

**SOUTH AMERICA AND THE UNITED STATES:
HOW TO FIX A BROKEN RELATIONSHIP**

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CONTENTS

| | Page |
|--|------|
| WITNESSES | |
| Mr. Peter H. Smith, Simón Bolívar Professor of Latin American Studies, University of California | 8 |
| Mr. Michael Shifter, Vice President for Policy, Inter-American Dialogue | 13 |
| Jaime Daremblum, Ph.D., Director, Center for Latin American Studies, Senior Fellow, Hudson Institute | 21 |
| LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING | |
| Mr. Eric Farnsworth, Vice President, Council of the Americas: Statement | 4 |
| Mr. Peter H. Smith: Prepared statement | 11 |
| Mr. Michael Shifter: Prepared statement | 16 |
| Jaime Daremblum, Ph.D.: Prepared statement | 23 |
| APPENDIX | |
| The Honorable Donald A. Manzullo, a Representative in Congress from the State of Illinois: Prepared statement | 59 |
| The Honorable Sheila Jackson Lee, a Representative in Congress from the State of Texas: Prepared statement | 60 |
| The Honorable Gene Green, a Representative in Congress from the State of Texas: Prepared statement | 61 |
| Mr. Peter H. Smith: Statement on Venezuela's Military Capabilities | 63 |

SOUTH AMERICA AND THE UNITED STATES: HOW TO FIX A BROKEN RELATIONSHIP

TUESDAY, JUNE 19, 2007

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 10:46 a.m. in room 2172, Rayburn House Office Building, Hon. Thomas Lantos (chairman of the committee) presiding.

Chairman LANTOS. The committee will come to order.

For the past 6 years as the United States has focused its attention on far-away crises, we have largely ignored our own neighborhood. Now we are paying for it dearly with a severe loss of influence and prestige. The administration has put South America somewhere slightly ahead of Antarctica on its priority list. Now under our very noses our neighbors are staging a mini-revolt. We should have seen this coming.

Secretary of State Condoleezza Rice has recently stepped into the breach, but until she arrived the administration's utter abdication of Latin America policy created a gaping power vacuum in the Western Hemisphere. The sense of a firm regional partnership and warm relations from the 1990s evaporated long ago, and we have been playing defense ever since.

Into this regional power vacuum stepped Hugo Chavez of Venezuela. His anti-Americanism could not have come at a worse time for our relationship with our neighbors to the south. Chavez jets off to visit the most reprehensible despots in the world, in North Korea, in Iran, in Cuba, probably just because they have been identified by the United States as rogue regimes. He signs armed deals with these and other countries in a quest to militarize Venezuela to the teeth for no discernable purpose, and he makes friends with despicable perpetrators of violence. Ahmadinejad in Iran, Nasrallah of Hezbollah in Lebanon, Assad of Syria, and the late holocaust denier, Norberto Ceresole of Argentina.

I am deeply disturbed that anti-Semitism is on the rise under Chavez, accompanied by support for Islamic terrorist groups. With his own people, Chavez angles toward his own brand of authoritarianism. Chaotic retributive land seizures in Venezuela have led to violence, injustice and crop shortages.

Recently, Chavez crossed yet another dangerous line, curtailing freedom of the press. He closed the independent television station RCTV in a bid to consolidate power and squelch opposition. And international backlash and ongoing student protests seem only to have emboldened him. No sooner did he shut down RCTV than he

threatened to do the same with Globovision, the last remaining TV channel he does not yet control.

Confounding the problem is the gutless response of the Organization of American States which held its general assembly days after the closing of RCTV, and could not muster the courage to express even a word of concern. Adding salt to this ulcerating sore, OAS Secretary General Insulza just days later practically ripped up and tossed away the hemisphere's main pro-democracy instrument, the Inter-American Democratic Charter, saying he doesn't believe it should be used to pressure OAS member states.

This whole episode is a stark reminder that the United States can no longer even mobilize the regional body established to address this sort of outrageous maneuver by Chavez.

The sapping of U.S. influence in this region has had wide-ranging ripple effects. In Chavez's shadow and with his oil money, the democracies in Ecuador and Bolivia are becoming increasingly undemocratic. Both countries have recently turned on their own media and both are in the process of altering their Constitutions. In Paraguay, we hear similar echoes.

Argentina is in many ways living in its own past and grapples daily with the shadow of its 2001 economic collapse. President Kirchner's government has presided over a significant turnaround with more than 8 percent annual growth over the past 3 years, but he seems to listen to Mr. Chavez's advice with alarming regularity.

There are governments in the region that are strongly democratic. These countries ought to step into the vacuum and reclaim regional leadership from Chavez. Brazil and Chile, with strong and visionary leaders, are the standouts. Peru and Uruguay also hold considerable promise.

Colombia is on the list of standouts as well, and President Uribe has made significant strides in providing security for his people, but his troubles at home are significant with corruption and the drug trade all too powerful. He has more than enough problems to keep him busy without saddling him with the heavy lifting in the region that used to be the role of the United States.

All of these countries show that responsible governments can and should boost economic growth, and reduce inequality without enacting authoritarian policies. Our ability to shepherd them into the power void will go a long way toward reestablishing our positive influence in South America.

We have ignored South America as a partner for far too long. We have allowed Chavez to define us to our neighbors. That must stop before we reach a point of no return, a South America where national leaders resort to the political expedients of coercion and authoritarianism. We share central values with the rest of the region—democracy, open markets, and free speech. Secretary Rice has tried to provide, as one commentator put it, "adult supervision" to our Latin American policy since she arrived at the State Department. So there are seeds of hope.

I urge the administration and the next administration to put South America at the top of the priority list and move us into the leadership vacuum the administration has created.

I will turn to my good friend and distinguished colleague, the ranking member of the committee, Ileana Ros-Lehtinen for any remarks she would care to make.

Ms. ROS-LEHTINEN. As always, Mr. Lantos, thank you so much for this opportunity and I am pleased that we are having this full committee hearing today to focus on our vital and critical relationship with our neighbors in South America, and I hope that we will soon have an even more focused and targeted full committee hearing dealing with the growing radical Islamic threat in the Western Hemisphere, both deriving from individual groups as well as from rogue regimes designated by the U.S. as state sponsors terrorism.

That terrorist focus for the Americas is sorely needed today as evidenced by the recent arrest of a Syrian arms dealer trying to provide heavy weapons to the FARC. These are the narco terrorists in Colombia, as well as the recent thwarted JFK terrorist plot linked to radical Islamic elements in the region.

The previous Hezbollah bombings, the new indictments and the recent Interpol actions on possible international arrest warrants for former Iranian Government officials, and a Hezbollah leader allegedly linked to the AMIA terrorist attack in Buenos Aires in the 1990s also needs our full attention, as does the growing Iranian influence in relationship with the Chavez regime and others as well in the region.

This committee should also have a hearing dedicated to the threat of Islamic radicals and militants operating in our hemisphere, our backyard, our sphere of influence. We ignore that increasing nearby threat at our own peril, and it deserves special attention as is growing self-evident daily.

The title of this hearing is interesting, "South America and the United States: How to Fix a Broken Relationship." Some members advocate measures that could result in the total shattering of our relations with our neighbors and even greater damage and divide in our dealings with South America, and I am referring to the pending free trade agreements with Panama, Peru and Colombia, and the recent deep and disturbing House Appropriations cuts in military assistance to Colombia that would provide them with the resources they need to continue their successful efforts in fighting terrorism in their own country, and the illicit drug trade from their own region, a drug trade that takes more innocent lives annually than we lost on that terrible day of 9/11.

Plan Colombia was an aid program led by the Clinton administration and a Republican House of Representatives, yet it is now being misdirected as well as underfunded for the first time in many years. Congress rolls back support for the region's free trade agenda. It cuts vital drug fighting aid to places like Colombia. It shelves already agreed upon free trade agreements that would both help the poor and marginalized in the Americas while promoting increased American investment in the region. We are headed in the wrong direction.

These three nations—Colombia, Peru and Panama—are vital allies in the struggle against terrorism, in the struggle against illicit drugs, as well as they are good and valuable trading partners, and they all watch nervously the actions of this Congress and whether or not it is a good idea to be allied with the United States.

While some in Congress abandoned or treat poorly our South American friends and allies, they have yet to speak nor act forcibly about the human rights problems, about the attacks on the free press, on the assaults on them on democracy from the worst nightmare for us in South America, and the anti-democratic and radical Hugo Chavez regime in Venezuela.

Chavez's radical efforts to stir anti-U.S. sentiment in the region, his support for anti-American regimes across the hemisphere, and his open and dangerous embrace of Iran, the global terrorist leader and other radical regimes around the globe, along with his assault on democracy and the free press in his own nation ought to concern us all.

I hope that our committee will soon act on a resolution condemning the Government of Venezuela's dismal human rights records for months, and adequately take him to task for his assault on free press and other institutions in his once truly democratic nation.

Mr. Chairman, I ask unanimous consent that a Council of the Americas' statement be made a part of the record. It is a statement on the subject of the title of our hearing, United States and South American relationship.

Chairman LANTOS. Without objection.

Ms. ROS-LEHTINEN. Thank you, Mr. Chairman.

[The information referred to follows:]

SUBMISSION FOR THE RECORD BY MR. ERIC FARNSWORTH, VICE PRESIDENT, COUNCIL OF THE AMERICAS

The Council of the Americas appreciates the opportunity to provide written testimony on the relationship between the United States and South America. The Council of the Americas is a business organization representing approximately 175 member companies invested in and doing business throughout the Western Hemisphere. Since our founding in 1965, the Council has been dedicated to the promotion of democracy, open markets, and the rule of law, and we are widely recognized for our policy and commercial leadership throughout the Americas.

The Council applauds the Committee for its leadership on these important issues, recognizing the pivotal role that Congress plays in relations between the United States and South America. From the continued support for democracies fighting drug-fueled insurgencies and criminal activities, to expanding the effectiveness of foreign aid through such means as broadening eligibility for Millennium Challenge support, to passage of pending and future trade agreements, to addressing US policies that disadvantage South America such as agriculture subsidies and the tariff on imported ethanol, Congressional action in support of strong US relations with South America is critical.

There are several examples of recent success where the United States has made a positive impact, such as the biofuels agreement with Brazil and the bilateral investment treaty with Uruguay. As well, continued bi-partisan support for Plan Colombia has been a bedrock of US support for friendly nations and their leaders, and trade agreements negotiated with Colombia and Peru have the potential to redefine our relations with those two nations in the same way the relationship has been developed with Chile.

These examples, in some cases brokered with leaders who view the world through a different political lens than we might view it, proves the central point: *by focusing policy on practical benefits and concrete cooperation for mutual benefit rather than ideology, the United States can make progress to promote an agenda that is consistent with our own national self-interests.*

STEP ONE: OPEN FOREIGN MARKETS

The US-Chile FTA is a testament to the reciprocal benefits provided by freer trade. Overall, US-Chilean trade has increased 154% since entry into force of the agreement. US companies have benefited as exports to Chile have risen by \$4 billion in three years, reaching \$6.8 billion in 2006 from \$2.8 billion in 2003. Chileans are

also benefiting, as exports to the United States have increased to almost \$6 billion in the same time span, reaching \$9.6 billion in 2006 from \$3.7 billion in 2003, while lowering the unemployment rate in Chile and boosting per capita income. In all, the agreement has worked as it was designed.

Similarly, passing pending trade agreements with Colombia and Peru (and also Panama) would strengthen economic and political security in the region. Such actions would promote the same benefits that have been exhibited in the US-Chile agreement while supporting national leaders who have linked their political futures, at personal and political cost, with the United States. Additionally, these agreements would provide our friends with greater means to further stabilize their countries against narcotraffickers and others who seek to weaken democracy. The choice we face is significant and historic. Ultimately, it will be up to Congress to decide.

NEXT: RETAIN THE COMMITMENT TO DEMOCRACY IN THE AMERICAS

More broadly, the Council of the Americas urges Congress to renew its interest in the promotion of democracy throughout the Americas. A key aspect of this will be support for the re-authorization of Plan Colombia, which has successfully established a foundation for peace and security in a country wracked by decades of violence. Renewal of Plan Colombia would continue the bedrock US commitment to Colombian security and counternarcotics efforts while incorporating increased funding for new social initiatives such as poverty reduction, education, healthcare, and other domestic reforms. To date these aspects remain underfunded due to a lack of European participation in the original Plan. Such participation should also be encouraged. At the same time, continued support for Colombia would assist an ally courageously fighting against the challenge of extra-legal activities, including guerrilla groups from the left and the right. It would also undercut the argument that is increasingly made from anti-democratic US opponents and others in the region that the United States is an unreliable partner even for its closest friends.

LOOK TO COOPERATE MORE CLOSELY WITH BRAZIL

As well, a key to US policy in South America must be our relationship with Brazil, given its size and weight in hemispheric affairs, and its desire to play a greater role in global affairs. For example, Brazil offers a rare example of a nation that, by voluntarily giving up its nuclear program, literally turned swords into plowshares, while also re-making its space-launch program for commercial purposes. As Iran's nuclear ambitions continue, active partnership with Brazil within the International Atomic Energy Agency, if explored fully, could directly assist the global effort to deny Iran's ability to acquire nuclear weapons. Brazil can also serve as an example to Arab countries that favor the promotion of atomic energy for peaceful purposes. And "leftist" Brazil has itself served as a breakwater against the more populist, anti-US wave sweeping much of South America.

As well, Brazil has already participated in numerous global peacekeeping operations through the United Nations and the OAS, including Haiti and much of lusophone Africa. Expanding such efforts would show acceptance of the global responsibilities expected of a global actor and should be strongly encouraged by the global community. Closer to home, even as the United States seeks to cure its "addiction to oil," Brazil is the world's most efficient producer of ethanol, a clean, renewable alternative which could be exported more effectively to the United States were we to open our own markets. Though not a panacea, nonetheless the efficient production and distribution of such alternative fuels could contribute to an overall energy solution, which must also include conservation. By promoting alternative fuels, we also help address climate change while lessening the regional influence of Venezuela's leader who is using energy resources to build an ideological movement contrary to US interests.

EXPAND OUR TOOLS TO PROMOTE RESPONSIBLE DEVELOPMENT

Even as US assistance for South America declines, the Millennium Challenge Corporation has considerable and far-reaching potential. Currently, within South America Paraguay is the only country to reach an agreement by signing onto an MCC threshold program. This \$34 million dollar commitment from the United States is already helping Paraguay in combating corruption by strengthening the rule of law and building a more transparent business environment. Additional threshold programs are in development. Guyana was named eligible for threshold assistance in November 2005, and Peru was named eligible in November 2006. Both countries, with MCC cooperation, are drafting a development plan that must be in place before funds are made available. The only compact-eligible country in South America is Bo-

livia, named a candidate for MCC assistance in November 2005. However, the compact has been delayed as the current government reworks it.

The Council applauds the MCC approach which has added significantly to the foreign aid process by rewarding countries that seek to rule justly, invest in people, and allow for economic freedom. Congress could ensure that the benefits of the MCC approach could be further extended with the incorporation of sub-regions into the eligibility process; currently, only countries as a whole are eligible for MCC assistance. Impoverished regions such as the northeast of Brazil should be made eligible. By using indicators to score regions instead of countries as a whole, an impoverished region of a country would be able to receive assistance to make reforms and seek increased prosperity that would otherwise be denied.

CONCLUSION

Congress has an important and appropriate role in US relations with South America. In this regard, the Council of the Americas urges the passage of the pending trade agreements, as well as a renewed commitment to Plan Colombia and further engagement with Brazil. We believe aid to the region should also be increased, especially in terms of extending the reach of the Millennium Challenge Corporation and other programs which have proven successful. By working with willing partners to embrace existing opportunities in the Americas, we would benefit the people of the United States, and the Americas as a whole.

Chairman LANTOS. I am pleased to call on the distinguished chairman of the Subcommittee on the Western Hemisphere, Mr. Engel of New York.

Mr. ENGEL. Thank you very much, Mr. Chairman, and thank you for holding this hearing. As chairman of the Western Hemisphere Subcommittee, I am very pleased that you have called today's hearing to focus on a crucial but often ignored area of the world.

I, like many of my colleagues, believe that our friends in South America have often fallen off the United States foreign policy radar. But I also believe that this is beginning to change.

I want to say how honored I am to chair the Subcommittee on the Western Hemisphere, and I want to thank you and Ms. Ros-Lehtinen for your cooperation. I have always said that foreign policy needs to be bipartisan, and that is as true as it can be when we are talking about the Western Hemisphere.

In March, President Bush traveled to three South American countries—Colombia, Brazil and Uruguay, and also visited Mexico and Guatemala. Some pundits have claimed that the President's attention to the region is too little too late. I am of the school of thought that the President's trip is better late than never, and I am delighted by the President's recent attention to the region. I think that we have to encourage that, and I think that we have to work in partnership with this administration and any administration to make sure that our foreign policy regarding our hemisphere is bipartisan and is strong.

I am delighted by the President's recent attention to the region, and I also want to say—and I am sure my colleagues will agree—that in Tom Shannon, our Assistant Secretary of State for Western Hemisphere Affairs, we have a first-rate diplomat who is ushering in a new era of new diplomacy in South America.

At the same time, however, I have been critical of the administration's failure to put its money where its mouth is with regard to aid to Latin America. I am seriously concerned with reductions in assistance to the Western Hemisphere in the President's 2008 budget, including a \$70 million reduction in developmental assistance, a \$36 million reduction in funding for child survival and health programs, and a near zeroing out of foreign military financ-

ing for countries that have not signed Article 98 agreements with the United States.

I was pleased to see that my friend and colleague from the neighboring district to my own, Chairwoman Nita Lowey, made well-needed changes in the House Fiscal Year 2008 Foreign Operations bill, including increases in developmental assistance and FMF funding for countries in the Western Hemisphere that have not signed Article 98 agreements. I will be reintroducing legislation to end the entire Article 98 sanctions regime later this week, and I invite my colleagues to join as original co-sponsors.

I might also add that Secretary of State Rice in a hearing before this committee agrees with me, and said that Article 98 is sort of cutting off your nose, and it doesn't make any sense whatsoever. We need to change that.

I would be remiss not to mention how disturbed I am by Venezuelan President Hugo Chavez's failure to renew the license of Radio Caracas Television, a television station that has been highly critical of his government. This sets a very dangerous precedent in Latin America. Press freedom has also been under fire in other countries in the region, and we are all watching closely to ensure that this trend is quickly reversed.

I would also like to express my support for our expanding relationship with Brazil. After the United States, Brazil is the largest democracy in the region, and the leading producer of bio-fuels. I believe that we are at the point of a strategic confluence of interests with Brazil, and I am glad that our countries today are seeing each other as vital partners. I mentioned this to President Bush, and he has assured me that he wants to expand that relationship.

Chairman LANTOS. The gentleman's time has expired.

Mr. ENGEL. Okay. If I may just have 20 more seconds to just say, Mr. Chairman, Congress obviously faces a number of important decisions on Colombia in the coming months, and we will be talking about the United States-Colombia Free Trade Agreement as well as the agreements with Peru and Panama.

Let me conclude by saying that when we were all growing up we learned that in the Americas, we had a hands-off policy, supposedly. That doesn't work anymore. We have other countries—China, Iran—moving into the vacuum unless we are engaged. We need to keep engaged and I thank you, Mr. Chairman, for calling this important hearing.

Chairman LANTOS. Thank you.

If any colleague wishes to be recognized, I will be pleased to do so. If not, I would like to turn to our distinguished witnesses.

Professor Peter Smith is a professor of political science, Latin American studies, at the University of California in San Diego. He is one of our nation's foremost experts on Latin American politics. Dr. Smith's publications include 20 books and over 100 book chapters and journal articles. His most recent work is particularly germane to today's discussion and is titled "Democracy in Latin America: Political Change in Comparative Perspective."

Mr. Michael Shifter is vice president of policy at the Inter-American Dialogue, which is a forum on Western Hemisphere affairs. Since 1993, he had been adjunct professor at Georgetown University School of Foreign Service where he teaches Latin American

politics. Prior to joining the Inter-American Dialogue, he directed the Latin American and Caribbean Program at the National Endowment for Democracy. He is a frequent writer and commentator on United States-Latin American relations.

Jaime Daremblum served as Costa Rica's distinguished Ambassador to the United States from 1998 to 2004. He is currently director of the Center for Latin American Studies and the senior fellow at the Hudson Institute. Ambassador Daremblum has held several teaching posts. He was foreign policy advisor to the presidential candidates of Costa Rica's Social Christian Unity Party during several elections.

We look forward to hearing from all three of our distinguished witnesses, and we begin with you, Professor Smith. The floor is yours.

STATEMENT OF MR. PETER H. SMITH, SIMÓN BOLIVAR PROFESSOR OF LATIN AMERICAN STUDIES, UNIVERSITY OF CALIFORNIA

Mr. SMITH. Thank you, Mr. Chairman, members of the committee. It is an honor to take part in these proceedings and I appreciate the opportunity. Notwithstanding, the well-earned reputation of professorial types to speak *ad infinitum*, I will do my best to stay within the 5-minute time limit.

We are here, as you have said, to discuss our relationship with South America. It has indeed fallen into disrepair. I believe it can be fixed, but only through attention, understanding, and a clear eye definition of U.S. interests in the region.

