs
U.S. Department of State

The Honorable Mark Feierstein
Assistant Administrator
Bureau for Latin America and the Caribbean
U.S. Agency for International Development

Panel II

The Honorable Adolfo A. Franco
Vice President for Global Regulatory Affairs
Direct Selling Association
(Former Assistant Administrator for Latin America and the Caribbean for the U.S. Agency for International Development)

The Honorable Mark L. Schneider
Senior Vice President
International Crisis Group
(Former Assistant Administrator for Latin America and the Caribbean for the U.S. Agency for International Development)

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON *the Western Hemisphere* HEARING

Day *Wednesday* **Date** *4/13/11* **Room** *2212*

Starting Time *10:40 a.m.* **Ending Time** *12:43 p.m.*

Recesses [ ] (____ to ____) (____ to ____) (____ to ____) (____ to ____) (____ to ____) (____ to ____)

Presiding Member(s)

Connie Mack

Check all of the following that apply:

Open Session [✓]
Executive (closed) Session [ ]
Televised [✓]
Electronically Recorded (taped) [✓]
Stenographic Record [✓]

TITLE OF HEARING:

Priorities for U.S. Assistance in the Western Hemisphere

SUBCOMMITTEE MEMBERS PRESENT:

Connie Mack, Michael T. McCaul, Jean Schmidt, David Rivera, Albio Sires, Donald M. Payne

NON-SUBCOMMITTEE MEMBERS PRESENT: *(Mark with an * if they are not members of full committee.)*

Dana Rohrabacher

HEARING WITNESSES: Same as meeting notice attached? Yes [✓] **No** [ ]
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

Statement: Connie Mack
Extraneous Material: Dana Rohrabacher

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *12:43 p.m.*

Subcommittee Staff Director

Subcommittee Members

☑ Mack, Connie

☑ McCaul, Michael T.

☑ Schmidt, Jean

☑ Rivera, David

☐ Smith, Christopher H.

☐ Gallegly, Elton

☑ Engel, Eliot L.

☑ Sires, Albio

☐ Faleomavaega, Eni F. H.

☑ Payne, Donald M.

Opening Statement
Chairman Connie Mack
Western Hemisphere Subcommittee
"Priorities for U.S. Assistance in the Hemisphere"
April 13, 2011

As Chairman of the Western Hemisphere Subcommittee I am focused on three key priorities that I believe are imperative to U.S. interests in the Hemisphere - these are freedom, security, and prosperity.

On February 15th we held the first hearing of this subcommittee. During that hearing I promised to continue to engage the Administration to develop a strategic relationship with Latin America, the Caribbean, and Canada that promotes the security, goals and ideals of the U.S. and our allies.

In that hearing we addressed five main areas where the State Department's focus was not in line with U.S. interests.

These included the Colombia and Panama FTA's – I am encouraged to see that we are a step closer on Colombia.

Venezuela: where I highlighted the need for the Keystone XL pipeline in order to counter Chavez's influence, however, we still see delays in the approval process;

Cuba: where a USAID contractor was recently sentenced to 20 years in prison while this Administration sat back and watched; and Mexico: where Americans are being murdered and the drug cartels are targeting border patrol agents.

In light of these policy concerns, the purpose of today's hearing is to review the budget request for next year, acknowledge support for necessary assistance that advances U.S. interests, and identify misdirected funds.

First I would like to address security, security ranks as the number one concern for citizens throughout the Hemisphere. And these security concerns pose a significant threat to U.S. citizens.

However, President Obama appears more worried about increasing funding for agenda driven programs like the Global Climate Change Initiative which will cost taxpayers $109 million dollars.

State Department led programs in Mexico, Central America and the Caribbean, acknowledge the expansive security concerns that we face in our Hemisphere. Yet, the apparent haphazard approach to security related assistance, and lack of leadership in implementing these programs, demonstrate that security is not a priority for this Administration.

While the threat of a failed state looms across our southern border with Mexico, the Merida Initiative has suffered extensive delays throughout the entire first phase of the program. With roughly $1.1 billion appropriated under Merida for security equipment since 2008, latest estimates show that only around $300 million has been delivered.

Regarding Central America, President Obama recently announced a new Central American Citizen Security partnership, including $200 million in funding to Central America. This announcement came as news to Congress, especially since the Ranking Member and I personally met with the new State Department Drug Policy Coordinator and there was no mention of this new partnership.

To date, no one from this Administration has made an effort to work with Congress in establishing this new approach. Further, El Salvador and others in the region are unclear of what the partnership stands for and how it will be funded.