South America deserves attention. It contains more than 370 million people. It is a major trade and investment partner. In the last generation, it has turned from dictatorship to electoral democracy.

So what is the problem? The problem has three parts. One is that U.S. prestige has plummeted markedly, as you discovered in a recent hearing of this committee. This is not a matter of popularity. The data reflect a significant erosion and what has come to be called soft power in the region, and a resulting inability for the United States to get things done.

Second, a new left has emerged throughout the region. Citizens in Argentina, Bolivia, Brazil, Ecuador and Venezuela have elected leaders that espouse mixtures of leftist and populist and nationalist ideologies. This is not in itself a problem, but the problem is that the Bush administration has failed to forge a constructive response to this reality.

And third, there is Hugo Chavez in Venezuela. He is a paradox. He was elected democratically. He is governing undemocratically, and as we know, he has established close relations with Cuba and perhaps more importantly even sought allies in other parts of the globe, especially in the Islamic world, and specifically in Iran.

So what do we think about this pink tide? What does it represent? This pink tide, this new left, and what does it signify for the United States?

It signifies, first, an accumulation of popular frustration within South America with the persistence of poverty and inequality after 15 or 20 years of neo-liberal reforms. It is not a coordinated or organized movement. It represents a series of spontaneous develop-

ments within nations of the region. It does not have a clear-cut ideology. The ideology has not been imported from some alien source. It is a domestic home grown series of attitudes and concerns.

It is a product of democratization. Citizens throughout the region are expressing their views and their angers, not by rioting necessarily or not by taking other violent actions, but by going to the ballot box. They might not be voting the way some of our leaders would like, but the important point is they are voting.

Why is this movement anti-United States or why does it have that tendency? I see three reasons.

One, fairly or not, the United States is perceived as the leader and the prime beneficiary of a global economic system that spawns injustice, whether it does or not, and takes unfair advantage of weaker and less developed countries.

Second, the Bush administration after 9/11 dismissively ignored the region, and when it has focused on the hemisphere, it has assumed a unilateralist and arrogant stance. Everybody understands the importance of 9/11 and the aftermath. What they do not understand is the extent of the neglect of the region, and I must say that the President's recent trip, although well-intentioned, was in general too little too late.

Third, the war in Iraq has promoted widespread distaste for not only U.S. policy in that region, but also American society. They reject the whole of our society. They regard the atrocities at Abu Ghraib, Haditha, and other incidents as systematic violations of human rights, and of our own values, and they are especially incensed by the treatment of prisoners at Guantanamo. So they have taken a negative view of U.S. society in large part, as well as some of the policies of the government.

It is extremely important to differentiate this in Argentina, Bolivia, Ecuador, et cetera, from Hugo Chavez. This pink tide is not his creation. He has promoted it. He has tried to take advantage of it. But he is not its author. In fact, his attempts to affect electoral outcomes in Peru and Mexico and elsewhere have been conspicuously counterproductive.

There is a distinction between Chavez and some of his putative supporters or allies. Were he to fall from power in Venezuela, the social foundation of the pink tide will still persist throughout the region. Concern about poverty and inequality would continue to persist. Citizens would continue to vote for candidates who appear to represent what might be their best interest without or without Chavez. That I think is an important fact.

What implications might this pink tide have for the United States? I think there are several.

One is that we are going to have to deal with elected leaders, democratically-elected leaders who do not automatically or necessarily support U.S. policies. It was kind of a political creed, especially during the Cold War, that if people were elected democratically, they would be on our side. No longer is that necessarily the case.

Moreover, we cannot take decisive action against a democratically-elected regime in the name of regime change. We might do other things, but we cannot do that. We are caught in the sense on our own petard. We must not think of Latin America or South

America as our backyard. It is a significant region with serious leaders. They will not follow the United States anymore just because we tell them to.

Now, what to do? What might be policy recommendations? The most obvious one is to pay more and better attention to the region, not to increase our popularity, but because it is in our interests. We have serious interests at stake.

Second, I think we can change the way we talk and think about Latin America, not as a “patio tresero” or so-called backyard, given to unpredictable passions and troublesome leaders, but an important area with critical issues and serious problems. We should focus, I believe, less on political differences and more on social grievances as President Bush began to do during his March trip. The President, however, is no longer a credible messenger in the region so others will have to take up this cause.

Let me come back to the distinction between Hugo Chavez and the pink tide. With regard to Chavez, there are a number of things the United States can do, some things I don’t believe we should do like try to overthrow him. I understand there is some consideration of a resolution from this body that I think could be most appropriate. I would suggest that such a resolution focus primarily on the failure to renew the license of RCTV, and other authoritarian practices at home.

Again, he is a paradox. He was democratically elected, but he is not governing in a democratic fashion. That, I think, is where the focus should be, on particularly freedom of expression and human rights in that regard within Venezuela.

Now, outside Venezuela, I think the United States should undertake to weaken his continental coalition. In other words, we should court his allies rather than isolate them. They do not all appreciate Chavez’s bombastic style or his transcontinental ambitions. They don’t all want to be necessarily locked in his camp, and I believe there is considerable opportunity to wean them away in some ways, and bring them at least to a position of less hostility to the United States, and more cooperative position.

So there are a number of things we could do. I outline them in my paper. I will not take the time to summarize them here.

Let me simply point out two things.

One, I think we should make an effort to get closer to those leaders of Bolivia, Argentina, Ecuador, et cetera, in order to try to establish contact and communication.

Secondly, with regard to Lula. Lula of Brazil is a special case. He was elected as a leftist. He has considerable popularity within his country, but I think we must give him space. We must not try to bring him too close to us. That will damage his political credibility. He is more a rival of Chavez than an ally of Chavez. Brazil has always seen itself as the undisputed leader of South America, and once that leadership is established and recognized, it would become a partner of the United States, as an equal partner. That remains the Brazilian’s stance.

So he is not at all inclined to sort of cede South America to Chavez if he can do anything about it. By the same token, he can’t be seen as too close to the United States right now because that would diminish his own credibility throughout South America, and indeed

within Brazil. In short, too close an embrace for him with the United States could well amount to a kiss of political death. So I think we should be more close to Chavez's other allies, and be sure to give Lula sufficient space to be able to do what he needs to do.

I think South America is important to us not only for what it is, but also for what it is not. It has considerable problems as has been indicated by the two statements that we have just heard. But it is not the Middle East. It is not Africa. It is not South Asia or Central Asia. It has a lot of problems, but over the years it has been a relatively good neighbor to us and it has not required huge deployments of U.S. resources in order to maintain hemispheric stability. That has been a great benefit to the United States over the years.

Citizens of South America, many of them are distressed, frustrated, angry, and upset, but they are not heading for the mountains, they are not ransacking the cities. They are going to the ballot box. That is a great advantage. Protection of democracy is therefore in our own interest as well as in theirs.

Thank you very much.

[The prepared statement of Mr. Smith follows:]

PREPARED STATEMENT OF MR. PETER H. SMITH, SIMÓN BOLIVAR PROFESSOR OF
LATIN AMERICAN STUDIES, UNIVERSITY OF CALIFORNIA

INTRODUCTION: THE PROBLEM

Our relationship with South America has fallen into disrepair. It can be fixed, but only through attention, understanding—and a clear-eyed definition of U.S. interests in the region.

South America is important to the United States. It occupies nearly half the land mass of the Western Hemisphere. It is home to more than 370 million people. It is a reliable trading partner and hosts large amounts of American investment. With in the past generation, it has spurned authoritarian dictatorship in favor of political democracy. As of this moment, all ten countries of the continent (excluding the Guianas) are governed through free and fair elections.

So what's the problem? It is a three-part challenge:

U.S. prestige has plummeted markedly. Among opinion makers, support for U.S. policies toward Latin America ranges from 5 percent in Chile and Argentina to 23 percent in Colombia, our closest ally; approval ratings for President Bush extend from merely 12 percent in Brazil to 24 percent in Chile. This is not just a popularity contest. The data reflect a significant erosion in America's "soft power" in the region and a resulting inability to get things done.

A "new left" has emerged throughout the region. Citizens in Argentina, Bolivia, Brazil, Ecuador, and Venezuela have elected leaders espousing admixtures of leftist, populist, and nationalist ideologies. (This has also occurred in Nicaragua.) Close calls took place in Peru and Mexico. In itself, this trend need not be a cause for alarm; after all, it reflects the will of the people. Yet the Bush administration has failed to forge a constructive response to this new reality.

From Venezuela, Hugo Chávez has proclaimed undying hostility to the United States. Seizing increasingly authoritarian control at home, Chávez has devoted rhetoric, grandstanding, and petrodollars to the goal of creating a continental anti-American alliance. He has established a close relationship with Cuba and sought allies in other parts of the globe, most notably in the Islamic world and most specifically in Iran. Ironically, shortsighted U.S. policies have not only failed to defeat the Chávez campaign—they have unintentionally assisted him.

ASSESSING THE PINK TIDE

What has led to the emergence of this new left (a.k.a. "the pink tide")? What does it signify for the United States?

The pink tide is a recent development, one that has come to the fore only within the past decade. At bottom, it represents popular frustration with the persistence of poverty and inequality—after 15–20 years of "neoliberal" reforms mandated by the IMF, the World Bank, and the U.S. government.

It is not an organized or coordinated movement. It represents a series of spontaneous developments. It does not have a clear-cut overarching ideology. In contrast to Cold War communism, its views are not imported from some alien source. It is a home-grown left, what is known in Spanish as an *izquierda criolla*.

It is a product of democratization. Citizens throughout the region are expressing their views, and their angers, by going to the ballot box. They might not be voting the way that some of our leaders would like, but they are voting—that is the essential point.

Why is the movement anti-U.S.? There are at least three reasons:

The United States is perceived as the leader and prime beneficiary of a global economic system that spawns social injustice around the world and takes unfair advantage of weaker and less developed countries. (For better or worse, the neoliberal reforms of the 1980s–90s were known as the “Washington Consensus.”) For masses in Latin America, the United States represents a hostile force.

After 9/11 the Bush administration dismissively ignored the region. And when it has focused on the hemisphere, it has assumed a unilateralist and arrogant stance. The United States’ understandable concern with the war on terror led to counterproductive neglect of Latin America’s legitimate concerns with poverty, development, and democratic consolidation. (President Bush’s recent trip to the region addressed some of these issues but in general it was much too little, too late.)

The war in Iraq has prompted widespread distaste not only for U.S. policy, but also for American society. South Americans regard Abu Ghraib, Haditha, and other incidents as systematic violations of human rights; they are especially incensed by the treatment of prisoners at Guantánamo. In Latin American eyes, the United States no longer stands as a beacon for human dignity and freedom. Our nation is seen as grasping, uncaring, and imperialistic.

It is important to differentiate the “new left” from Hugo Chávez. The pink tide is not his creation. He has promoted it and has tried to take advantage of it, but he is not its author. (In fact, his attempts to affect electoral outcomes in Peru and Mexico have been conspicuously counterproductive.)

And if Chávez were to fall from power in Venezuela, the social foundation of the pink tide would still persist throughout the region. In most countries, one-third to one-half of the citizenry is frustrated, angry, and disappointed—with or without Chávez. That is the most fundamental fact.

IMPLICATIONS FOR THE UNITED STATES

The emergence of the pink tide has important implications. By shaping new realities throughout the region, it challenges long-standing assumptions about U.S.-Latin American relations.

First, it underlines the political diversity of Latin America. There is no ideological consensus. Among the ten governments of South America, five might be classified as representing the “left,” with three in the center and two on the right. The United States will have to recognize and respond to this complexity.

Second, we cannot assume—as during the Cold War—that freely elected leaders will automatically or necessarily support U.S. policies within the region or around the world. On the contrary, we must now anticipate and accept discrepancies.

Third, we cannot intervene or take otherwise hostile action against recalcitrant pink tide leaders in the name of “regime change.” The United States simply must not overthrow or undermine any democratically elected government in Latin America. The political costs of any such action would be enduring and utterly unacceptable.

And fourth, we should not take South America for granted. We must not think of it as our “backyard.” It is a significant region with serious leaders. They will not follow the U.S. lead just because we tell them to.

POLICY RECOMMENDATIONS

What steps might the United States take to improve the state of relationship with South America?

The most obvious recommendation would be to pay more and better attention to the region—not in order to increase our popularity, but because it would be in our national interest. We should listen carefully to voices of the continent.

We should change the way we talk and think about Latin America—not as a *patio trasero* given to unpredictable passions and troublesome leaders, but as an important area with critical issues and serious problems.

We should focus not on political differences but on social grievances, as President Bush began to do during his March trip to the region. The president is no longer a credible messenger, however, so others will have to take up this cause.

We should strengthen multilateral institutions and approaches toward the region. In particular, we should coordinate our efforts with the European Union and we should work to strengthen the OAS. This will require thoughtful diplomacy.

As mentioned above, we should make a clear distinction between Hugo Chávez and the pink tide. With regard to Chávez, the United States should:

- Avoid tit-for-tat exchanges, which almost always redound to his advantage;
- Maintain open lines of communication with members of his movement and his government, even if the short-term results are not rewarding;
- Uphold freedoms of speech and the press and political organization in Venezuela, but only in explicitly transparent ways—without supporting or appearing to support extra-legal action against his government (as appeared to be the case in 2002).

Outside Venezuela, the United States should undertake to weaken his continental coalition. In other words, *we should court his allies, rather than isolate them*. We should remember that they are democratically elected leaders. They do not all appreciate Chávez's bombastic style or his transcontinental ambitions. Indeed, Lula of Brazil seeks to establish his nation as the indisputable leader of South America, and is therefore more rival than ally for Chávez.

This means that we should listen and respond to these leaders' concerns. Regarding specifics:

- We should consider renewal of trade preferences rather than insisting on FTAs
- We could strengthen labor provisions in pending FTAs
- We could consider expanding access to the Millennium Challenge Account
- We should reassess our longstanding anti-drug policy, which has accelerated violence and corruption throughout the region, and focus more on demand reduction than upon supply control.

In these and other ways, we should reach out to leaders of Argentina, Bolivia, Ecuador, and even Nicaragua.

Lula represents a different case. Elected as a leftist, he has nonetheless managed to establish a cordial relationship with President Bush. But we should not think of him as "our man in South America." On the contrary, it is important to give him space and opportunity to maintain his political credibility. We must not demand or expect compliance. We should acknowledge the plausibility of his objections to America's policy on agriculture. For Lula, too close an embrace with the United States could well amount to a kiss of political death.

Outside of South America, we should take at least two additional steps:

- Closing down Guantánamo, as Colin Powell has recently suggested, and
- Rescinding (or at least modifying) the decision to extend the wall along the U.S.-Mexican border, since this is an inordinately expensive project that will deter neither immigration nor drug trafficking.

We should adopt these initiatives not out of generosity, but because they would be in our interest.

South America is important not only for what it is, but also for what it is not. It is not the Middle East. It is neither Africa nor South Asia nor Central Asia. It is a relatively peaceful place. Over the years, this long-term stability has been highly beneficial to the United States.

Citizens of the region are distressed, frustrated, and angry. But they're not heading for the mountains, they're not ransacking cities, and they're not mounting terrorist assaults. They are voting, and that is excellent news. Protection of democracy is therefore in our interest as well as theirs.

Chairman LANTOS. Thank you very much, Professor Smith.
Mr. Shifter.

STATEMENT OF MR. MICHAEL SHIFTER, VICE PRESIDENT FOR POLICY, INTER-AMERICAN DIALOGUE

Mr. SHIFTER. Thank you, Mr. Chairman. Thank you very much for this opportunity, and I have a statement I would like to make part of the record.

Chairman LANTOS. Without objection.

Mr. SHIFTER. Thank you.

The United States relationship with South America is in need of repair. As we saw in the last Organization of American States meeting in Panama earlier this month, the inability to come up with a resolution on RCTV, I think, reveals enormous mistrust between Latin America and the United States, and also among the Latin American countries. That is why the institution, I think, is unable to act on such a fundamental issue related to the defense of democracy in this region.

How did we get to this point? Well, we got to this point for three reasons, I think.

The first is that we have been too distracted. Understandably, there are more urgent priorities around the globe, but that, I think, has had a very high cost in terms of the perceived indifference from Washington to the issues, concerns, and priorities in South America. There has never been a greater disconnect and gap between what has been concerning Washington in the last several years and what worries most South Americans.

They are worried about the social agenda, governance, and crime. We have been worried about the war on terror. There is a major, major gap, and that gap has to be bridged, has to be reduced.

Of course, it is welcome, I think, that President Bush went to Brazil, went to Uruguay, went to Colombia in March. He did talk about social injustice, but I think at this stage it is probably too minor and too late to make a significant dent in the mistrust that has developed over the last several years.

The second reason is that the United States global policies have been very unpopular in Latin America. Unilateral military action anywhere touches a real nerve in Latin America given the history of intervention in this hemisphere.

Finally, there is a fundamental change going on which is not reflected in the attitudes of many here in Washington. South America is a region with a lot of options, a lot of opportunities. China is playing an increasing role. This no longer the strategic preserve of the United States, no longer should be viewed as a backyard of the United States that we should just take for granted. There are going to be differences, there are different needs, different interests, and those should be respected and those should be understood. So that is also a cause of the irritation.

What are the challenges? Well, Venezuela is high on the list as has been mentioned. Unlike other leaders, Hugo Chavez has enormous resources that he is willing to spend and he has a regional project. His goals are anti-U.S. and the governance model that he has fashioned over 8 years is clearly autocratic. There is a concentration of power and absence of any checks and balances and constraints on his decisions. He makes all decisions in Venezuela, and, as we know in other experiences, that could lead to considerable abuses. It already has in the decision not to renew the license of RCTV, which, in my judgment, is an ominous sign.

In addition, Venezuela is too small a stage for Chavez's appetites and ambitions. He is attempting to build a counterweight to the United States power and role in South America. He does have some allies, but as Professor Smith said correctly, the other allies will probably be there with or without Chavez. They are the product of

the frustration that one finds in places like Ecuador and Bolivia where the political class, the political elites have failed to deliver to their populations.

Chavez is trying to protect himself, in my judgment, from the United States on two fronts. The first is energy. He exports about 60 percent of his oil to the United States. He is attempting to shift that market, primarily to China, but to other countries as well, because he doesn't want to be vulnerable to a decision that would be taken by the United States not to rely on Venezuelan oil.

He is also in the midst of purchasing arms, primarily from Russia, but other countries, because he doesn't want to be vulnerable to a decision that could be made in his perception by the United States for military action against Venezuela. So he is preparing the country and the population to defend itself against the United States.

The alliance with Iran is also, I think, of concern. Both countries share a defiant attitude and posture toward the United States. They clearly are coordinating energy policy, and it adds a geo-political dimension that I think deserves careful vigilance here in the hemisphere.

Colombia is also another critical challenge. It is the only ongoing armed conflict in this hemisphere today. There has been progress that has been made on the security front under President Uribe that has to continue, it has to be consolidated, but there is also a recognition that there has been a serious scandal that has come out—connections between drug-fueled para-military groups and members of the political class, some of whom have been close to the government. It is essential to clean out that system, do a thorough house cleaning. That is in the interests of Colombia and of the United States.

Finally, a third challenge is Brazil. Brazil, I think, is a critical player in any issue on the agenda in United States policy toward South America. It is very hard to have any cooperation on democracy, on drugs, on trade, on the environment, on any issue one can name in South America, without the cooperation of Brazil. It is a regional power. It is a critical player, and that is an important test for U.S. policy. The Bush administration has made some steps in trying to strengthen that partnership, but I think more needs to be done.

More specifically on some issues, first of all, as a general point the United States needs to understand that our interests will be handicapped considerably unless there is really an honest give and take with all of these governments in South America. The trust that has eroded has to be earned by the United States, and we have to understand that everyone needs to benefit if we are able to work together effectively.

On Venezuela, we should only support constitutional democratic means to deal with Chavez. We should avoid going for his bait and the provocations that he makes consistently, and we should drop the unrealistic expectation that other Latin Americans are going to form a coalition or a united front and stand up against Chavez. That is not going to happen for pragmatic economic and political reasons.

The best way to deal with him, as Professor Smith said, is to pursue a positive agenda in the region. Brazil needs to be ratcheted up in our partnership. There is an opportunity to do so. That is the best way to put him off balance, to put him on the defensive, to consolidate our ties with natural allies and friends in Latin America. Also, an independent energy policy, which I know is a big issue, needs to be pursued as well.

The social agenda where Chavez is the basis of Chavez's appeal in some part of Latin America also needs to be on the United States agenda. In trade agreements, there should be consideration given to compensation packages for those who don't benefit from free trade, perhaps a consideration to expanding the eligibility for the Millennium Challenge Account, to give support to distressed regions within middle income countries. We need to rethink our counter-drug policy. There needs to be more resources for social development, alternative social development and also a multilateral approach in dealing with the drug issue. These governments need to deal with each other as well as deal with the United States.

On the trade deals, I think all of them should be approved, Colombia, Peru, and Panama. I think it would send a very negative signal to Latin America that the United States is not a reliable partner if these trade agreements are not approved, and I think Chavez would take advantage and benefit from that.

I would also add that the trade preferences that are due at the end of this month should be extended to Ecuador and Bolivia. It is important to do so, otherwise the poverty in those countries will deepen, and their distance from the United States will become greater. So although there may be concerns about those governments, it is important to engage them.

Finally, we should continue to support Colombia through the aid package. The gains that have been made are real. They need to be consolidated, and the United States needs to continue to back Colombia. Some of the aid could be reallocated for support for judicial and other democratic institutions, and social development. I think that is welcome, but this is a critical point for Colombia, and I think that the United States should continue to show support to that country.

I will be happy to take any questions you might have. Thank you.

[The prepared statement of Mr. Shifter follows:]

PREPARED STATEMENT OF MR. MICHAEL SHIFTER, VICE PRESIDENT FOR POLICY,
INTER-AMERICAN DIALOGUE

The US relationship with South America is urgently in need of repair. The strain and mistrust between Washington and most South American capitals has grown considerably over the past several years. As was made clear at the General Assembly meeting of the Organization of American States in Panama earlier this month, working together with our closest neighbors to effectively address even such questions as threats to press freedom—the most essential element of democracy—is very difficult in the midst of such heightened tension and political disarray. Further, the 2005 election of the OAS's Secretary General was itself a measure of the hemisphere's deep and bitter divisions. And the latest Summit of the Americas gathering in Argentina in November 2005 was notable for its sour mood and lack of consensus on key policy questions. The dramatic drop in US credibility and the deterioration in its relations with South America should be of utmost concern—and calls for an improvement in the quality of policy attention devoted to the region.

HOW DID THE US GET TO THIS POINT?

In my judgment, three sets of factors have contributed to the slide in US relations with South America. The first and most immediate has to do with some of the misguided policies the Bush administration has pursued towards the region over the past several years. The second factor, perhaps even more significant, concerns the Bush administration's global policies, particularly in the Middle East, that have been immensely unpopular in South America and have alienated the region from Washington. And, finally, the worsening US-South America relationship stems from deeper, more structural changes linked with globalization, that go beyond any single administration, and that reflect a move towards greater independence and distance from Washington's agenda.

For most of the Bush administration—and particularly since the terrorist attack on September 11, 2001—there have been considerable distractions drawing the administration's attention away from South America. To be sure, some decisions have been taken in response to evolving situations in Venezuela, Colombia, Bolivia, Argentina and Brazil, but there has been an absence of any coherent framework or vision to guide those decisions. The policy has been reactive and ad hoc, often resulting in serious errors. At times, the US has been indifferent to South American concerns; at other times, when its agenda is clear, it has been overbearing. In either case, the costs have been enormous and have only widened the rift in inter-American relations.

In 2002, for example, the Bush administration failed to respond to an appeal for modest support from a close ally, former Bolivian president Gonzalez Sanchez de Lozada, who warned that his government would be in trouble if aid was not forthcoming. In October 2003, that government faced enormous social unrest and fell. To be sure, it may have fallen regardless, but an unresponsive Washington sent a message to the region that when things get tough for a friend, the US is not prepared to be helpful. The US was similarly cavalier in the face of Argentina's financial crisis in late 2001.

Even more costly have been serious missteps in dealing with Hugo Chavez, the main adversary of the US in South America. The US lost considerable credibility on the democracy question in April 2002, when it expressed its delight at the short-lived coup against Chavez. It has been hard to square that initial position (which was later corrected) with the US claim that it is defending interruptions in democratic, constitutional governments. In general, the US policy towards Venezuela under Chavez has been inconsistent and contradictory. Sometimes the US has been confrontational—at other times too passive. The approach has showed little strategic thought, and has been ineffective. The occasional tit-for-tat rhetorical exchanges with Chavez have been counterproductive and have only bolstered his popularity. Our friends in the region have also resented the US pressure on them to stand up and condemn Chavez. Looking for a South American leader to play the role of the anti-Chavez has proved futile and self-defeating.

The core problem over the past several years is that what the US has most wanted from South America—opposing the fiercely anti-US Chavez, becoming reliable partners in the US-led war on terror, lowering tariffs to open up trade and investment—has been notably out of sync with what South America has most wanted from the US—greater attention to the region's acute social agenda, reduced agricultural subsidies, and more liberal immigration laws. It is essential for both Washington and South American governments to attempt to bridge that wide gap and focus on pursuing common interests.

Beyond failing to respond more constructively to South America's highest priorities, some of Washington's policies in recent years have further exacerbated the relationship. That the US has withheld some aid to roughly a dozen Latin American countries for refusing to sign an Article 98 agreement giving exemption to all US citizens before the International Criminal Court has caused considerable irritation and has hurt US credibility on rule of law issues. And even though immigration questions are higher on the agenda in Mexico and Central America than in South America, hard-line measures from Washington, such as building a "wall" on the US-Mexico border, have significant and negative repercussions even in the most distant areas of the continent.

To its credit, the Bush administration has recently benefited from greater professionalism and has improved the tone and style of its policymaking towards South America. An attempt has been made to be more attentive to the region's core concerns, including social inequalities, governance problems, and energy challenges. The trade deals negotiated with Peru and Colombia were important advances. That President Bush openly recognized the centrality of social injustice before and during his March visit to the region, and has undertaken a promising initiative on ethanol

production with Brazil, is indeed welcome. But these steps, though positive, are too minor and peripheral to make a significant dent in the continuing, strained relationship with South American countries.

For that to happen, Washington will also have to seriously address the second and third factors that account for the deterioration in relations with South America. In this age of globalization and rapid communication, what the US does or does not do in other parts of the world has a huge impact on perceptions in this hemisphere. The Iraq war—a largely unilateral, military action—particularly touched a nerve in Latin America, even South America, given the historical record and baggage of US intervention in the region. The preemption doctrine, though just formalized in September 2002, has long been a reality in this hemisphere. Moreover, it is hard to overstate the sensitivity and reaction in much of Latin America to the revelations of US treatment of prisoners in Guantanamo. The perceived US departure from basic international norms and standards and its disdain for multilateralism in recent years, has had an immense cost in this hemisphere.

Finally, and fundamentally, most US policymakers still fail to grasp that the forces of globalization have inspired all of the countries in this hemisphere to seek greater elbow room from Washington. Signs persist that the US regards Latin America as its “strategic preserve” or “backyard.” Washington still reflexively assumes that Latin Americans should understand and support our interests and objectives, since they are, we presume, intrinsically good. The profound disappointment felt towards Mexico and Chile when, as non-permanent members of the UN Security Council, they failed to support the US in its Iraq position, illustrates the unfortunate tendency.

But if one looks at South America—at the relationships worldwide that have been forged by Brazil and Chile, the myriad options facing governments throughout the continent and especially the growing role of China and other world powers in the region—it is clear that the traditional mindset that Latin America is a stepchild of US foreign policy has little to do with current political and economic realities. South American governments should be viewed as partners. Their own particular needs, interests, and agendas deserve respect. There will inevitably be closer cooperation on some issues than on others—just like with other US partners in the world.

WHAT ARE THE CURRENT CHALLENGES FOR US POLICY IN SOUTH AMERICA?

The US confronts a variety of critical tests in South America. Though each country is, in its own way, wrestling with the social agenda and seeking to diversify its foreign policy, one finds enormous differences among the governments. It is far too simplistic to refer, as many analysts have, to a shift or turn to the left in the region.

Venezuela under Chavez poses a *sui generis* challenge. By now, after nearly nine years in power, the autocratic and anti-US character of Chavez’s regime is clear. With a lot of money at his disposal thanks to high energy prices, Chavez is intent on constructing a counterweight to US power, in Latin America and throughout the world. That is an essential part of his mission, and he is pursuing it with growing belligerence. His “success” derives from his astuteness as a tactician, excellent communication skills, as well as the good fortune of having an inept and fractured domestic opposition and a US government with no consistent policy to deal with him. He also benefits enormously from a region in disarray, with severe governance challenges and acute problems of social inequality and injustice. Chavez’s rhetoric finds resonance in some quarters of the region, as he has identified a legitimate grievance among the poor, which is part of the basis of his appeal. It is clear, however, that he is not able to devise a sustainable solution to those problems, and the model of governance he is promoting comes with an unacceptably high political cost.

For the US, which continues to receive some 12 percent of its oil imports from Venezuela, Chavez’s actions in three key respects should be of particular concern. First, his 21st century socialism clearly means that he is the sole power and decision maker in Venezuela. Chavez’s arbitrary decision not to renew the license for the popular Radio Caracas TV (RCTV), which went off the air on May 27, reveals his drive for absolute control and desire to suppress any competing or independent source of political or economic power. The concentration of power, free from any checks and balances or minimal constraints on his decisions, is bound to result in increased abuses.

In addition, Venezuela—even Latin America—is too small a stage for Chavez’s ambitions and appetites. Through the political use of considerable petrodollars, he is attempting to spread his influence throughout Latin America, in pursuit of his Bolivarian vision. In South America, his closest ally is Bolivian president Evo Morales, who has joined with Chavez (along with Cuba’s Fidel Castro and Nicaragua’s Daniel Ortega) in the Bolivarian Alternative for the Americas (ALBA), a response

to the stalled Free Trade Area of the Americas (FTAA). Ecuador's Rafael Correa is also forging a closer relationship with Chavez in a variety of areas.

All three cases are examples of the rise of resource nationalism in the region, an effort to extract more favorable terms from foreign companies in the petroleum and natural gas sectors. The Venezuelan, Bolivian and Ecuadoran governments also reject the political establishments in those countries, and appeal to those who have been previously excluded from decision-making or denied the fruits of economic development. New political forces are taking advantage of the failure of traditional parties, widespread social frustration and availability of resources from energy windfalls to refashion institutions that bear less and less resemblance to liberal, representative democracy. Though Correa and even Morales should not be regarded as Chavez's clients—both are pressing the US Congress for extension of trade preferences that are due to expire at the end of the month—there are clearly shared interests and an alignment on key questions among the three governments.

Most other South American governments tend to indulge Chavez, chiefly for pragmatic economic and political reasons. As governments exploring and exercising their options in the global economy, what Chavez has to offer is clearly of interest. In addition, Chavez has some limited constituencies in countries like Brazil and Argentina. At the same time, most governments are palpably uncomfortable with Chavez's brand of confrontational, divisive politics. For the most part, they are interested in pursuing cooperation with the US in a variety of areas, including trade, energy and counter-narcotics. Chavez has a disruptive effect on inter-American relations. His actions and decisions—leaving the Andean Community when Peru and Colombia made trade deals with the US, for example—aim to pit countries against the US, and make carrying out the US agenda in the region more difficult. Still, other South American governments—even Colombia's, despite security concerns on the border—are pragmatic in dealing with him.

To protect himself from a possible decision by the US to stop importing Venezuelan oil, Chavez is trying to diversify markets. At present, he sells some 60 percent of oil exports to the US. China is a high priority for Chavez, and in fact Venezuelan oil exports to that country increased tenfold between 2004 and 2006. Still, experts agree that it is unlikely Chavez will be able to shift the market to China, at least in the near term, due to the serious technical and economic obstacles in doing so.

Of greater concern for the US is Chavez's effort to protect himself from what he views as a possible US-led military action against Venezuela. As a result of this perceived invasion, he has been using oil money to purchase arms and prepare the population for a possible military confrontation. Russia has already provided Venezuela with Kalashnikov rifles, Sukhoi fighter jets, and Russian military helicopters, and there is currently some discussion about Venezuela purchasing several state-of-the-art Russian submarines.

Chavez has also developed a closer political and economic alliance with Iran. The two governments share a similarly defiant posture towards the US and, as members of the Organization of Petroleum Exporting Countries (OPEC), have a keen interest in coordinating energy policies and keeping oil prices high. Although there are limits to consolidating the Venezuela-Iran relationship, the alliance does inject an additional geopolitical dimension in the South America's politics that should be of concern to Washington and warrants careful vigilance.

Colombia, too, poses a major test and challenge for the United States. Since 2000, Colombia has received some \$4.5 billion in US security aid, making it the largest recipient outside of the Middle East. Under the government of Alvaro Uribe, there have undeniably been important security gains, a reduction in homicides, kidnappings and other atrocities. The results in fighting drugs—the chief aim of US aid—have been far more disappointing. It is hard to claim great success in achieving Plan Colombia's original, anti-drug goals. Still, in part thanks to US support, the Colombian state has managed to reassert its authority and better protect its citizens. The problem, however, is that high levels of violence persist, and recent revelations, and arrests, reveal that there are disturbing links between Colombia's paramilitary forces—guilty of human rights violations and involved in the drug trade—and political figures, some close to the Uribe administration. It is essential to bring all of these connections to light as well as to work with Colombia to clean out the political system and help deal effectively with all illegal armed groups, and in strict accordance with the rule of law.

It is hard to survey South America and analyze challenges for the region, and for US policy, without according high priority to Brazil. As a significant regional power with a pragmatic government and growing global connections and aspirations, Brazil needs to play a critical role in pushing a more constructive South American agenda. No matter what the issue—energy, trade, democratic setbacks, the drug

trade, or the environment—finding common ground between Washington and Brasilia is central to enhancing the prospects for effective solutions. Although there are apt to be key, continuing differences with the United States on important policy questions—trade, for example—there are other areas such as a shared interest in alternative energy and ethanol production that offer real opportunities for a more strategic collaboration. Brazil may pose the greatest test for US policy, given South America's changing landscape.

HOW CAN THE US REPAIR THE DAMAGE?

The countries of South America are unlikely to become a top-tier priority for Washington any time soon. Other regions in the world are understandably, and manifestly, of higher priority. Still, it is possible and desirable from the perspective of US interests and values to devote more serious, sustained attention to the challenges in the region, in a spirit of genuine partnership. The costs of not doing so are considerable.

- The pursuit of our interests will be handicapped until we fathom that the new realities in our hemisphere require an honest give and take, that trust must be earned, and all must benefit to be able to work together effectively. Long-term cooperation can only be based on activities that serve the interests of others as well as our selves.
- On Venezuela, the US should adopt a firm and consistent strategy in dealing with the challenge posed by Chavez. It should only support democratic and constitutional means. It should avoid going for Chavez's bait, and should drop its unrealistic expectation that South American governments will unite and stand up to him.
- The best way for the US to deal with Chavez—to put him on the defensive and offset his influence—is be engaged in the region and pursue a positive agenda. Unfortunately, that is happened too infrequently in recent years. The focus on a more strategic partnership with Brazil—starting with collaboration on energy but extending to other areas—is an essential part of such an approach. Pursuing a more independent energy policy—reducing dependence on Venezuelan oil—deserves high priority.
- Another critical challenge for the US moving forward is to strengthen policy instruments that more effectively respond to the region's social agenda. Beyond enlarging conventional aid programs, some consideration should be given to incorporating serious compensation packages into trade agreements, and expanding eligibility for Millennium Challenge Account support to particularly distressed regions in middle-income countries. Proposals even for modest Social Investment and Development funds for South America also merit attention.
- The US should also seriously rethink its counter-drug approach in the region. More resources and emphasis should be given to social development programs and a higher-level political focus on multilateral cooperation among the affected countries. Too often, governments look to Washington, not to each other, to deal with this serious problem.
- Congress should back the pending trade agreements with Peru, Colombia, and Panama, along the lines of the recent agreement reached between the White House and Congress. Otherwise, lingering doubts about the US being a reliable partner will multiply. An effort should be made to amend the agreements to include labor provisions. If it is not feasible to approve the Colombia deal soon, it should be put off, with the aim of working towards a revised agreement and eventual approval. The ATDPEA to Ecuador and Bolivia should also be extended for another year. The alternative would result in greater unemployment and poverty in those countries and harden the position of those governments towards the US. In the long run this would be detrimental to US interests.
- The Congress should authorize continuing aid to enable the Colombian government to consolidate its gains and end the continuing, drug-fueled armed conflict that has taken such a tremendous toll in the country. Security aid remains important, though some reallocation of funds towards support for judicial authorities and other democratic institutions in Colombia is essential as well.
- Liberal immigration reform, and especially a humane way to deal with illegal residents already in the United States, should be adopted, in part to improve US relations with Latin America, even countries of South America. The con-

struction of a wall on the US-Mexico border is broadly seen as an affront and has wide, negative implications throughout the continent.

- The US should close down the base at Guantanamo. That decision would be well-received throughout South America and would send a positive signal that the US is sensitive to international public opinion and is prepared to take steps to repair the damage to its image and standing.

It is important to approach the policy challenge towards South America realistically, with no illusions. Resources and policy instruments are limited for the US today. The days of ambitious programs like the Alliance for Progress are over. Our interests have never precisely coincided with those of South America, and are unlikely to ever line up perfectly.

But there have been moments in the not too distant past—the 1990s—when there was much more trust, goodwill, and cooperation in inter-American affairs than there is today. With a commitment to restoring that confidence and a full recognition that our southern neighbors are independent global actors that will want to maximize their options, the US can pursue policies that will make a real difference, both for South America and our own interests.

Chairman LANTOS. Thank you, Mr. Shifter.
Dr. Daremblum.

STATEMENT OF JAIME DAREMBLUM, PH.D., DIRECTOR, CENTER FOR LATIN AMERICAN STUDIES, SENIOR FELLOW, HUDSON INSTITUTE

Ambassador DAREMBLUM. Mr. Chairman, Madam Ranking Member, distinguished members of the committee, it is a real honor to be here this morning and be part of this hearing.

For a change, I will like to begin by sharing some good news coming out of Latin America. Data from the Economic Commission for Latin America and the Caribbean shows that between 2003 and 2006 over 18 million Latin Americans were able to exit from the poorest ranks of society. This is a tangible testimony of falling unemployment, improved income distribution, and a strong upswing in the number of jobs mainly in South America countries, among them Colombia and Peru.

Growing trade opportunities lie at the core of such economic and social advances. On trade precisely has been a chapter in which the United States has kept constantly engaged since 1983 through various free trade programs such as the Caribbean Basin Initiative, CBI, culminating with actual free trade agreements, namely, with Chile, D-Cafta, plus the ones with Colombia, Peru and Panama. It is crucial that the latter three agreements, as it was with Chile and D-Cafta, receive congressional approval for the benefit of millions of more Latin Americans, and of course, American producers and consumers.

This is a promise the United States cannot afford to abandon or circumvent, particularly in Colombia, without incurring costly negative consequences. As we all know, until only a few years ago a democratic Colombia was on the verge of being lost amidst the chaos and violence generated by drugs and drug-related terrorism. Thanks to the resilience of the Colombia people with the sustained backing of the United States through the Plan Colombia, as well as the able leadership of President Uribe, the country has begun to turn the tide in this decades-long battle.

Of course, it is imperative mistakes and abuses committed in fighting this terrible war, as the Colombian people are doing as part of the checks and balances of their democratic system. It is in-

deed encouraging that the Colombian authorities are responding with increased vigor to strengthen the fight against impunity, to support the protection of labor leaders, and to increase their accountability of public officials.

And there is, above all, together with the undeniable progress made by Colombia in recent years, the steadfast support this South America nation has given the United States in the war against terror. Providing Colombia better trade opportunities with the United States and with resources to continue the struggle against drugs and narcoterrorism, is key for the reinforcement of democracy in that embattled country. Denying this would send a terrible signal to America's friends, and very good news to its foes not only in Latin America but all over the world.

Let us not lose track of the fact that there is indeed a battle going on in Latin America, a battle for the democratic rule. The challenge to the values which are central to our civilization comes from regimes outwardly democratic but authoritarian in substance and practice.

President Hugo Chavez doesn't fool many anymore as to the true nature of his ideas and practices. The coming into power of this Venezuelan leader, and his project to export his kind of revolution is a well-known story. What is not widely known is Chavez's current role in aiding and abetting Iran to expand its presence in Latin America and the Caribbean. In the not too distant future, such a presence may pose a major threat to stability in the region.

As a matter of fact, Caracas, the Venezuelan capital, host offices of Hezbollah and Hamas, and has daily direct flights to Tehran and Damascus, and Caracas is better known in the neighborhood today as Caracastan.

Given this background it is in the best strategic interest of the United States to do all it can to consolidate and strengthen the political and economic gains of its friends and allies in the hemisphere. It would be a serious mistake to weaken these governments by depriving them of crucial support, and thus provide fertile ground for radical populism. The United States should continue and expand its engagement in Latin American in a creative, constructive way. This is the only approach that can yield sustainable results in the quest for democratic and social improvements in the region.

Yes, the United States should be more engaged in Latin America, but engagement needs content, a forward-looking succession of actions capable of yielding sustainable results in terms of democracy and economic growth, coupled with social improvement. It is the only approach that can bring a modicum of stability to the region.

Let me just point out some of the options that are available. As my distinguished partners in the hearing have pointed out, the United States can cooperate by strengthening institutions and foster positive trends like the highlighting the bright spots in Latin America. There are many good things Latin American countries have been doing which deserve support and encouragement: Countering poverty head-on with the innovative, ambitious and successful programs such as Bolsa Familia, in Brazil, and Opertunius in Mexico. Both are conditional cash transfer schemes which provide modest monthly stipends to poor families that commit to send their

children to school and have their health monitored on a regular basis.