If the United States isn't going to be a leader in the region there are many nations who are vying for such a leadership role:

Which leads me to the ALBA Nations, led by Venezuela, and the need to establish that their Actions have Consequences:

Governments that stake their success on building hatred toward the United States should in no way, shape, or form receive assistance from the United States Government.

It is counterproductive for the U.S. to provide continued assistance to nations where we are unable to access vetted units and the host government continuously works to thwart U.S. efforts.

There must be clear consequences for the actions of the ALBA nations and the U.S. should start by eliminating assistance to Venezuela, Ecuador, Bolivia and Nicaragua in the 2012 budget.

It is time we regain our leadership role and demonstrate through our Foreign Assistance budget the benefits of being an ally of the United States.

Thugocrats who spew anti-U.S. sentiment, and seek to destroy the freedoms of their people, should do so with the understanding that they will receive zero assistance from U.S. taxpayers.

Finally, where President Obama has shown a true commitment in his budget is through Environmental Assistance. We see Global Climate Change funding infused throughout the entire budget request - totaling 109 million just in the Western Hemisphere. From $10 million for Brazil, a nation that leads in clean energy, to $8 million for Ecuador, who last week kicked out our Ambassador.

This Administration must recognize that budget cuts are necessary. All of us would like to support our special interests around the globe; however, now is not the time for U.S. taxpayers to support Ecuador's clean energy initiatives.

While Americans are being murdered at our southern border, and nations in our hemisphere continue to strengthen ties with Iran and illegal sources of income, the United States needs to show leadership in its funding priorities.

I look forward to hearing how State and USAID plans to work closely with Congress to achieve our jointly held goal of a safer, more prosperous region.

MATERIAL SUBMITTED FOR THE RECORD BY THE HONORABLE DANA ROHRABACHER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

JAMES M. INHOFE
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United States Senate

WASHINGTON, DC 20510-3603

COMMITTEES:
ARMED SERVICES
ENVIRONMENT AND PUBLIC WORKS
FOREIGN RELATIONS

February 17, 2011

His Excellency Porfirio Lobo Sosa
President of the Republic of Honduras
c/o Ambassador Jorge Ramon Hernandez
Embassy of Honduras
3007 Tilden Street, NW #4M
Washington, D.C. 20008

Dear Mr. President:

I am writing you to enclose a letter I sent to the United States Millennium Challenge Corporation (MCC) bringing to their attention the outstanding expropriation claim against the Honduran government brought by the CEMAR cement company owned by Mr. Oscar Cerna, a U.S. citizen.

As stated in my letter, I will oppose future funding by MCC to Honduras until the CEMAR claim is promptly resolved. As a Member of the Senate Foreign Relations Committee, I have a particular interest in such international business matters and will closely monitor this claim in the coming months. I respectfully recommend that your government reach out to Mr. Cerna and begin a mediation process. This would show good faith and a willingness to resolve this ten-year-old claim.

I look forward to hearing that a resolution has been found, so that we may continue our historically close friendship with your country.

Sincerely,

James M. Inhofe
United States Senator

Enclosure

Congress of the United States
Washington, DC 20515

September 17, 2010

His Excellency Porfirio Lobo Sosa
President of the Republic of Honduras
c/o Ambassador Jorge Ramón Hernández
Embassy of Honduras
3007 Tilden Street, NW #4M
Washington, DC 20008

Dear Mr. President:

We are writing to you regarding the CEMAR expropriation claim, which has gone unresolved for more than six years. Official reports issued by the Honduran Justice and Commerce Departments in 2004 confirmed that CEMAR was illegally eliminated and bankrupted by the two local cement companies, all in violation of the Honduran Constitution. We enclose for your reference a letter from Ambassador Larry Palmer, reaffirming these facts.

As you may know, more than 160 Members of Congress have reviewed and supported the Cerna family in this egregious expropriation case. We are also very troubled by reports that the loss of competition in the cement industry has cost the Honduran economy hundreds of millions of dollars.

Mr. President, we hold a deep and sincere interest in the affairs of your country, and consider ourselves good friends of the Honduran people. We respectfully request that you use your good offices to encourage a long-awaited resolution to the CEMAR case. We thank you for your leadership and will appreciate your prompt response.

Sincerely,

Eliot L. Engel

Dan Burton

Ralph M. Hall

Elton Gallegly

His Excellency Porfirio Lobo Sosa
September 17, 2010
Page Two

Donald M. Payne

(FL-25)

Chris Smith