Trade agreements, improve access of the Latin American countries to U.S market are commendable. However, we need also to bear in mind that in Latin America view statements made by developed economies about the virtues of free trade, contradictory to their subsidies, quotas and tariffs that prevent poorer countries from exporting agricultural goods in which they have a comparative advantage. This is an open chapter that demands greater attention not only by the United States but also its European partners.

Even with opportunities for trade, the poorest countries confront obstacles for which they require a helping hand. The recently announced programs on bio-fuels, in conjunction with Brazil, to provide financial help to small businesses are steps in the right direction. Likewise, the Millennium Challenge Account and the Millennium Challenge Corporation, created with bipartisan support.

I think it is key in this process to expand student and youth exchanges with Latin America, and the number of young American visitors to Latin America should also expand under existing or new programs. The Lantos, Ros-Lehtinen-sponsored Paul Simon Act is a real plus in this endeavor and I congratulate you for making this possible.

Finally, with the goal of building a better region, more prosperous and with greater opportunities for all, Latin American nations have laid down important foundations and they continue to work hard at it. Nevertheless, a helping supporting hand from the democratic superpower is always appreciated. More intense cooperation in the form of true Inter-American diplomacy is the best strategy.

Thank you very much.

[The prepared statement of Ambassador Daremblum follows:]

PREPARED STATEMENT OF JAIME DAREMBLUM, PH.D., DIRECTOR, CENTER FOR LATIN AMERICAN STUDIES, SENIOR FELLOW, HUDSON INSTITUTE

Mr. Chairman distinguished Members of the Committee:

I am much honored to have been invited to testify on the important subject of U.S. South American relations.

Relations between the U.S. and the South American nations have had a troubled history, in which the vagaries of U.S. foreign policy have generated through the years disappointments and sometimes exasperation. Decades ago, these feelings motivated a distinguished statesman to brand the U.S. an "uncertain ally."

I mention this, because in the period from 2003 to 2006, Latin America as a whole turned in its best performance in a quarter of a century, both in economic and social terms. The U.S. has played a vital role in this trend. Furthermore, thanks to the Free Trade Agreements the U.S. has concluded with some Latin American countries, which are presently awaiting Congressional approval, the American role may become even larger.

Data from the Economic Commission for Latin America and the Caribbean (ECLAC), shows that between 2003 and 2006, over 18 million Latin Americans were able to escape from the poorest ranks of society. This is a tangible testimony of falling unemployment, improved income distribution, and a strong upswing in the number of jobs, notable in some South American countries, among them Colombia and Peru.

TRADE AND GROWTH

Growing trade opportunities lie at the core of such economic and social advances. And trade, precisely, has been a chapter in which the U.S. has kept constantly engaged since 1983 through various free trade programs such as the Caribbean Basin

Initiative (CBI), culminating with actual Free Trade Agreements, namely with Chile, D-Cafta, plus the ones with Colombia, Peru and Panama. It is crucial that the latter three agreements, as it was with Chile and D-Cafta, receive Congressional approval for the benefit of millions of more Latin Americans and of course American producers and consumers.

This is a promise the U.S. cannot afford to abandon or circumvent, particularly in Colombia, without incurring costly negative consequences. As we all know, until only a few years ago, a democratic Colombia was on the verge of being lost amidst the chaos and extreme violence generated by drugs and drug related terrorism. Thanks to the resilience of the Colombian people and the sustained backing of the U.S. through the Plan Colombia as well as the able leadership of President Alvaro Uribe, the country has begun to turn the tide in this decades-long battle.

It is difficult to even imagine the levels of stress that extreme violence has imposed on Colombia's society, with no exception.

Of course, it is imperative to address the mistakes and abuses committed in fighting this terrible war, as the Colombian people are doing vigorously as part of the checks and balances of their democratic system. It is indeed encouraging that the Colombian authorities are responding with increased resources to strengthen the fight against impunity, to support the protection of labor leaders, and to increase the accountability of public officials for their links with radical groups.

GLOBAL INTERESTS

And there is, above all, together with the undeniable progress made by Colombia in recent years, the steadfast support this South American nation has given the United States in the war against terror. Providing Colombia better trade opportunities with the U.S. and with resources to continue the struggle against drugs and narco-terrorism, is key for the reinforcement of democracy in that embattled country. Denying this would send a terrible signal to America's friends, and very good news to its foes all over the world.

Let us not lose track of the fact that there is indeed a battle going on in Latin America, a battle for democratic rule, for human fundamental rights, a battle of the hearts and minds of the young and many others. The challenge to the values which are central to our civilization comes from regimes outwardly democratic but authoritarian in substance and practice.

VENEZUELA AND IRAN

President Hugo Chavez does not fool many any more as to the true nature of his ideas and practices. The coming into power of this Venezuelan leader, and his project to export his kind of revolution is a well known story. What is not widely known is Chavez's current role in aiding and abetting Iran to expand its presence in Latin America and the Caribbean. In the not too distant future, such a presence may pose a major threat to stability in the region.

It should be added that after his electoral victory last December, Chavez has intensified his authoritarian rule at home by going after the independent media. This campaign has led to major blunders, such as silencing the television channel RCA-TV, a step which has generated world-wide condemnation and numerous, almost daily, protests in Caracas mainly from university students.

Given this background, it is in the best strategic interest of the United States to do all it can to consolidate and strengthen the political and economic gains of its friends and allies in the Hemisphere. It would be a serious mistake to weaken these governments by depriving them of crucial support and thus provide fertile ground for radical populism. The U.S. should continue and expand its engagement in Latin America in a creative way. This is the only approach that can yield sustainable results in the quest for democratic and social improvement in the region.

FRUSTRATION

Prior to the current trend of economic growth, particularly during the 1990's and early in the present decade, feelings of frustration and hopelessness had a pervasive effect in the general attitudes towards democracy, free markets, political and legal institutions, and even in regard to the United States as the main point of reference for those values. Countries with strong democratic traditions and functional institutions, as well as nations with reasonable growth and adequate social policies, have coped better with this tide of pessimism. Others have found ways to channel frustrations through legitimate political change, but the most fragile democracies risk floundering.

BOLIVIA AND ECUADOR

Bolivia and Ecuador come to mind as examples of the latter. Vast majorities of their populations are indigenous people who feel left behind. They sense the large gap between expectations about the benefits of democratic rule versus the concrete lack of improvement in their standards of living. This dire situation is deeply rooted in the past. Given the changes the political system has undergone, they rightly expected a better outcome from democracy.

Added to this historic and social background is the intensity of present complications deriving from the weaknesses of public institutions as well as from more visible social tensions in those countries.

Deep divisions along regional, ethnic and economic lines—frequently evidenced in the political parties' platforms, structure and the kind of popular support they gather—are well-known features of the Bolivian and Ecuadorian political environments. Regional antagonisms have encouraged political parties usually incapable of compromising with each other and political leaders with a very narrow space to maneuver. Such features have nurtured an increasing radicalization of positions rendering agreements among parties more difficult to achieve. A proliferation of small parties, many of them created exclusively to serve as bargaining tools, has made it more difficult to articulate stable majorities in Congress.

Today, both countries, under pro Chavez leaders, are still on the road of populism without a certain definition. Both are a work in process.

THE CHÁVEZ CONUNDRUM

Venezuela's case shares some traits with Bolivia and Ecuador, but differs in some important areas. The widespread dissatisfaction with the lack of improvement in the wellbeing of millions of poor people in a country rich in natural resources was a key factor in the rise to power of Hugo Chávez. But in addition, and perhaps even more important, was the fact that the majority of its citizens had lost faith in the corrupt political parties which governed Venezuela during four decades, which in turn led them to elect as President the unrepentant leader of a failed military coup.

While in office since 1999, Chávez has increasingly and systematically drifted away from democratic procedures. The trend has become more pronounced as he has gradually suppressed the opposition, imposed drastic limits to fundamental freedoms, seized private businesses, and embraced Fidel Castro.

From the beginning it has not been an easy task to deal with this complex situation. However, things have worsened considerably due to mistakes made in the overall handling of the coup that briefly ousted Chávez from office in 2002. Rhetorical confrontations with Chávez have not been helpful for the U.S. In the last two years the Administration has taken a positive turn by not engaging Chavez in such confrontations. The truth of the matter is that Chavez craves and seeks to provoke confrontations because it enhances his image among some sectors of the Venezuelans and other nations. At the same time, it diverts attention from his actions and is an easy way to avoid a serious assessment of his misdeeds by other countries in the region which could evolve into a peer-pressure difficult to withstand.

In the meantime, Chávez has been doing his best to gain political weight in the region. High oil prices have helped him immensely in this endeavor. Taking advantage of the huge oil windfall, he has been busy negotiating agreements with Caribbean nations for the supply and refining of oil at very attractive prices. He has also started his own multinational news outlet—TeleSur—to promote his views against U.S. policies, in particular free trade agreements.

POLICY AND ACTIONS

Yes, the U.S. should be more engaged in Latin America. But engagement needs content, a forward-looking succession of actions capable of yielding sustainable results in terms of Democracy and economic growth coupled with social improvement. It is the only approach that can bring a modicum of stability to the region. Let me suggest some options:

- *Strengthen institutions.* Democracy, rule of law, respect for human rights, economic growth and international trade are based on and highly dependent on the strength of the institutional framework of a given society. The weakness of key institutions such as political parties, the Judiciary, or the Parliament, is at the root of the most serious problems faced by several Latin American countries. To build institutions is always difficult, and more so after dictatorships have damaged important parts of the social fabric. It takes resources, time, patience, and expertise, which sometimes are lacking in a particular

country. Nevertheless, there is no more important task than to help nations in transition towards democracy achieve:

- An independent and capable judicial system, which is essential to promote growth, to ensure respect for human rights and to fight corruption
- Modern Parliaments, including capabilities for an informed and effective decision-making process and consistent and responsible pro democracy political parties. The National Endowment for Democracy, the National Democratic Institute and the International Republican Institute have made outstanding contributions to this end throughout the Hemisphere and their work becomes even more essential at the present juncture.
- Property rights that provide the bedrock for investment, entrepreneurship, and encourage the leveraging of assets by the poorer strata of society
- Education and health systems
- *Foster positive trends.* The bright spots in Latin America should be highlighted. There are many good things Latin American countries have been doing which deserve support and encouragement. Three examples come to mind:
 - Countering poverty head-on, with innovative, ambitious and successful programs such as Bolsa Família, in Brazil, and Progresá, in Mexico. Both are Conditional Cash Transfer schemes (CCTs), which provide modest monthly stipends to poor families that commit to send their children to school and have their health monitored on a regular basis. Such programs give families a lifeline and at the same time stimulate the creation of human capital through better educated and healthier young people. This way entire families become seeds for breaking the poverty cycle over time. The Brazilian program benefits some 7.5 million families and the Mexican initiative 5 million families.
 - Trade agreements which improve access of the Latin American countries to the U.S. market are commendable. However, we need to bear in mind that in Latin America many view statements made by developed economies about the virtues of free trade contradictory to their subsidies, quotas and tariffs that prevent poorer countries from exporting agricultural goods in which they have a comparative advantage. This open chapter demands greater attention by the U.S. and its European partners.
 - A helping hand for growth. Even with opportunities for trade, the poorest countries confront obstacles for which they require a helping hand. The recently announced programs on bio-fuels (in conjunction with Brazil) and to provide financial help to small businesses are steps in the right direction. Likewise, the Millennium Challenge Account (MCA) and the Millennium Challenge Corporation (MCC), created with bipartisan support, are a forceful and commendable idea. There have been, as we all know, concerns about the speed of the process but some glitches are to be expected when launching such an important initiative.
- *Better use of existing institutions.* Strengthening national institutions and fostering positive initiatives demands involving the Inter-American and international institutions that operate in the region. Whether in the realm of public health (Pan American Health Organization), agriculture (Inter-American Institute of Cooperation for Agriculture), political and democratic issues (Organization of American States), or financing for economic stability or development (International Monetary Fund, World Bank and the Inter-American Development Bank), multiple resources can play an important role in the fulfillment of the most pressing needs of Latin America. As an example, experts of those institutions could assist countries that have qualified for the MCA to prepare adequate proposals for sound technical projects with considerable social benefits. Of course, some of those entities carry the heavy baggage of bureaucratic vices. But their involvement can and should be on an ad-hoc basis and under strict rules of accountability.
- *Expand student and youth exchanges with Latin America.* The task is a long term endeavor, and a good starting point would be to substantially increase the scholarships for Latin American students in the U.S. at different levels, namely, high school and university plus special visits for young leaders and new faces in Latin American politics. The number of young American visitors to Latin America also should expand under existing or new programs.

Finally, with the goal of building a better region, more prosperous and with greater opportunities for all, the Latin American nations have laid down important foun-

dations and they continue to work hard at it. Nevertheless, a helping hand from the democratic superpower is always appreciated. This does not necessarily mean financial backing. As outlined above, the to-do list for the U.S. is far more wide-ranging and following it would greatly contribute to reaffirm its relations with the overwhelming majority of friendly countries it has in the region. More intense cooperation in the form of true Inter-American diplomacy is the best strategy.

Chairman LANTOS. Thank you, Mr. Ambassador. I want to thank all three of our distinguished witnesses for their penetrating analyses. We will begin with Ms. Ileana Ros-Lehtinen.

Ms. ROS-LEHTINEN. Thank you so much, and Mr. Lantos, thank you for your generosity.

I wanted to ask about statements that you had brought up in your excellent testimony about the effect of the FTAs in our hemisphere, Iran's influence and China's influence as well.

On the FTA, how much damage will our failure to pass the already signed free trade agreements with Peru, Panama and Colombia do to our relationship in the region? Would Hugo Chavez and the anti-American government in Venezuela be the ultimate beneficiaries of such a rejection of these already signed and negotiated FTAs?

So what kind of message will this rejection, as well as the cuts in aid to Colombia, be for the Colombia people who are the most pro-American in the region? Some call them cuts in aid or redirection in aid, but definitely there has been a reduction, and Colombia is helping us so mightily in this fight against illicit drugs in Afghanistan. It has been a strong and reliable ally in our fight against the radical regimes around the world. So I wanted to ask you about that.

Tied to that is how much of a threat do you see of Iran's growing influence in the region? The Ambassador had brought up the new direct flights that are coming in from Iran and Venezuela.

On China, would China get a benefit out of a pull back from the United States on the free trade and aid to the region, and how do you see the influence of China growing in the region? So FTAs, Iran, and China.

Thank you very much, Mr. Chairman, always.

Chairman LANTOS. Mr. Shifter, please go ahead.

Mr. SHIFTER. Thank you. Thank you, Congresswoman, for those questions. My answer on the FTAs is that this is something we have been advocating from Washington. The message has been sent to Latin America that we are in favor of free trade agreements. So not to approve these, I think, would send a message that the United States does not keep its word, is not a reliable partner.

Independent of what you think about free trade deals, the political implications, I think, are serious. Now, they are not going to be devastating for these countries, but people will say that the United States has advocated and promoted these ideas for so long and now we have reached an agreement with the United States, and they are not going to follow through and be committed to this. I think it does raise questions, and it also does reinforce the message that Hugo Chavez is sending, which is that the United States is not a reliable partner, and that Latin American countries should look elsewhere for support. I think he will be very happy and pleased with that decision. So I do think it is important.

I also think there are a lot of jobs at stake in these countries that depend—that would benefit enormously from the free trade deals, so I think on its merits as well. I understand the concerns and objections, and I think the agreement between the White House and the Congress recently, I think, is a positive step in terms of labor protections and provisions and so forth, but I think it is important to keep on track on this and be committed to it.

I do think Iran's role in Latin America has to be understood by the connection with Chavez. Clearly, there is an alliance there. There is an affinity. Chavez himself has compared the Venezuelan revolution to the Iranian revolution, and so I think one should put it in that context.

There are flights back and forth between Tehran and Caracas, but I think it is important not to overstate the implications of those. I don't think Iran is going to find a very fertile, hospitable ground in Venezuela or the rest of Latin America. I think the ideas that are represented by the Iranian Government are pretty alien and unappealing for most Latin Americans, and I think that the United States should be careful in not overreacting to this. I think we should follow it closely but overreacting might help making a self-fulfilling prophecy, so I think we should be careful about that, and it is a new element to watch for but I don't envision that Latin America or even Venezuela is going to rally around Iran.

China's role—I am sorry.

Ms. ROS-LEHTINEN. No, thank you. Please continue, and then I just wanted some short statements from the other panelists on—

Mr. SHIFTER. Okay. China, I think, has an ambiguous role in Latin America. Clearly, the economic growth that has taken place over the last several years in many countries can be traced to the fact that a lot of countries are selling their raw materials to China. There is tremendous demand from China, and I think that China has been largely interested in the economic opportunities in Latin America.

Other effects in Mexico, this hearing doesn't deal with Mexico and Central America, but if it were, I think the effects are more negative because there is the competition from China's exports. But I think in South America, I think the overall contribution of China, its buying up of Latin American products has been a positive effect, and again it does reflect that the United States has been largely more disengaged with the region, and hopefully that will be a spur to become more committed and engaged.

Ms. ROS-LEHTINEN. Professor?

Mr. SMITH. Thank you very much, Congresswoman. I appreciate the questions and their penetrating quality.

First on the approval of the FTAs, I am one of these people who have had some apprehensions about FTAs as they have been designed, particularly with regard to agricultural interests in Latin America, and particularly with regard to their impact on small-and-medium enterprise in Latin America.

So that said, and wishing perhaps that the design of the FTAs had been a little bit different, I think the political fallout would be as Mr. Shifter has said, very serious at this stage.

I think there are two kinds of political fallout. One is that the FTAs, as economic agreements, they do not have democracy

clauses, but there is considerable concern about human rights, particularly in Colombia, partly because of the civil war that is raging within that country, but also partly because of accusations of complicity of government officials or elected officials with paramilitary groups and so on.

So it is a complicated question in terms of democracy and the kind of absent democracy clause where some people think belongs in such an agreement, although it doesn't. But I think that is the question with regard to Colombia. Do we simply overlook the question about human rights or do we at least when approving it sort of indicate that there is considerable concern in this area.

Secondly, there is a perception throughout the region that we do FTAs only with countries that support of international policy, especially in Iraq, and I think this is troublesome. They would say they have a right to disagree with our policy in Iraq.

A question is, does this mean that the United States is setting up a series of bilateral free trade agreements only with countries that have supported our global policy? In effect, it becomes, from the standpoint of Latin America, a so-called hub and spoke series of agreement with the United States at the hub of all of these spokes rather than what we attempted to get, and which we were unable to get, a hemispheric free trade area of the Americas.

So I think the political question is, what about the other countries that do not have FTAs, and on what criteria or consideration might we proceed to engage in at least some kind of economic agreement with them, perhaps the renewal of preferential tariffs or some other arrangement?

But I think it looks like to many in Latin America an exclusive club of countries that support United States global policy, and I think that is a political problem.

From what I see on Iran, I understand the concerns. I think at the moment they are exaggerated. I think Chavez will say a lot of people talk to Iran. The Europeans have been talking to Iran for quite sometime. We have now started discussions with Iran. What is wrong with a discussion with Iran, especially as a co-energy producer and perhaps a recitation of OPEC or something like that, that would become kind of an engine of cooperation and collaboration?

So I think it is something to watch but I don't see it on the near horizon. I just don't see why Iran would want to get so much engaged with Chavez, and Chavez might want to do it to kind of poke a finger in the eye of the United States, but I don't see it, at least in the near future, a kind of major alliance that is going to seriously threaten the immediate interests of the United States. It is possible but I don't see it.

I publish a paper in Europe that drew one response from a researcher who said that she had uncovered these links, and I read that research carefully, and it is quite hypothetical and quite vague.

So until we have better information, I think we should be cautious about that.

China's interest in Latin America is substantially economic. I don't see that they have a major geo-political attempt to overtake the hemisphere. They do have serious economic interests in trade

particularly, and some investment, but mainly trade, mainly access to Latin America's raw materials, and I think for the moment at least it is an economic set of interests. It is not a grand geo-political design to intrude on U.S. political interests within the hemisphere so far as I can see.

Thank you.

Ms. ROS-LEHTINEN. Thank you.

Ambassador DAREMBLUM. Thank you. Concerning your question on the free trade agreements, I think the positive impact of these trade agreements can be seen today in Central America. Countries like Nicaragua, like Honduras, like El Salvador, Guatemala, and even Costa Rica, which is in the process of approving or ratifying CAFTA have seen not only their exports increase in a very marked way, but also foreign direct investment has been attracted, and it has created new presence of international corporations in their midst.

In the case of Colombia, I think not approving the free trade agreement would be a tragic mistake. It will send a terrible signal to not only Latin America but around the world, that it would fulfill the description that was given by a statesman decades ago that the United States is an uncertain ally. So friends should be treated as friends, and in the case of Latin American it has been an area in which the United States should maintain its engagement and be consistent with its policies.

By the way, I think that the free trade agreements have not necessarily been linked to the Iraq policy. Countries like Chile, like Uruguay, which is negotiating a free trade agreement in Central America, even Guatemala, have not been supportive of—Nicaragua—have not been supportive of the war in Iraq. I think it is more in terms of the economic integration these countries have with the United States.

Concerning Iran, Iran obviously doesn't represent today a threat, but we know what Iran can do because Iran doesn't travel alone. What they did in Buenos Aires on the plan that was discovered here gives us an idea that they don't have to enlist the masses of people to their cause. It takes only a few of them to create instability in countries. So, I honestly believe it should not be exaggerated at the present time. It should be monitored and should be looked upon with concern, but it shouldn't be just dismissed or minimized. Let me give you an example.

As part of President Ahmadinejad's visit to Nicaragua, part of the agreement that was signed was to open Embassies, reciprocal promise to open Embassies. Of course, Nicaragua is going to send probably one-two people in an office in Tehran, but Tehran wants to open an Embassy with over 30 people. How does that number justify this type of number for a small bilateral relation?

So I agree with my distinguished colleagues here that we shouldn't be alarmed at the present time, but we should not dismiss what potentially Iran can do in the various countries.

In terms of China, China is behaving in Latin America like the old Imperial Colonial powers. They are trying to assure itself of raw materials, a supply of raw materials of basic strategic goods. It hasn't delved in the political arena so far, so I think it has been in balance positive participation because it has increased the ex-

ports and the demand for exports from all our countries, including Central America.

Thank you.

Ms. ROS-LEHTINEN. Thank you so much to the panelists for excellent answers, and Mr. Chairman, you are so generous with your time. Thank you.

Chairman LANTOS. Thank you very much.

Mr. Payne of New Jersey.

Mr. PAYNE. Thank you very much.

I just wonder, since we are talking about the policy in South America, but seemingly focusing on Venezuela, what impact do you think that the early-on policy or some actions by the U.S. Government when the initial coup took place and there was a thought that a new government was in place some official representative allegedly recognized the coup which, of course, is really foreign to our policy to recognize coups? I mean, even the Africa Union in Africa won't recognize a country that takes over by a coup d'etat.

Do any of you recall and think that that was a precursor of mistakes that we made in Venezuela? In other words, I think of Chavez as a difficult person to deal with, but I wonder if there were any policies that we did, and also I understand that when the IRI became engaged, that it was felt that it was a little bit less democracy teaching but maybe more politically oriented.

So I wonder if any of you know anything about those issues and whether that sort of exacerbated perhaps something that was going to happen anyway, but sped up Venezuela's President's anti-American rhetoric.

Mr. SMITH. Thank you, sir. I appreciate the question. I am going to ask you to look at this from a Latin American perspective. From a Latin American perspective, the United States has often supported or actively promoted military overthrows in Latin America. From a Latin American perspective when they see a coup they sort of assume the United States was probably involved, whether it was or was not.

And for recent examples, they would say, well, you know, it was Panama in the late 1980s. There was a complicated question of Panama even more recently. There was the Central America issue in the 1980s where we were not directly involved but we were supporting a group. So they would say the historical record suggests that if there was a coup, the CIA or the United States was probably involved.

Now, my own guess on this, not having been in the room, is that we were not actively involved. There might have been a sense on the part of the plotters that it would have been okay with the United States if they went ahead, but I probed this with a number of knowledgeable people who really insist that there was not even an open green light. I don't know that. But the actions thereafter, the immediate sort of embrace of the coup sort of led to the suspicion that probably we were involved, and if we weren't actively involved, we actively applauded the coup, which seems to be the case, and that had its own kind of baggage.

You know, I say this to students in a kind of whimsical quip, but if you are going to support a coup, be sure that it is successful because then you are stick with egg on your face. That was the case

here. I mean, it was a worst of all worlds where we applauded a coup that was then overturned again.

The political consequence of this is manifold. One, within Latin American among Latin Americas it is kind of like, well, we told you so, whether or not it was true. Secondly, within Venezuela, especially among Chavez supporters, the conviction that the United States was against us, and particularly within, I understand Chavez himself, the idea that the United States attempted to overthrow him, correctly or not. So I think the political fallout has been very substantial, even though in this particular instance, from all the information I have been able to gather from people who were close to the room, if not in the room, is that in fact the United States did not promote this particular coup.

Mr. PAYNE. I just have one additional question in regard to policy in general again. Venezuela's nomination to the Security Council where the United States, of course, opposed it, which once again had this feeling of anti-Venezuela, of course, after he behaved like he did at the U.N., I was very upset in a way too. I think that it was out of place the way Chavez behaved at the United Nations. However, I do think that some things that we have done sort of pushed him that way.

The other question was about Guatemala, when the United States supported Guatemala against Venezuela, but not knowing the regional problems with Guatemala and its kind of intrusion into Belize and the CARACOM countries feeling that the banana issue of Guatemala putting the Caribbean countries out of the Lomei treaties and actually ending the banana trade at some of the very fragile Caribbean countries where the United States was attempting to pressure Caribbean countries to vote against Venezuela for Guatemala, but their policies just would not let it. So that is another example of the lack of United States' sophistication or attention. I mean, eventually it went to Panama, and Panama, I think, then won the vote, but people in the Caribbean said, we can't go for Guatemala, they have taken our industry and they are attacking another sort of black country in Central America.

So do you think that we are not giving much attention to the issue?

Chairman LANTOS. We will have to get the answers for the record because the chairman is way over time.

The gentleman from Indiana, Mr. Burton.

Mr. BURTON. Thank you, Mr. Chairman.

Regarding our influence in Central America and South America and trying to change governments, I would just like to remind the panelists that Fidel Castro tried to cause revolutions throughout Central and South America, and he was successful somewhat. He sent Che Guavara down there and Che Guavara, unfortunately, got killed, or fortunately got killed, depending on how you look at it.

And right now we have Hugo Chavez who is blood brother of Fidel Castro, and he has used millions and millions of dollars to influence the elections in Bolivia, Nicaragua and elsewhere, and I don't hear a great deal of mention about that. It is always the United States and how the United States is interfering.

We have a vested interest in democracy and freedom in our hemisphere, and I don't see anything wrong with the United States

being concerned about who is put on the U.N. Security Council that may be an impediment to freedom and democracy in this hemisphere.

Venezuela, obviously, would be an impediment. Chavez wants to do everything he can to drive us nuts, and he, to some degree, has been successful, and he continues to keep his country in an uproar by going on television every other week or every week and saying that we are going to invade and we are going to try to kill him.

So he is not a dumb politician. He is pretty smart. And one of the things that I have a concern about regarding Iran being involved in South America, Central America, is they are in the process of developing a nuclear capability. Chavez is right now buying weapon systems, submarines, airplanes, guns, everything else he can get his hands on with the money he is getting from us and elsewhere.

If Iran is able to develop a nuclear capability, I wouldn't be the least bit surprised if Chavez would try to get some kind of a nuclear capability in his country to further influence the United States and our activities in Central and South America, and that is one of the reasons why I think it is extremely important that we do pay attention to Iran's involvement with Chavez, because Chavez now has a history of trying to build up a real military capability, and he is in the process of doing it right now.

Iran is developing a nuclear capability, and I am not sure we are going to be able to stop them unless we take very strong action, because many of our European counterparts aren't being cooperative in trying to put economic and diplomatic pressure on them.

Regarding our energy problem, we do get quite a bit of our oil from Mexico, Venezuela, and elsewhere in central South America. As a matter of fact, my information is we get almost half of our oil and gas from South America, and it is extremely important that we recognize that fact, and that is another reason why I really believe my colleagues ought to take a hard look at energy independence.

We have been talking about that since Jimmy Carter when we had those long gas lines. Now we have gasoline \$3 plus per gallon, and going up, and we know we can get between 1 million and 2 million barrels of oil a day out of the Anwar, and we are not doing anything about it. We know that we could drill offshore around the coast, the southern coast of the United States and get oil.

As a matter of fact, Cuba has cut a deal with China, and China is drilling within 45 miles—is going to be drilling within 45–50 miles of Cuba, or 40 miles, inside that agreed-to zone, and there is no doubt in my mind they will be drilling into some reserves that probably are in the United States waters, and they will be getting those away from us.

So I think we ought to take a hard look, and we have got an estimated 500 years supply of natural gas, so I just say to my colleagues I think we ought to start looking at energy independence so we don't have to deal with these problems down the road.

Finally, these free trade agreements, I want to just say to my colleagues or my friends on the dias there or at the witness table we really need to fulfill our obligations on the free trade agreements. Poverty is one of the biggest problems that Latin America has, and

that is why these radical leftists down there have been successful and will be successful. We have got to create an environment where people can get jobs, and the best way to do that is to extend these trade preferences and to have more free trade agreements, not less.

The Chile Free Trade Agreement, for instance, we have seen trade between us and Chile increase by 154 percent since that agreement went into place. Our exports to Chile have gone up by \$4 billion in 3 years. Their exports to the United States has gone up by 6 billion, and that means jobs, jobs, jobs, and jobs fight poverty, and when you fight poverty you fight the radicals, and that is why it is extremely important to my colleagues on the other side of the aisle pay attention to these free trade agreements, and these trade preferences, because if they kill them, they are playing right into the hands of the leftists like Chavez down there.

With that, I see my time has run out.

Mr. PAYNE [presiding]. Thank you, and I was even going to let you go on. How do you like that?

Mr. BURTON. Since you—

Mr. PAYNE. No, that is all right since you gave it up yourself.

Before I yield, does anyone have a quick response to that question about our inability to really read the—do you think that a part of the problem is, I guess was the question, the lack of real concern and attention to Latin America, why we make some faux pas where we just come up with the wrong policy? Just a quick yes or no or like that.

Mr. SMITH. Could you state the question one more time, please?

Mr. PAYNE. Yes. It was about pushing Guatemala for the Security Council when the Caribbean was—

Mr. SMITH. Yes.

Mr. PAYNE. The banana problem, and with the other problems with Guatemala.

Mr. SMITH. Fair enough. Very quickly, I would have said Guatemala was a poor choice as our candidate for a number of reasons, although it has supported us in the global war, has considerably human rights and other difficulties. It was not a perfect choice.

By the same token, Hugo Chavez did us a favor by delivering the so-called “devil speech” in which he really withdrew his nation’s candidacy for the Security Council.

Mr. PAYNE. Right.

Mr. SMITH. So we made a blunder, he made a blunder. The outcome with Panama is a reasonable outcome. I would have said in some ways we sort of dodged a bullet there. It was not brilliant policymaking on either side.

Mr. PAYNE. Thank you.

Ms. Sánchez. Ms. Sánchez, would you like to ask a question?

Ms. SÁNCHEZ. I would, Mr. Chairman. Thank you.

Mr. Smith, I am interested in the subject of trade, and we have heard arguments for entering or ratifying the free trade agreements that were negotiated last year. In the testimony that you submitted you stated that we should consider renewal of trade preferences rather than insisting on free trade agreements. Can you explain why you believe that the trade preferences are a better route than the free trade agreements?

Mr. SHIFTER. I think that the trade deals are the only ones that have been negotiated are Colombia, Peru and Panama. Trade preferences, the governments in Ecuador and Bolivia have not been interested in free trade agreement right now with the United States. They would be concerned about the effect on their agricultural and other sectors, but they have benefitted from the preferences, and they want those extended, so that is something that I think that is a policy option that I think right now is the best way to proceed.

I think in the future, I have at least spoken to people from those governments that might be interested in a free trade agreement with different terms that we could look at down the road. But right now those preferences expire at the end of this month, and there would be, I think, enormous implications for those countries in terms of their employment and poverty and so forth if they are not approved. So that is, I think, what is now under consideration.

Ms. SÁNCHEZ. Okay. Mr. Smith, I am interested in knowing—we have been hearing about this rise in radical populism throughout Latin America. What conditions do you think contribute to that rise in radical populism?

Mr. SMITH. I am sorry?

Ms. SÁNCHEZ. What conditions do you think are leading to the rise in radical populism in Latin America?

Mr. SMITH. The rise in radical—excuse me. Academics aren't used to having to use microphones.

What conditions give rise to radical populism? Well, I think—

Ms. SÁNCHEZ. Just very briefly.

Mr. SMITH. Yes.

Ms. SÁNCHEZ. Poverty maybe?

Mr. SMITH. I know. I am an academic.

Look, first concern about poverty and inequality. Inequity actually is more of a political concern in many countries than poverty per se. Poverty can be alleviated by inequality might increase as a consequence at the same time. So that is a legitimate concern.

Secondly, radical in the sense that political institutions, even democratic institutions, have appeared to be in decay or dysfunctional, particularly representative institutions like political parties and even legislatures. So there is an attempt to surpass the legislatures.

And thirdly, sense a need for decisive action that will bring about redistribution of goods in some way, and it takes on an anti-U.S. tint, as I said in my remarks, for a variety of other reasons. But the point I want to emphasize is—

Ms. SÁNCHEZ. I want to focus on that—

Mr. SMITH [continuing]. Its home grown.

Ms. SÁNCHEZ. I want to address that redistribution of wealth because that seems to be a reoccurring theme in terms of sort of the root cause of many problems in Latin America, and one thing that I am very cognizant of because we hear a lot of pro-free trade agreement rhetoric here in Congress, and there seems to be almost this belief that people buy into that if we just pass a free trade agreement with these Central or Latin American countries, you know, that is going to be the economic cure-all, or that somehow a free trade agreement is an economic development strategy, and

I am interested in hearing your thoughts as to whether or not you believe that to be true.

Mr. SMITH. Well, there certainly is the belief that free trade is secure. I agree with Congressman Burton that we should—having negotiated these things, we should live up to them. By the same token, we can amend them, we can revise them, we can adopt supplementary policies. They are not a cure-all.

Ms. SÁNCHEZ. Can I interrupt you? What do you think the consequences of passing the free trade agreements as written would be versus free trade agreements which perhaps have better human and labor rights provisions in them?

Mr. SMITH. Well, I think the consequences would be less tendency toward concentration of wealth and resources in some of these countries.

Ms. SÁNCHEZ. Might that help with the redistribution of wealth problem?

Mr. SMITH. In other words, what we tend to get in some countries is growth, but greater inequality at the same time. I would like to see something that did something about inequality as well.

Ms. SÁNCHEZ. Thank you. I will yield back my time, Mr. Chairman.

Mr. PAYNE. Thank you. Mr. Mack?

Ambassador DAREMBLUM. Mr. Chairman, can I add something—

Mr. PAYNE. Yes.

Ambassador DAREMBLUM [continuing]. Concerning the question that Ms. Sánchez asked on radical populism?

In the case of Venezuela a very important factor was that the traditional political parties lost legitimacy because of the factor of corruption, and the fact that the more needed strata of society was not benefiting from all the oil riches, and that was an important factor not only in Venezuela but the same thing to some extent in Ecuador and to some extent in Bolivia.

Concerning the free trade agreements, free trade agreements have been very, very helpful in some countries in creating conditions.

Ms. SÁNCHEZ. In all countries?

Ambassador DAREMBLUM. In some of the countries free—

Ms. SÁNCHEZ. Has it not also created problems—

Ambassador DAREMBLUM. No.

Ms. SÁNCHEZ [continuing]. In some countries?

Ambassador DAREMBLUM. No, no, no. It has been very positive in all countries in terms of increasing exports and increasing foreign direct investments.

Ms. SÁNCHEZ. Has it been helpful in redistribution of wealth? Because what I hear from elected officials in Mexico, it has helped increase the disparity between the northern part of Mexico and the southern part of Mexico.

Ambassador DAREMBLUM. You have all sort of statistics one way or another. The fact is that citizens of the countries that have subscribed to enter into these agreements are creating new, are giving new opportunities. New jobs are being created. But most importantly, in some of the countries it has helped those countries to en-

force—it has led to a better enforcement of labor laws. It has created capabilities in education, in strengthening also the judiciary.

So there has been a number of—aside from the economic point, there have been a number of positive impacts.

Ms. SÁNCHEZ. My point, and I would choose to disagree with you.

Mr. BURTON. Mr. Chairman, if you want to give the lady more time that is fine with me.

Ms. SÁNCHEZ. I would ask unanimous consent for 1 additional minute, Mr. Chairman.

Mr. PAYNE. So ordered.

Ms. SÁNCHEZ. Thank you.

Mr. PAYNE. You know, I was going to give Mr. Burton it too but he didn't ask for it. [Laughter.]

Mr. BURTON. It ain't over until it is over.

Ms. SÁNCHEZ. My point being, and I will not use the full minute. My point being this: If one of the biggest problems that Latin American countries are confronting is the inequality between those who have and those who don't, and this misplaced belief that free trade agreements are somehow going to help redistribute that wealth in a way that is going to be more equitable and relieve some of the economic and political pressures that is giving rise to this radical populism, my hypothesis, which I think Mr. Smith agrees with me, is that free trade agreements aren't the panacea that people make them out to be. Free trade agreements are not an economic development strategy that is going to redistribute the wealth in a way that is going to help tame some of the anti-U.S. sentiment and the radical populism in the region.

With that, I will yield back my time, Mr. Chairman.

Mr. PAYNE. Thank you.

Mr. BURTON. Can I have a minute?

Mr. PAYNE. Mr. Mack, if he wants to yield to you, it is his time.

Mr. BURTON. No. No. You gave her an extra minute. Can I get an extra minute?

Mr. PAYNE. You had your time. If you want an extra minute—

Mr. BURTON. Well, she had her time, Mr. Chairman.

Mr. PAYNE [continuing]. You had the opportunity—

Mr. BURTON. She had her time.

Mr. PAYNE [continuing]. To ask for the time.

Mr. BURTON. Wait a minute. Hold it. She had her time, Mr. Chairman, and you gave her an extra minute. What about me?

Mr. PAYNE. We will now hear from Mr. Mack, and if he wants to yield to you as much time as he may—

Mr. BURTON. Well, you didn't have anybody else yield to her an extra minute. You just gave it to her.

Mr. PAYNE. Prerogative of the chair. Mr. Mack.

Mr. BURTON. Well, next time we will object.

Mr. PAYNE. Next time then object.

Mr. MACK. Thank you, Mr. Chairman.

You know, it is interesting to me that in all of the talk about Latin America one of the things that we focus on the governments of Latin America. We focus on government relations in Latin America, and I believe a number of you talked about from the perspective of those in Latin America.

It seems to me as we look forward to trying to craft policy that supports Latin America and shows that we haven't forgotten about our friends in Latin America that at the center of that should be: What can we do to help support the people of Latin America?

Instead of always having a conversation about the governments, what can we do to show the people of Latin America that we care, that we care for them; that we want to be partners?

I think at the end of the day we are all human beings. We have families, and we want to provide what is best for our children, and I believe that is the case as well in Latin America. So I am curious as we go through these conversations I would like to hear from each one of you, and I have read through your statements about some suggestions you have, I would like to hear what you think we can do to support the people of Latin America, whether it is drug policies, whether it is trade agreements, whether it is human rights and how we engage in what we would consider as some failing policies in Latin America and Venezuela on human rights. So I am interested to hear what you might think we can do in supporting our friends in Latin America.

Please, just down the line if you would.

Mr. SMITH. Thank you very much for the question. It is a very pointed one. It seems like it is very straightforward when it is very pointed. You know, we have in Latin America about 500 million neighbors, half a billion people, over 370 million people in South America in our hemisphere, and we are talking about insufficient attention. It is an extraordinary situation when you think of it in those terms given the size and magnitude of the population.

I am going to offer kind of something—simple solutions which are not solutions but responses about ways to proceed. One is to change the conversation. If we think of Latin America or talk about Latin America either as our backyard or as a source only of danger to the United States rather than the welfare of the people who live there, if we can change the conversation a bit, that would be very helpful.

They follow in Latin America proceedings of committees like this very carefully. So a shift in conversation that takes it into account the welfare of people and the outlooks of Latin American leaders I think would be very helpful.

Secondly, I think a re-discussion of some policies. I agree entirely with Congressman Burton about energy policy and independent energy that is not fossil fuel-oriented. The ethanol agreement, I think, with Brazil was a substantial part, but take on big policies that have impacts on the region. Energy is one. Drugs are another.

We used to discuss anti-drug policy very carefully and intensively 10 years ago. It is now sort of taken for granted that we have a policy that focuses on supply containment rather than demand reduction. Consumption is a big problem in Latin America now. It has shifted. It used to be that drugs came from Latin America and we consumed them here, but that has shifted enormously now.

So if we focused on that kind of concern and struck out to develop, let us say, an international or hemispheric policy to reduce consumption of drugs in this country as well as in Latin America, that would have an impact on people.

A third point that was raised by my distinguished colleague, Dr. Daremblum, has to do with education and educational programs. We can do a lot more to learn about the region. We can do a lot more to get young people from Latin America to this country, not necessarily to embrace everything we want, but to learn from us and to develop a kind of a sense of a partnership with us that would carry through their careers.

So I very much appreciate the question. I think it would take a long time to really focus on this very thoroughly, but I think there are ways to start. Change the conversation, be willing to talk about sacred cow policies that we are not talking about, and thirdly, think about education as a long-term investment.

Thank you.

Mr. PAYNE. Would either of the other two like to respond?

Mr. SHIFTER. Yes, thank you.

I also agree that it is critical to change the spirit of the dialogue. I do think that there should be a lot more give and take, a lot more consultation about what concerns Latin Americans. I think that we have got to this point because we haven't done that very well in the last several years. I think if you ask Latin Americans, and all the polling supports this, what concerns them are issues on the social agenda, crime, violence, a lot of it fueled by drugs. That is what is tearing apart these societies. That is what is posing the major threat to democratic governance in country after country, and the United States has not been, I think, as responsive or supportive as it could be.

Ultimately, the responsibility for solving these questions, whether it is inequality or education, the terrible quality of education, is the responsibility of national leaders in those countries, but the United States could be a much more helpful partner than it has been. We are not going to have an Alliance for Progress again. That is from a different era. The resources aren't there, but there are things that we could do. There are ideas about having a social development and an investment fund. The Millennium Challenge Account could be expanded. There could be social development incorporated into our drug policy to a much greater degree than it is. So I think there are things that we can do that would show more responsiveness to the region.

One final point that hasn't been raised at all, and it hasn't been raised because we are dealing with South America and not Mexico and Central America, immigration. The way that the idea of building a wall on the border of United States and Mexico is perceived in South America has a profound effect. It sends a message that Latin Americans—South Americans are not welcome in the United States, whether that is correct or not, and so to try to in all of our policies at least consider and take into account how decisions that are made here in Washington will be perceived and viewed in Latin America, I think, would be a step in the right direction.

Ambassador DAREMBLUM. There are no panaceas, overall prescriptions that it is the silver bullet to cure all the maladies of society neither in Latin America or the rest of the world, but there are key areas in which the United States has been cooperating, but cooperation also should be intensified, and engagement, which is conversation, also is very important.

In terms of the economies of our countries, creating economic opportunities, opening up new jobs, employment, improved incomes, you cannot redistribute something where it doesn't exist. If you have increasing incomes, then we can talk about how it affects the rest of society, and it is always a very positive event.

The trade agreements are positive also in the sense that it connects the country, the economy of the country with the only or the best source for economic expansion, which is the international markets. Countries, economies, small economies like the Central American economies cannot really find better avenues to expand their economies and to expand the possibilities of employment than being connected to the international markets, and that is true also for the larger countries in South America.

Concerning education, education is really key, and we cannot say enough to reiterate the importance of education and of educational exchanges, and there are also social programs in which the United States, many NGOs are being involved, and the United States has supported it but it should do more. I am very encouraged by a conference that is going to be held in the White House on July 9 in which NGOs working Latin America, helping Latin American countries with social problems, with social challenges, will be discussing new avenues to increasing their activities down there.

Mr. PAYNE. Thank you very much.

Ms. Woolsey.

Ms. WOOLSEY. Thank you, gentlemen.

You know, I was sitting here thinking maybe South America in general and the individual states should be somewhat relieved that the United States isn't paying all that much attention to South American policy and opinion because at least you weren't included in the acts of evil and what we could be doing other than ignoring, which I wouldn't support but I just thought maybe you are safer that way.

But let us talk about the difference between picking a fight over political differences and engaging diplomatically. It appears that our administration has tried to use trade in place of diplomacy, and the trade, and Congresswoman Sánchez was getting at that, and Congressman Mack was getting there, doesn't always benefit the people, and trade agreements that have been negotiated quite often aren't benefiting the people of the United States of America, the workers.

So some of these trade deals are undercutting international labor standards, so how are we going to work together and ensure that we craft trade agreements, a trade agenda that promotes fair trade, protects environments? The South America environment is crucial to the North American environment. We can't separate the two. Workers, labor rights make a difference to our labor rights, and we should be talking about that and not rattling sabers over each other over the fact that any particular leader of a country doesn't agree with us, doesn't like us, doesn't want to work with us, doesn't want us to have their oil. I mean, we have got a lot of work to do.

So what kind of labor agreements can we have that will indeed ensure that it works for the workers?

Ambassador DAREMBLUM. There are standard provisions in the free trade agreements with Latin America which address precisely labor standards, not only labor standards in terms of agreements, treaties signed with the International Labor Organization, but also in terms of improving the enforcement of such laws. Not only having the laws, but to enforce them.

Ms. WOOLSEY. Have any of these been tried and enforced? I mean, do you have examples of where that is working?

Ambassador DAREMBLUM. It is working now in Central America, and it was a very essential key part of CAFTA, and it is also a key part of the—

Ms. WOOLSEY. Well, it is in the agreement, but has it been challenged?

Ambassador DAREMBLUM. In practice, it has been working, yes. Very definitely. And the same provisions you can find them in the FTAs that have been submitted for approval with Congress, Colombia, Peru and Panama. There are commitments in that regard and there are mechanisms if the countries don't comply with them.

Ms. WOOLSEY. Okay. Can I switch? I want to go to oil unless you want to say something entirely different about trade. The oil agreements that the Iraqi Parliament is designing give no more than 12 percent of the resources to the people of Iraq and the rest, most of which will go to the United States and British energy companies.

What in South America is being suggested or done differently so the people who live in these oil rich countries will be the beneficiaries of these resources?

Mr. PAYNE. Mr. Shifter.

Mr. SHIFTER. Well, I think there is sort of a resource nationalism today because of the favorable energy markets. I think a number of Governments—Venezuela, Bolivia, and Ecuador—are trying to negotiate better terms with oil companies and in fact that is what happened in many countries like Venezuela.

I think it is undeniable that the poor people have benefitted from the oil revenues, from the oil bonanza. There have been a lot of social programs, money has been distributed. That is why Chavez has support, especially among the poor. So I think one has to recognize that—the question is whether those programs are really sustainable over a long period of time, whether the political changes that he is making are an acceptable cost or not to these programs, but there is an effort to distribute some of the boom that has benefitted a country like Venezuela.

I think the World Bank data and other data indicate that the people are benefiting. They have purchasing power. They are buying more than they did before, and I think that is part of what has accounted for Chavez's support and the reason why he has won election several times.

So I think this is the mood in the countries that produce oil and natural gas in Latin America, and they are negotiating better terms with foreign oil companies.

Mr. PAYNE. Mr. Smith?

Mr. SMITH. Just to go back to Congressman Burton's question and link it to yours. One of the great ironies that we now confront is that we are the main consumer of Venezuelan oil which produces the petro dollars which allow Mr. Chavez to pursue the programs

that he pursues. So there is a kind of fusty bargain between, in fact, the United States and our oil markets, and Chavez.

I think the problem in a sense is the distribution of these benefits in Latin American countries, that is, they remain in Latin America. Whether they go to the companies or they go to state, the problem is these tend to be state-driven programs—

Ms. WOOLSEY. Okay.

Mr. SMITH [continuing]. Which have some problems. They have some benefits and some problems. So I think Michael is right that, you know, the money goes there. The money is used but is used in a top-down sort of fashion.

I want to come back for a moment to your concern about FTAs, and I think the answer lies in the negotiating process. If civil societies engage in negotiation, is actively part of the discussions about what ought to be in the FTA, what kind of protections small and medium business would need, what kind of compensation might be necessary for people who lose their jobs. Jobs are created but jobs are also lost as a result of the FTAs.

So it seems to me that one way to think about them is to think about the negotiating process which has in the past at times had extensive participation in civil society, not so much recently so far as I know.

I might make one last comment about NAFTA—

Ms. ROS-LEHTINEN. Excuse me, Mr. Chairman.

Mr. SMITH [continuing]. And talk about South America.

Mr. PAYNE. Yes.

Ms. ROS-LEHTINEN. I know that we are all trying to be fair with the allotment of time.

Mr. SMITH. Okay. Fine.

Ms. ROS-LEHTINEN. And the discussions are very good and I don't think that we have any problem with extending the time. I just have an issue if we could address Mr. Burton's time considerations. We have no problem to give Ms. Sánchez, Ms. Woolsey, anyone extra time, and you have been very generous in doing that. So I am wondering when Mr. Rohrabacher is up at bat, when he yields time to Mr. Burton, that he would have sufficient time to make his case, and I like this line of questioning of Ms. Woolsey, and I don't wish to brush it off.

Thank you, Mr. Payne.

Mr. PAYNE. Okay. If you could conclude your remarks, then we will hear from Mr. Rohrabacher.

Mr. SMITH. Just briefly. The most studied FTA and its consequences of NAFTA with Mexico, and one of the observations of a study group that I took part in is that what really drove Mexican growth was accession to GATT in the mid-1980s, before and after. So consequences of these things need to be studied in the long term. We really don't know all of the outcomes and implications.

Mr. PAYNE. Thank you.

The gentleman from California.

Mr. ROHRABACHER. Thank you very much. Don't worry, Professor. We know that professors have an hour to make their point, and we only have 5 minutes to get everything across.

I would yield 1 minute to my colleague, Mr. Burton.

Mr. BURTON. I was one of the Republicans that opposed NAFTA because I thought there ought to be and fair trade, and there ought to be concern about the job issues you are talking about. There is another consideration you have to think about when you are talking about these free trade agreements in South America and Central America, and that is stability in the region which could lead to chaos and wars where people come north and we have got an immigration problem already, and it makes it worse.

And I want to say one more thing about these free trade agreements. They do create jobs, and we need to push more of them and pass the ones that we already have.

Secondly, this redistribution of wealth, I have heard that many times from my colleagues on the other side of the aisle. You take all the money that people have, the wealthy people, and you spread it out over 500 million people in Central and South America, and you haven't really made a dent. Creating jobs is the way you do that, and the redistribution of wealth is Socialism, and it simply doesn't work. It never has worked. It will not work.

I would just like to say to my colleagues, I know a lot of them are very wealthy, and if you want to redistribute the wealth, let us start with your bank account, spread it out a little bit, and see how far it goes.

Thank the gentleman for yielding.

Mr. ROHRBACHER. Thank you, and I did vote for NAFTA specifically because I believed it might help the Mexican economy, and to the degree that we do have problems with illegal immigration flow from Mexico, I believe a strong Mexican economy is part of the solution and that is why I voted for it.

I will just have to say from the time I grew up in California and from the time I was in high school this cliché about the rich and the poor, you know, that this lack of proper distribution of wealth was the major problem facing Latin America, and I find it basically to be a cliché, and I have looked at this and spent time, a lot of time in Mexico, for example, and it seems to me that culture has something to do with the way societies function, and that the Spanish left Latin America with a culture of corruption, and perhaps that culture of corruption is something that is the hardest of all of the obstacles for people to get across.

What we have ended up with was tin pot dictators like Peron and Fidel Castro and Batista and Somoza, and now it appears that Chavez is headed in that direction.

But let me be specific. I believe the culture of corruption was a gift from the Spanish, and basically a gift of the Catholic culture the Spanish left. The evangelical movement is having great inroads into Latin America.

Will the rise of evangelicals have an impact on that culture of corruption that has plagued Latin America for so long.

Mr. PAYNE. Would anyone like to respond?

Ambassador DAREMBLUM. The evangelical groups have been very successful in many countries, but I think that the real obstacle to development is not only the religious part, and I believe to a religious minority myself in my country, it is the lack of instruments and possibilities for many people to leave and to exit the ranks of

poverty, and the only way that is going to be done is in a combination of economic growth plus education.

Mr. ROHRABACHER. Right. Well, let me note that you are not going to have any economic growth as long as you have a corrupt culture and a corrupt government. I mean, one of the big impediments to growth down there is not the distribution of wealth, but honest government and the rule of law, and I believe, unfortunately, that that has flowed from, as I say, this corrupt culture left by the Spanish that has to be overcome.

One last area of questioning, and that is, to the degree that Latin America has been exploited in the past by capitalists who have exploited the tin pot dictators and those corrupt people who have run these countries, isn't there some fear now that we have the world's worst human rights abuser, a dictatorship in itself, now making incredible in-roads in Latin America; namely, China, in sucking the resources out of that country, by making deals with dictators like Castro and others?

Anybody want to jump into that? I have asked two very controversial questions. There you go.

Mr. PAYNE. Mr. Smith.

Mr. SMITH. Well, thank you, Congressman. You raise questions of long-time controversy about understanding Latin America and reasons for its development or the kind of development it has.

I am not inclined to focus on the cultural argument, and I would simply cite that when we see immigrants from Latin America, from Mexico, working in California, I am telling you those people work long and hard. They really have difficult lives, so I am not persuaded that there is a cultural impediment.

Mr. ROHRABACHER. So they are in a new culture and they work hard. When they come to this culture, they work very hard. You just backed up my point.

Mr. SMITH. Well, I think I disagree with you. I think they work very hard there too. They have difficulty circumstances. But let me simply say I have reservations about the cultural argument.

The rise of the evangelical movement is very, very interesting. It has great impact on the Roman Catholic Church, and it introduces in a certain sense a kind of theological competition in Latin America, and it has provided a kind of outlet and embraced a lot of interest among disadvantaged groups within Latin America. It is a very, very interesting development. Its long-term impact is hard to see, but certainly as I now live in Spain from a Catholic extent, a Catholic country, it is a very interesting development. We don't know what the outcome is going to be.

Thank you.

Mr. PAYNE. Thank you.

Mr. Miller.

Mr. MILLER. Thank you, Mr. Chairman.

One of the great frustrations in our Iraq policy is that everyone, the Bush administration, the Iraq Study Group, Democrats have been critical of our Iraq policy, like me, all agree that one of the things we should be doing is urgently training security forces so that the Iraqis can take control of their own security, providing security in Iraq.

But it is apparent that many of the people we have trained to this point have been enthusiastic participants in the sectarian violence. They have been using our training and our weapons in ways that we did not intend.

As to South America, like most members, I hear from human rights activists in my own district who are associated with or in communication with human rights activists in South America who fervently believe that we should close School of Americas are now Winsec, and it does appear that the School of the Americas had a sorted record of instructing students in human rights abuses and police state tactics. Our military says that the new version, the reconstituted school, Winsec, does not have those problems and they are now training in democratic traditions and in human rights.

But I strongly sense that when atrocities take place in Latin America, in any nation, pointing toward human rights abuses or atrocities, it is going to be the people with guns and military training who are doing it.

My questions are these: What has been Winsec's record in human rights? How important is it that we be providing military training or security training? Certainly no society can work unless there is a competent security force, unless there is security. How do we avoid having the people we train at Winsec participate in human rights abuses and atrocities? Can we avoid it? How can we minimize it at least, and is there any way that we can disassociate ourselves from those abuses when they take place or are we unavoidably complaisant in the minds of many Latin Americans?

Ambassador DAREMBLUM. I cannot talk about armies because Costa Rica doesn't have an army, but I can tell you that the United States and other countries have been very helpful to Costa Rica and other nations in Latin America in training its police forces and to get them up to speed on the new challenges today of narco terrorism, cyber crimes, organized crime, and I think this has been very positive because in the past armies were not only military instruments. They were in many regards kind of the guarantee for established order, but during the Cold War armies were called on to intervene in the conflicts, in the wars that existed under the influence of the Cold War.

But today there are other challenges. The armies really, the ones who are benefiting from most of the corporations really in the smaller countries are the police forces, and I think there is an Inter-American mechanism against terrorism, exchange of information among police forces which have been very positive. That is the extent of my knowledge.

Mr. SHIFTER. I think that, first of all, the reconstituted center is a vast improvement over the School of the Americas, and certainly what I know about it is that there have been cooperation of human rights. That has been an important part of the curriculum, so I think that is an encouraging change.

I also think that one of the most important programs the United States has, and hopefully will continue, is bringing military officers up here with civilian leaders. In many countries, especially the Andean countries, there is a big problem of civilian control and authority over the military. The military is still an important actor

in a lot of countries, they live in a different world, and the military still exercises a lot of control.

So I think that has been an important program that should be continued and expanded to bring military and civilian officers outside the country so that they really understand each other's separate worlds. I think that is a positive program.

Mr. SMITH. Thank you for the question.

The unavoidable fact is that the military is used for domestic purposes in Latin America. There are hardly any international wars, so we have to be clear that when we are supporting the military it is mainly for internal purposes.

Secondly, it has been drafted into police functions. Security, public security is a big issue in Latin America and any group that will help sustain security is relatively welcome in the first step. The problem is that the military is not trained to do police functions in the same way, so there tend to be abuses as a consequence.

I would draw a sharp line between police functions and the military, and educate the police or train the police in ways that we think are appropriate. I would come down hard on military human rights abuses and pull the trigger on funding if necessary. We have done it in the past. We could do it again, but I think that trigger needs to be available.

Thank you.

Mr. PAYNE. Thank you very much.

Mr. Costa.

Mr. COSTA. Thank you very much, Mr. Chairman. I have several questions so I would like to go quickly and have a succinct response.

Gentlemen, I appreciate the picture you have tried to draw for us with regards to South America. Professor, since you are accustomed to giving grades, could you please give us a sense as to our efforts over the last 6 years in terms of this administration's efforts toward South America, A, B, C, D? We are all accustomed to grades.

Now would you compare that juxtapose to the last two or three decades? And I don't care of the others, I don't know how many of you are professors, as well would care to grade. Quickly.

Mr. SMITH. I dislike grading, but since you asked.

Mr. COSTA. I didn't like giving some of my grades.

Mr. SMITH. Over the last 6 years, I would have to say about a D. I would have to say about a D. I think President Bush's trip pulled it up to a D, D-plus, maybe C-minus. I would have said during the 1990s, it would have been easy. It was an easy time. The issues were not as difficult, and I think that I would have given it about a B.

The Reagan years fluctuated. I would have given it a very low grade at the beginning of the 1980s, and a higher grade the latter 1980s, but I have not seen—I would have to say this. As someone who has studied this area for a long time, I have not seen A-plus grades in a long time.

Mr. COSTA. Any of you gentlemen care to comment or do you concur with Professor Smith?

Mr. SHIFTER. I would say I agree with Brzezinski in his latest book when he gives grades to the post-Cold War administrations.

I think in the post-Cold War, this current administration's is the lowest grade, perhaps a D, C-minus. The Clinton years were a little bit better. But the first Bush administration, Bush the father, I think was the best that we have seen in the post-Cold War periods toward Latin America.

Mr. COSTA. So what you are saying is it has been benign neglected at best.

All right, I want to move on. You talked, all of you, about your testimony about the potential impact of Venezuela and its attempt to garner additional military hardware. Where does Venezuela pose the greatest threat, militarily or economically, and what is the size of their military force? I am specifically concerned about a potential threat, obviously not directly to us, I don't believe that Venezuela is going to try to put together a navy and come to our shores, but I am wondering to its neighbors as a potential military threat as well as to harbor with this new found relationship with Iran potential terrorist groups.

Ambassador DAREMBLUM. I would—

Mr. COSTA. Yes, go ahead, Doctor. We will start with you and then go the other way. Go ahead.

Ambassador DAREMBLUM. Oh, no, go ahead.

Mr. COSTA. No, go ahead. You started. I don't have much time, please.

Ambassador DAREMBLUM. I think the greatest threat will be to the neighboring countries. In terms of the United States, what it can create is instability in several countries and to oppose policy instruments of the United States like the FTAs in which—

Mr. COSTA. Like it is trying to do right now.

Ambassador DAREMBLUM. Yes.

Mr. COSTA. Mr. Shifter, what kind of military do they have?

Mr. SHIFTER. I think the biggest threat is to Colombia and its neighbors. The rifles and the munitions factories that are now being developed are of great concern to the Colombians, so that, I think, is the major problem right now.

Mr. COSTA. So compared to its neighbors, it has an air force that can create havoc as an army? How many men?

Mr. SHIFTER. I am not sure of the exact number.

Mr. COSTA. So you don't know? Professor, do you know?

Mr. SMITH. It is not a major military threat to its neighbors as a military force. The danger is that the rifles particularly could end up in the hands of the FARC in Colombia, harboring terrorists that could potentially come to our shores and create a lot more trouble. I have seen only rumors about that. I have not seen hard—

Mr. COSTA. Would either of you gentlemen like to comment besides rumors?

Ambassador DAREMBLUM. No, there have been concrete cases of the people from the IRA visiting, and Colombia, they were caught at the airport.

Mr. COSTA. Okay, final question because my time has almost expired. I have heard no discussion about the MERCOSUR countries with Brazil, Argentina and Chile, and their reference to develop the economic unit that I think has been disappointing for many. I do concur at some level with what has been traditionally a patron system; a culture of corruption that I think has stymied Brazil and

Chile and Argentina that have tremendous wealth, tremendous intelligence, tremendous opportunities.

Having said that, where is the efforts with the MERCOSUR countries today to rise with their economic potential?

Mr. SMITH. MERCOSUR is in trouble. Member countries of MERCOSUR have discovered divergent economic interests. They are disappointed in the results. Uruguay is now considering an FTA with the United States which would destroy MERCOSUR. I think Venezuela's adherence to MERCOSUR also weakened it because it made it (A) a geo-political instrument rather than an economic agreement, and (B) it brought Chavez into the mix as a rival of Lula. It was doing much better several years ago than it is now. I don't think the future is very bright for MERCOSUR.

Mr. COSTA. My time has expired. I don't know if I will have an— if the other two would want to comment.

Mr. PAYNE. I yield. Take whatever time you would like to comment.

Mr. COSTA. Thank you. Would either the two of you like to comment?

Mr. SHIFTER. I just want to second what he said. I agree entirely. It was in trouble before Chavez joined it and now it has been transformed into a political instrument.

Ambassador DAREMBLUM. With MERCOSUR is happening what happened with the Central American market. Unless there is a way or accessing the international markets, there is no future in these smaller arrangements.

Mr. COSTA. Thank you, Mr. Chairman. Thank you for your patience.

Mr. PAYNE. Right. Mr. Klein.

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

I am going to focus my comments on terrorism for a minute, and in March 2007, the OAS Inter-American Committee against Terrorism adopted the Declaration of Panama on the protection of critical infrastructure in the hemisphere in the face of terrorism. This resolution condemning terrorism read:

“Terrorism in all its forms and manifestations, whether it is origin or motivation, has no justification whatsoever, affects the full enjoyment and exercise of human rights and constitutes a grave threat to international peace and security, democratic institutions and the values enshrined in the OAS Charter, the Inter-American Democratic Charter and other regional and international instruments.”

This is obviously a very important statement.

Venezuela reserved its approval of this declaration, believing it did not deal, as they said, comprehensively with the question of terrorism. What I am concerned about, as others are, is about Venezuela's lack of participation in this, but what concerns me more is that this year's State Department country report on terrorism said that Venezuela is “not fully cooperating” with United States anti-terrorism efforts.

My question to you is, is there anything that the United States can do within the context of the OAS to help fight terrorism, spe-

cifically terrorist financing that goes on in the Latin American region?

Mr. SHIFTER. The OAS is also an institution that is in trouble and it is in trouble because there is tremendous disagreement and distrust among the countries. I think the best way for the OAS to become stronger and more effective in fighting terrorism is for the U.S. to back the secretary general of the OAS who, I think, can play a role in trying to bring the countries together in common agreement. That, I think, is the problem. It is very weak now because there is tremendous disarray politically.

It is very hard for the Organization of American States to be effective in the context of political discord and disagreement, so I would focus on the political agreement, and I do think there is a secretary general there who I think is committed to that, and I think the U.S. should push him and back him toward that end.

Mr. KLEIN. Thank you, Mr. Chairman.

So your belief is that the OAS in its current form doesn't have the grit or its ability to really encourage this anti-terrorism issues?

Mr. SHIFTER. For political reasons, right. I am very discouraged because of the political situation. We saw that in the last meeting of the OAS earlier this month in Panama. It can't do even—even things like freedom of the press come to an agreement, not to mention terrorism, which is a far more important and challenging issue.

Ambassador DAREMBLUM. The problems with the OAS are not new. They couldn't deal—the OAS was not able to deal with the Haiti problem back in the nineties even though there was a human situation which was terrible and remains terrible. So it is not a new phenomena, and I agree fully with Dr. Shifter that it needs—the organization is in clear need of reform, of a new oxygen, a second life to really make it meaningful.

I should also add that they have been independently of the treaty that you mentioned, the convention on terrorism, there has been already a mechanism working of exchange of information among police forces, law enforcement agencies from the hemisphere, and it has got a small secretariat within the OAS, and that has been working.

Could it be improved? Of course, there is always room for improvement but there is at least the beginning of this process.

Mr. KLEIN. Mr. Shifter, one of the criticisms we had heard about the terrorism dialogue, if you will, is that many of the countries don't have the definitions in their laws. It is certainly not the enforcement, but even starting with just the basic definitions, which I think I would like to see the United States take a broader role in working with these countries to help that process get going. So Professor, you can also comment.

Mr. SMITH. Well, you have made my point. Terrorism is a label. It is a tactic. Anybody can use it. It is a label that can be used to denigrate your opponents. It is a label that is sometimes used in political ways. So until there can be a kind of harder definition of what it is to be a terrorist so that it is not used in a political sense, I think the concern in Latin America and elsewhere it can be used in a political way rather than to identify people engaged in certain

kinds of acts over a specified period of time, and it is a matter of definition, and that is why there is some concern.

So given the institutional weaknesses of the OAS, there is also this kind of apprehension about the application of the term because it is a tactic, it is not a thing. It is not a badge of identity that people wear, so it has got to be clearly identified and thus applied.

Mr. KLEIN. And Mr. Chairman, just to close, as we work through this, because whether it is OAS or direct initiation with our Government and the governments of many of these countries, it does appear that there does need to be some greater cooperation in the definitions and the laws put in place, and it is not us telling them that this is such an important thing, it is them understanding for their own benefit and to work with us and share intelligence and information and strategies that this is a key strategy.

So if you have thoughts as a follow up to this, you may want to get back to our committee, and I would be interested in hearing about that.

Thank you, Mr. Chairman.

Mr. PAYNE. Thank you. Our ranking member would like to make some concluding remarks, and then we will hear from Ms. Jackson Lee.

Ms. ROS-LEHTINEN. Thank you, Sheila, for the opportunity. I have got to go to another meeting. Thank you, Mr. Chairman. Just some closing thoughts on Colombia, and we have heard a lot of talk about the labor issues and the FTA.

I wanted to make sure that our members knew that Colombia has actually been taken off the ILO black list under the Riva regime. That deserves an A. And the killings of union leaders in Colombia under Riva has gone down 80 percent, from 123 to 23. Is that 23 too many? Of course, but we should recognize that the trend is going down, and to punish Colombia by killing the FTA based on labor issues, it seems that it would be foolhardy because progress has been made.

A \$750 million annual aid program going to Colombia should not be looked on as a case of neglect by the United States. I don't think that that deserves a D. That is definitely up there in the grading chart, and on the points that were made about trade preferences and whether we should renew them with certain countries so that we don't further alienate them, we should keep in mind that, for example, Ecuador, it has elected a pro-Chavez regime. They are welcome to do that. They want to kick us out of the United States-built \$70 million Ford operating base FOB in Manta, Ecuador, and that is critical to our counter-drug efforts and yet at the same time they want renewal of the Andean trade preferences that is aimed at our common fight against drugs.

So I think that we should take all of these issues and balance them out, and on the issue of Iran, my last point, thank you, Mr. Chairman and thank you, Sheila, I think some had dismissed the Iranian presence in South America, and I want to make sure that we are noted on the record that the 1994 Amia bombings of the Jewish Community Center in Buenos Aires that killed dozens and injured hundred, it was run out, actually run out of the Iranian Embassy in Buenos Aires. The presence of large Iranian Embassies

should concern us all in the region, and those are the only last points I wanted to make.

Thank you, Ms. Jackson Lee, thank you, Mr. Chairman, for your fairness.

Mr. PAYNE. Thank you, Ms. Ros-Lehtinen.

Ms. Jackson Lee.

Ms. JACKSON LEE. Thank you very much, Mr. Chairman. The good news for the witnesses is they might be able to get lunch around the lunchtime. I view this hearing as clearly one of the most important that we have had in my short experience on the Foreign Affairs Committee.

I also sit on the Homeland Security Committee, and recently came back from Panama, having participated in the OAS meetings with a member of the Western Hemisphere, Congressman Meeks, and it was led by him at that time. I know that both Congressman Engel and Congressman Burton, who are chairs and co-chairs, certainly have made a point about the importance of South and Central America. I think we are turning the corner on the recognition of their vitality.

But let me pose a number of questions that I think will continue to impact our relationships. We had a historical relationship with Europe and a particular historic relationship with England, Great Britain, which proves or at least lays the groundwork for why they are one of the strongest still remaining allies in this very fragile work in Iraq.

I use that example because it is either historically connected or nurturing, building the relationship, continuing to engage. We have done that in Europe, and to a less extent in other areas. We have been poor neighbors, if you will, to South and Central America, and they make it very clear when you visit that we have been ineffective in building the relationships.

I fault only us for the influence of, if you will, philosophies that we disagree with because we have had any number of opportunities to engage Chile, Argentina, Venezuela, Bolivia, Colombia and the whole array, Mexico. We have been distant, and we have called on them when we are in a time of need. Many of the South and Central American countries did not rise to the occasion on the Iraq war when the President called, and I think that should be noted.

So let me pose to you, Professor Smith, the question: How large an issue is terrorism in South and Central America?

My concern is if we build our foreign policy going forward around we had better get close to them because they have got terrorists coming across the board, it is a negative as opposed to a positive. The very discussion is certainly important after 9/11. I don't want to be quoted in some newspaper that Congresswoman Jackson Lee has thrown terrorism to the wolves.

No, I have not, but I believe if we begin every sentence on foreign policy with terrorism we don't get to other core issues of culture, of commonality, of democratic principles, because I am hesitant to use the word "democracy," but democratic principles, and all we get.

Now, I would also like you to comment, if you would, shouldn't we pay OAS dues in order to be a viable part of this friendship? I don't think we have been very good on that. But would you com-

ment on this broad question that I have asked, and I would appreciate it if others would do so.

Mr. SMITH. Well, thank you very much for the question, and I appreciate it.

I think, as I said earlier, it is important to change the conversation, and a conversation that begins only with our concern about terrorism within this country is a conversation that is bound to have limits because people are going to say, well, you have this problem, you are asking us to help, is one that is not always very well received. Let me make a couple of points.

One is that Latin America has 500 million people. Many of them are discontented. They are going to the polls. They are not taking other action. That is a marvelous development. That is a positive development. It is in our interest as well as in theirs that they are going to the polls to express their concerns. They might not be electing leaders that some of our political leaders like, but they are going to the polls. That is very important.

I think, frankly, the threat of a terrorist action from within Latin America against the United States is very small. I think it is very small. I think the possibility of a terrorist group somehow using Latin America to gain access to the United States is something else again, so I think that is a legitimate concern. It may or may not be relevant that the people that took part in 9/11 came from Canada rather than from Latin America. But nonetheless, I think that is a legitimate concern. That is the kind of porousness of access and that we have a maritime border with Latin America as well as the one with Mexico.

I might say just as a last point because I know time is short, many Latin Americans working in the United States died in 9/11 here, especially in the Trade Center, many citizens of many countries of Latin America. So this is their issue too. This is their issue too. They have other kinds of terrorism. They have revolutionary groups in Colombia, et cetera. It is a different kind of terrorism. They have legitimate concerns with some violence, political violence within their countries, but for the most part they see terrorism as a concern that hurt them also, but by the same token they have other legitimate concerns that are very important and they don't wish the agenda to begin with a discussion and end with a discussion of terrorist threats to the United States. That doesn't embrace the legitimate concerns and preoccupations that they have, and it doesn't permit the kind of conversation that can establish a true partnership.

Ms. JACKSON LEE. Chairman, I ask that you indulge me. I have a very important question. I know I asked the other members to comment but I really need to get this point out.

We have all mentioned and moved around Venezuela. Let me just say, having visited recently, I think that is another missed opportunity, and you made a very important point, Professor Smith. You said they have all been democratically elected. It shouldn't keep us from challenging the question of freedom of press. That is very near and dear to us, and we must do so. And as we do so, we must also, I believe, find some common ground.

The question I want to ask in the backdrop of Venezuela and President Uribe out of Colombia, and I know one of my colleagues

posed some very difficult questions on trade bill and issues, and that is, the indigenous people and Afro-South Americans, Afro-Mexicans, Afro-Colombians, Afro-Venezuelans, Afro-Brazilians, for a contingent of us in the United States that is a very sore point.

One of the things that President Chavez is doing is actually constitutionalizing African descendants in his Constitution. I don't know how large a voting block they are. Somebody says 18 percent, it may be larger, it may be smaller, but that makes a difference.

My question to all three of you on this point is, what kind of advocacy is going on in South and Central America on providing relief, justice, and status for the indigenous and for Afro descendants, and where do you see that in your research, and I will make this point?

In a meeting with the secretary of interior for Mexico, I asked the question about the indigenous, which are partly the flow of immigrants coming across from southern Mexico, not from Mexico City, and he made it clear that it was not the business of United States to ask him that question.

Let me go on record in a place where I have the ability to go on record, it is the business of the United States on how you treat, as I assume other countries believe that it is their business on some of our issues as well.

Professor Smith, and if the others would answer it, and that is my last question. Thank you.

Mr. SMITH. Thank you. Very briefly, two points.

I think you make a very important distinction between democratic elections and democratic governance, and that while all of these leaders have been democratically elected, there are questions in variations and degree of democratic governance about which the United States can and should express concern.

With regard to indigenous and Afro citizens of countries, it varies a great deal by country is all I can say. Brazil has had a strong and vital Afro-Brazilian movement for the last 20 years that has really asserted and expressed itself in the Brazilian politics. Indigenous movements in particularly Bolivia and in Ecuador have been very active. There have been great struggles in Guatemala over the last 25 years as I am sure you know.

It is remarkable, Peru is an exception. It has a very large indigenous population and, at least to my knowledge to date, has really not done much to enfranchise or to assure the representation.

Ms. JACKSON LEE. But we in the U.S. should be advocating for them to do something?

Mr. SMITH. Yes. Yes.

Ms. JACKSON LEE. Mr. Shifter.

Mr. SHIFTER. Thank you.

Ms. JACKSON LEE. Thank you.

Mr. SHIFTER. Thank you, Congresswoman. I will respond just very briefly on the terrorism issue. I just think that if we want cooperation with Latin Americans on what is important to us—and fighting terrorism is important to us—we are going to have to be more responsive to what they care about, and that has been the problem in the last several years. We say we need cooperation, meaning they should do what we want. That is not cooperation.

There used to be a different spirit. So I think that is the central point there.

On the indigenous and Afro descendants in Latin America, I think this is irreversible and a positive change in the region. We see Evo Morales, the President of Bolivia, is indigenous. People who have been excluded are no longer going to be excluded. The politics, the political landscape, is changing in every country. Sometimes it is going too slow, sometimes there is a lot of resistance, sometimes there is a backlash, but I think this is happening. Globalization and the access to information are changing that.

Here again Brazil, I think, is a real leader. I think Brazil has had some of the more progressive policies on dealing with the race question as well. In Colombia, the Constitution there also has recognized the Afro descendants.

Ms. JACKSON LEE. Is working on it.

Mr. SHIFTER. And in Venezuela, as you mention. I read Congressman Meeks' article, I guess in the *Miami Herald* after his trip to Colombia, where he talks about the progress that has been made there, but a lot more needs to be done. I think that is why we need to be engaged, whether it is through trade deals or aid packages, because we have more leverage. I think you are absolutely right, it is a legitimate area of concern, and it should be expressed forcefully and consistently in all of these societies.

Ms. JACKSON LEE. Dr. Daremblum. Thank you.

Ambassador DAREMBLUM. I fully agree with what Dr. Shifter and Mr. Smith have said. Human rights have been a basic concern in Latin America for many, many decades. In 1948, back in 1948, there was already a convention signed by all countries in Latin America on the protection of human rights. Since then, aside from the evolution, the positive evolution of legislation and law enforcement and culture concerning minorities has been, I think, has been a very positive development.

In addition, there is a very large network of protection of human rights of minorities which are the numerous NGOs and actually legal instruments binding the countries as it concerns human rights. In my country, Costa Rica, the seat of the Inter-American Court of Human Rights, in which governments can be called upon to assume responsibility and accountability for violations of human rights, and of course the minority goes to the core of this issue.

Ms. JACKSON LEE. So we should advocate for it.

Ambassador DAREMBLUM. Yes, of course.

Ms. JACKSON LEE. I thank the chairman.

Mr. PAYNE. Thank you. Mr. Delahunt.

Ms. JACKSON LEE. Thank you. I yield back.

Mr. DELAHUNT. Yes, I thank the chairman for recognizing me. I have been tied up all morning, and I had to chair several hearings myself. So I apologize for my tardiness, and I had not intended to come down but as I was in my office I heard my friend and the gentleman from Florida, Mr. Klein, ask a question relative to the OAS, and his characterization of the recent language on terrorism, and I had to concur with him, but it is my understanding, and the distinguished panel can correct me, is that that language ironically came as a result of a compromise between our Government and that of Venezuela. Am I correct, Michael?

Mr. SHIFTER. Yes.

Mr. DELAHUNT. All right. And since we are talking about terrorism, I think it is important to note the case of Posada Carriles, and the impact that has in terms of how the United States is perceived in Latin America when we request cooperation in terms of terrorism, and yet we have an individual who is purported to have masterminded the bombing in the mid-seventies of a Cubana airline walking free today in Miami. I would be interested in any observations that anyone on the panel might have regarding my own observations.

Mr. SHIFTER. Thank you, Congressman, and I think what this illustrates is the problem of double standards, and this is getting us into a lot of trouble in Latin America, and that is why there is no progress that is being made. The same thing happened with Posada Carriles in terrorism as what happened on the free press issue at the OAS meeting in Panama.

You end up having a watered down resolution because you had this tension between the United States and Venezuela, and they didn't want a specific mention of the RCTV because there was no specific mention of the Posada Carriles case that you mentioned.

So that is why I think it is a perfect illustration of why we are in trouble, and why these charges of hypocrisy and double standards, because we need to do a better job in being consistent in the application of the rule of law regarding terrorism here in the United States, and that is the only way we are going to get credibility in Latin America and that is the only way we are going to be able to advance our interests. So I concur with the spirit of your question and I think we see the consequences of being unable to move forward and why the OAS is in such difficulty, because we have this double standards question that is raised constantly.

Mr. DELAHUNT. I guess my point is that I think at first blush it is easy, if you will, to be critical of the OAS, and I am not here as a defender of the Organization of American States, but I do believe that it serves a very useful purpose, and it has accomplished in some aspects results that are very positive and constructive, and we ought to continue to give our full support to the OAS and even make every effort to enhance and strengthen it.

Yet at the same time let us be very really clear. Any organization, whether it is the OAS or the United Nation, is only as strong as its member states are willing to make it. It doesn't exist out in the ether some place where it operates independently, and if we are displeased with the issue of or the handling of terrorism by certain governments in Latin America, I think it would behoove us to do something positive about Mr. Posada Carriles who is designated or described, and let me read this into the record, as "unrepentant criminal and admitted mastermind of terrorist plots" not by the Government of Venezuela but by the Government of the United States.

Would anyone else—Professor Smith, would you care to comment?

Mr. SMITH. I would like to comment on the question of the OAS, if I might, rather than that specific case. I think you are absolutely right. We should strengthen the OAS, and we need a strong OAS because multilateral action will be much more effective than uni-

lateral United States declarations on issues of, let us say, the closing of the television station in Venezuela.

But if we strengthen the OAS, we have to allow for the possibility that we won't always get what we want. We weakened the OAS in 1965, when we bended to our will to justify the invasion of the Dominican Republic. It has been recovering from that legacy ever since. So I think it is very, very important to do this.

I am not sufficiently familiar with the details of the case you mentioned, but I think multilateral action is in our interest. Losing a couple of instances is in our long-term interest. Having a viable OAS as a place of dialogue and resolution is in our interest, and we should try to pursue that.

Mr. DELAHUNT. Doctor?

Ambassador DAREMBLUM. I fully agree with the thoughts expressed here by my two distinguished colleagues. In the case of terrorism, of course, all terrorists should be accountable.

Mr. DELAHUNT. I mean, are there good terrorists and bad terrorists?

Ambassador DAREMBLUM. No. No, no. Terrorists, in general, should be accountable for what they do, and I imagine there is a legal process. I am not well acquainted with the case you mentioned, but I understand there is a legal process going on in the courts here in the United States, and let us trust that the result is bringing accountability to somebody who has—

Mr. DELAHUNT. Doctor, if you are aware of a legal process that is going on in the United States, I wish you could inform me of that process. I have to call you to account for that statement because I would refer to you an opinion by the court in the United States that dismissed the case against Mr. Posada. That was a scathing review of the government's action in the case against Mr. Posada.

Ambassador DAREMBLUM. My understanding is that there is underway an extradition process on judges—

Mr. DELAHUNT. That extradition process had its—the extradition request from the Government of Venezuela has been in the eta somewhere for 2 years. I recently chaired a hearing where the title was "Extraordinary Renditions" and the gentleman, Mr. Payne, who is now chairing this full committee, was present when there was testimony indicating that simply based on diplomatic assurances—whatever that means—this government was prepared to rendite to both Syria and Egypt individuals who the United States felt necessary to rendite without any legal process.

I dare say if this government was prepared to rendite to the Government of Venezuela with diplomatic assurances that there would be no torture, my sense is that he would be treated very well in Venezuela.

Ambassador DAREMBLUM. I fully agree with your comments concerning the OAS. I think it deserves—a multilateral organization like the OAS is very, very useful, and it is in the interest of the United States to have a strong OAS.

Mr. DELAHUNT. I thank you, Mr. Chairman.

Mr. PAYNE. Thank you, Mr. Delahunt, and let me just thank the panel. I think this was an extraordinarily interesting hearing. I think we really had a healthy debate. I agree, Professor Smith, that this question of terrorists and what is the definition is really

a question. We found that in Somalia now where warlords were being supported by the U.S. Government until they were defeated and then invited another country to invade, and then called the Islamic courts terrorists because we didn't want them to have a legitimate seat in government.

So I think these terrorists can be thrown around at our convenience, and I believe that we need to—we are pushing democracy and we have to take the results of fair and free elections when they are fair and free, and the outcomes are not always going to be predictable, and certainly not necessarily what we would like to see, but either we will push democracy or not, but you can't predict the outcomes and you can't turn on a country because the person is elected. In many instances, we have helped the opposition get elected because we identify with the party and people vote against them just because of that, so we have to be very careful.

Once again, thank you all very much, and the meeting stands adjourned.

[Whereupon, at 1:24 p.m., the committee was adjourned.]

A P P E N D I X

MATERIAL SUBMITTED FOR THE HEARING RECORD

PREPARED STATEMENT OF THE HONORABLE DONALD A. MANZULLO, A
REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. Chairman, thank you for calling this important hearing to examine America's relationship with our neighbors in the Western Hemisphere. Maintaining close relations with South America is critically important to our own economic and national security. I look forward to hearing from the expert panel before us.

The scourge of illegal drugs from South America is a serious problem that plagues our nation. Fighting the producers and traffickers of illegal narcotics must remain a top priority that should receive our strongest support. When I was first elected to Congress, I made it my top priority to work with the Drug Enforcement Administration (DEA) to open a field office in Rockford, Illinois to help local law enforcement combat the illicit drug trade. The DEA is now doing its job fighting this scourge; in fact, the DEA recently announced a successful enforcement raid in the district that removed 377 pounds of marijuana off the streets. Thus I am particularly concerned by the reduction of America's assistance for Colombia's drug eradication effort by close to \$58 million in the Fiscal Year 2008 Foreign Operations Appropriations bill. The Foreign Operations bill goes even further by reallocating a big portion of what remains of the anti-drug effort towards social development. I cannot imagine how social development programs can be successful if we pull back our support for key security programs. The only logical outcome will be increased drug production and a major setback for America.

Promoting trade, free markets, broader economic development in Latin America are integral to boosting America's own economic and national security. I am particularly concerned about the implications of President Hugo Chavez's growing influence within Latin America and its implications on America's energy security. Venezuela is our nation's fourth largest energy supplier. President Chavez's nationalization of oil production services within Venezuela is a threat to our security. We need to diversify our energy supply through environmentally-responsible exploration and development of alternative sources of energy. Yet, the various energy bills being considered by Congress still limit responsible domestic exploration within the jurisdiction of the United States. In fact, my colleague, Representative Steve Pearce of New Mexico said it best—"The Rahall bill [H.R. 2337] should be called the Venezuelan Dictatorship Funding Act." I trust that as we send an energy bill to the President, we must ensure that we do not reward a despot leader like Chavez.

We need to become more engaged to promote economic development in Latin America so that anti-democratic leaders such as Chavez do not take political advantage of economic uncertainties. Lowering barriers to trade is one tool to help advance economic opportunities in both Latin America and the United States. Since coming into force in 2004, the U.S.-Chile free trade agreement has been a positive experience for the good people of Illinois' 16th Congressional District. I am proud to note that the Agreement had a direct positive impact on the 16th District by allowing Chrysler, which maintains a high quality manufacturing plant in Belvidere, Illinois, to directly export its automobiles made in the U.S. to Chile.

Prior to the enactment of the Agreement, Chrysler's Chile-bound automobiles were manufactured in Mexico to avoid a debilitating 85 percent luxury tax on cars worth more than \$15,800. The difference before 2004 was that Mexico had a free trade agreement with Chile and the U.S. did not. As a direct result of America's agreement with Chile, Chrysler was able to shift its Chile-bound production back to American plants and American workforce.

I note that Illinois' combined exports to Chile nearly doubled between 2004 and 2006 to \$2.69 billion, with machinery manufactures—the dominant industry in 16th

District of Illinois—leading the way as the states' number one export. I argue that as a result of embracing free and open trade with the United States, Chile has risen to become a positive role model for Latin America. I am optimistic that the same will hold true for Colombia, Panama, Peru, and hopefully for the rest of Latin America.

Mr. Chairman, I hope that today's hearing sheds light on the importance maintaining a sound and balanced strategy with regard to South America. Broader cooperation will ensure better actions to counter narco-trafficking and its associated illicit activities. America's families should not pay the price for the funding cuts being proposed to counter-narcotics initiatives in Colombia. Finally, trade is critically important to solidifying the progress that we make in fighting drugs and promoting democracy. By offering the hope of economic improvement through productive trading with the U.S., farmers currently producing coca and opium in Colombia and elsewhere in South America will hopefully turn their energy towards legitimate activities.

PREPARED STATEMENT OF THE HONORABLE SHEILA JACKSON LEE, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF TEXAS

Thank you, Mr. Chairman, for convening this important and timely hearing. After U.S. relations with South America last year hit what many analysts believed to be their lowest point in recent years, I believe it is important to reflect upon how we can work to improve this suffering relationship. May I also take this opportunity to thank the Ranking Member, and to welcome our three witnesses: Mr. Michael Shifter, Vice President for Policy, Inter-American Dialogue; Mr. Peter H. Smith, Simón Bolívar Professor of Latin American Studies, University of California; and Jaime Daremblum, Ph.D., Director, Center for Latin American Studies and Senior Fellow at the Hudson Institute.

Recent years have seen the development of several disturbing trends in South America. Anti-American rhetoric has been on the rise, as U.S. policies remain extremely unpopular, according to Zogby polls. Additionally, according to the *Economist*, support for democratic rule has declined over the past ten years. In facing these trends, the United States must combat a historical memory which includes U.S. support for brutal military regimes during the Cold War. For example, Chile's socialist President Michelle Bachelet was tortured and exiled in her youth by the government of Augusto Pinochet.

Despite these worrisome trends, the United States has maintained cordial, if not particularly close, relations with many countries of the region, and has, in particular, been able to offer significant support to Colombia's efforts to combat drug trafficking and guerilla activity. Since 9/11, the United States has focused relatively little attention on our southern neighbors, despite President Bush's declaration at the beginning of his presidency that the region would be a priority during his tenure.

Inequality remains high throughout much of South America as well. According to a 2006 World Bank report, one-quarter of all Latin Americans receive an income of under \$2 a day, and suffer from the highest measures of inequality in the world. The region's persistent poverty and slow growth are particularly stark when compared to the performance of other regions, such as Asia. Economic inequalities and social tensions have likely hindered the development of strong and stable democratic institutions.

In particular, we have witnessed a growing disjunction between the United States and Venezuela. Venezuela has undergone massive political changes in recent years, since the election of President Hugo Chavez in 1998. Venezuela and America share a long history, dating from the friendship between General Francisco de Miranda and General George Washington, but recent years have seen increasingly strained relations. I think it is very important for our countries to try to find common ground based on good faith discussions. I think that there is great potential to work together, among other areas, on combating drug trafficking, promoting an energy dialogue and improving the commercial ties between our two countries.

I had the opportunity to visit the country in February of this year, on the first Congressional visit since both the re-election of President Chavez and the U.S. elections last November when the Democratic Party won control of the U.S. Congress. After meeting with a number of government officials, members of civil society, union officials, business leaders, and others over the three day visit, it remains my firm belief that there is no escaping the longstanding relationship the U.S. has had with Venezuela over the many different Venezuelan governments. I believe it is impera-

tive that we fix the friendship, heal the wombs and move forward together for our respective people.

I also recently had the opportunity to participate in a Congressional Delegation to Panama and Colombia. The latter remains plagued by ongoing political scandal, rebellion, and narcotics trafficking. I applaud the recent decision of the Colombian government of President Alvaro Uribe to release as many as 200 jailed rebels in what he has called an 'act of good faith.' I call upon the FARC to, in turn, release the hostages they continue to hold, including three American contract workers kidnapped in 2003 and French-Colombian national Ingrid Betancourt.

President Uribe is actively working to secure the release of approximately 60 key hostages, some of whom have been held for up to eight years in secret jungle camps. I strongly advocate for domestic groups and concerned nations such as the United States to engage in active and constructive dialogue to bring this tragic situation to a conclusion. Moreover, I believe that any prisoner transfers must be conducted in a transparent and open manner, to ensure that those responsible for terrorist attacks, narcotics trafficking, and human rights abuses do not escape justice. The democratic ideals of the Colombian government, law and order and the guaranteed protection of civil liberties of its citizens, should be complimentary, rather than competing, goals to which the government must be accountable.

I also remain extremely concerned about the rights of Afro-descendants, indigenous groups, and minorities throughout the region. Latin Americans of African descent face persecution and poverty. According to the Inter-American Development Bank (IDB), the 150 million Latin Americans of African descent comprise about 30 percent of the Spanish- and Portuguese-speaking nations of Latin America and the Caribbean. Throughout the region, they comprise about 40% of the poor, though this figure is much larger in some nations, such as Colombia, where 80 percent of the black population lives in conditions of extreme poverty. Afro-Colombians also comprise a vast majority of those displaced by that country's ongoing civil conflict.

Mr. Chairman, I believe that much remains to be done to repair our relations with the nations of South America. Throughout all of Latin America, the majority of current governments have expressed the desire to work more closely with our own leadership, particularly through trade, immigration, and security deals. Even as our foreign policy vision continues to be dominated by the Middle East, this hearing is an important first step towards refocusing some attention on our southern neighbors.

To fix our ailing relationship with our southern neighbors, I believe in the importance of a truly two-way dialogue. We need to listen to, and then address, South American concerns. While we all face the common threat of terrorism, our relationship should not end there. While seeking the support of South American countries in addressing our primary concern about terrorism, we must also work with them on a wide range of other legitimate concerns.

We share many values and ties with the nations of South America. I strongly urge the United States to work to heal the wounds suffered by our relations with these countries. I look forward to the testimony of our witnesses today, and to engaging further with my colleagues on this Committee on this issue.

Thank you, and I yield back the balance of my time.

PREPARED STATEMENT OF THE HONORABLE GENE GREEN, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF TEXAS

Mr. Chairman, thank you for holding this hearing to look at U.S. policy option in the Middle East beyond our involvement in Iraq.

Two of the major problems in the region that have received less attention from this Administration, due largely to the focus on Iraq, are Iran's nuclear program and Iran and Syria's support for the terrorist groups Hezbollah and Hamas.

Iran's actions over recent years have challenged our efforts to stabilize Iraq, threatened the security of the elected government of Prime Minister Fouad Siniora in Lebanon, and prevented the Israeli-Palestinian peace process from moving forward by funneling funding and arms to terrorist groups that attack Israel. Even more troubling are Iran's efforts to develop a nuclear program.

We are well aware of numerous comments made by Iranian President Mahmud Ahmadinejad regarding Israel, and a nuclear armed Iran is a proposition no state in the region or elsewhere wants to see. Preventing this from happening should be the main focus of this Administration outside of Iraq.

Secondly, Iranian and Syrian funding for Hamas, Hezbollah, Islamic Jihad, and al Qaeda should be a top priority for the Administration as well. Their funding of

these groups, especially Hamas and Hezbollah, threatens the security of Israel, and the stability of the Siniora government in Lebanon.

There was an AP story just this morning in which U.S. Ambassador Zalmay Khalilzad accused Syria and Iran on of playing a negative role in Lebanon and said there is clear evidence of arms smuggling across the Syrian border to terrorist groups.

Through these actions, these two countries continue to be a destabilizing force in the region and should be the primary focus of our diplomatic efforts in the region.

President Bush recently announced a new initiative for moving the Middle East peace process forward by providing financial support to the Palestinian Authority and calling for an international conference this fall to talk about creating a Palestinian state along side our closest ally in the region Israel.

While Palestinian President Mahmoud Abbas has made significant strides in isolating Hamas as the radical group it is, and to this point appears to be taking legitimate steps to move the peace process forward, he still has limited power in the Palestinian territories, and Hamas is continuing to smuggle weapons and funding into Gaza due to the lack of security along the southern border.

For this process to move forward, President Abbas must have legitimacy both with the Israelis, and in his own country, and the security situation along the border and throughout Gaza must improve.

I look forward to hearing from the witnesses today with their take on U.S. policy challenges in the Middle East, and again I thank the Chairman for holding this hearing.

MEMORANDUM

TO: House Committee on Foreign Affairs

FROM: Peter H. Smith
University of California, San Diego

RE: **Venezuela's Military Capabilities**

DATE: July 2, 2007

This memo is intended to supplement the discussion of Venezuela's military capabilities during the Committee hearing on "South America and the United States: How to Fix a Broken Relationship" (June 19, 2007).

The question was: Does Venezuela pose a serious military threat to neighboring countries? This brief report focuses on all three countries sharing contiguous boundaries with Venezuela (Brazil, Colombia, Guyana) plus two nearby countries of the Andes (Ecuador and Peru). I provide an overall assessment, present statistical data, and offer commentary on the acquisitions program of the Chávez government.

1. The Overall Assessment

Venezuela does not now or nor will in the foreseeable future present a conventional military threat to its prominent neighbors. Generally speaking, the military capabilities of Venezuela are:

- Vastly inferior to those of Brazil,
- Significantly inferior to those of Colombia,
- Roughly equivalent to those of Peru,
- Superior to those of Ecuador, and
- Vastly superior to those of Guyana.

It seems unlikely that the Chávez leadership would risk an open military confrontation with these neighbors—with the possible exception of Guyana, whose armed forces could pose only token resistance at most. Venezuela now has a warm and close relationship with Ecuador, the other country it could almost certainly defeat. Brazil, Colombia, and (to a lesser extent) Peru all have sufficient firepower to deter an outside attack.

At the same time, Venezuela could help destabilize Colombia by providing small arms and other equipment to the FARC or other rebel groups. Of particular concern is the plan to construct a Kalashnikov factory in the city of Maracay. Venezuela's current military buildup could also be used to intimidate and/or repress domestic sources of political opposition. These possibilities bear close monitoring by the USG.

2. Statistical Data

Venezuela is a relatively small country. As shown in Table 1, its population (as of 2005) was only 27 million—several times less than that of Brazil (186 million), just over half that of Colombia (46 million), just about equal to that of Peru (28 million) and roughly twice that of Ecuador (13 million). Venezuela has the second-highest GDP in this group but, even with windfall earnings from petroleum, a GDP/capita of less than \$5,000 USD.

Guyana constitutes a special case. Its population in 2005 was less than 800,000 and the GDP/capita was barely over \$1,000 USD. The Guyana Defence Force boasts only 1,100 troops—900 in the army, 100 in the navy, 100 in the air force—while the nation's defense budget hovers under \$6 million. The GDF focuses more on civic action than on military preparedness. Boundary disputes with Venezuela have raised concerns in recent years, but without overt hostilities. In a paradoxical way, Guyana's principal protection is its very vulnerability: only a bully could attack such a defenseless people. International opprobrium would be sure to follow.

Among the other countries Venezuela has the smallest army, with only 34,000 soldiers. It is much smaller than those of Brazil and Colombia and smaller than that of Peru. Venezuela's total number of active-duty troops in uniform is equivalent to that of Peru and, Guyana aside, exceeds only that of Ecuador. (See Figure 1 and Table 1.)

To be sure, the Chávez government has been strengthening the National Guard and has announced plans to create a one-million strong civilian militia. Such units could be used to suppress domestic opposition or, more euphemistically, to maintain political stability. They could also be deployed to resist a foreign invasion.

The most surprising statistics emerge from Figure 2. There is no question that the Chávez government has embarked on a major program of military fortification. As of 2005, however, Venezuela's absolute amount of military expenditure (\$1.6 billion USD) was considerably less than that of Colombia (\$4.6 billion) and than that of Brazil (\$12.5 billion). Moreover, Venezuela devoted a smaller share of GDP to military spending than any other country (1.2 percent as compared with 1.4 percent for Peru, 1.6 percent for Brazil, 2.6 percent for Ecuador, and 3.7 percent for Colombia).

Of course the Chávez buildup has greatly intensified since then. Reliable sources indicate that Venezuela's arms spending has climbed to more than \$4 billion over the past two years, transforming the nation into Latin America's largest weapons buyer and placing it ahead of such major customers as Pakistan and Iran. This brings us to the question of military acquisitions.

3. Arms Purchases

Table 2 provides a listing of Venezuela's most conspicuous arms purchases from 2000 to the present. It is an impressive (and expensive) inventory. As the data reveal, Russia has become by far the most significant source of new weapons for the Chávez regime. The strength of this tacit Caracas-Moscow alliance has become especially apparent through the recent agreement for Venezuela to purchase five diesel submarines from Russia, with four more perhaps to follow in months or years ahead.

Why this turn of events? Venezuelan governmental representatives cite two main reasons:

- First, the progressive degradation of the country's weapons systems since the 1980s, largely resulting from reductions in military budgets (thus Sukhoi fighter jets from Russia replace the obsolescent fleet of U.S.-made F-16s), and
- Second, the need to prepare for—and thus deter—the possibility of hostile action on the part of the United States. Fears of a U.S. invasion are greeted with ridicule in many quarters. To document their concern, *chavistas* point to such episodes as the Bay of Pigs (1961), Grenada (1983), Panama (1989), Haiti (1994), and, of course, Iraq (2003).

Also important have been political considerations:

- Chávez's oft-stated desire to establish Venezuela as a regional power or, at a minimum, to restore the continental military balance that existed in the 1980s;
- The consolidation of support within the military hierarchy, whose allegiance is essential to the long-term survival of the *chavista* regime;
- And finally, the enhancement of the social prestige of the Venezuelan military, which strengthens its political role within the nation.

Whatever else one might say, there is logic behind the weapons purchases.

For the most part, military analysts agree that these newly purchased arms are essentially defensive in nature. They are not about to precipitate a direct Venezuelan assault on any of its neighbors.

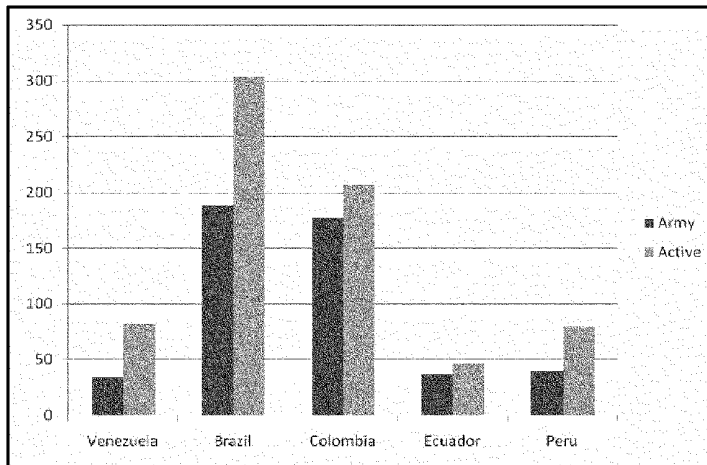
Nor need these purchases provoke a much-feared arms race among nations of South America, at least in the near future. Objectively speaking, other countries in the region have little to fear from Venezuela. Subjectively, of course, Chávez's bellicose rhetoric can raise hackles and rattle nerves, and perceptions can be all-important. But the material facts do not now call for military escalation.

More legitimate concerns relate to the potential destabilization of a country like Colombia, if the Chávez regime were to provide clandestine support for guerrilla groups, and to potential repression of domestic opposition within Venezuela itself.

In these respects, the most disconcerting item concerns the announcement of plans to construct a Kalashnikov factory (together with Russia) in Venezuela. The Chávez government has already purchased 100,000 AK-103 assault rifles (successors to the world-famous AK-47). Why the need for more? Who will get them for what purposes? Or will the factory merely serve as a platform for above-board sales to other countries?

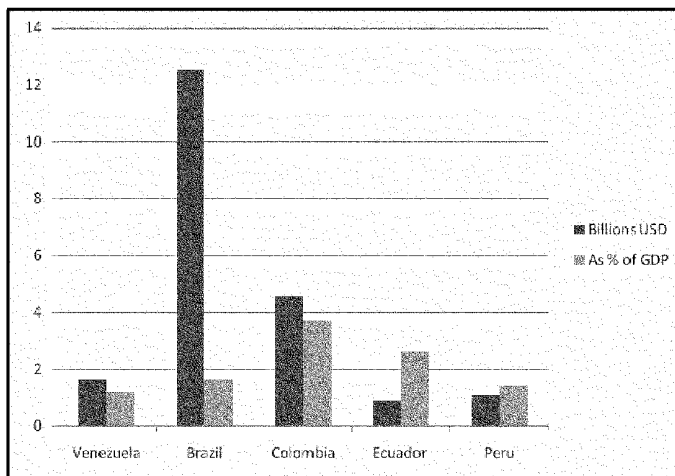
One closing comment: After blocking the sale and resale of military technologies to Venezuela on an *ad hoc* basis, the Bush administration placed an outright embargo on all such transactions in mid-2006. The stated intent was to prevent the Chávez regime from accumulating sufficient military power to alter or “destabilize” the geopolitical balance in South America. An additional goal was to express public disapproval of the *chavista* regime and its behavior. But the practical effects have been twofold: first, the embargo has forced Chávez to look outside the West for armaments; second, and more important, it has severed a vital officer-to-officer link between the U.S. military and the armed forces of Venezuela. This has eliminated a potentially valuable source of political influence for USG.

Figure 1. Active-Duty Military Personnel: Venezuela and Regional Neighbors, 2005



Source: International Institute for Strategic Studies, *The Military Balance 2005*.

Figure 2. Military Spending: Venezuela and Regional Neighbors, 2005



Source: Stockholm International Peace Research Institute (SIPRI).

Table 1. Basic Statistics: Venezuela and Regional Neighbors, 2005

| Country | Population (Millions) | Fit for Military | | Active-Duty Military (000s) | | | GDP (2005) ^b | Per Capita Income |
|-----------|--------------------------|------------------|---------|-----------------------------|------|-----|----------------------------|----------------------|
| | | Males | Females | Army | Navy | Air | | |
| Venezuela | 26.6 | 4.9 | 5.2 | 34 | 18 | 7 | 140.2 | 4,820 |
| Brazil | 186.4 | 33.1 | 38.1 | 189 | 49 | 65 | 796.1 | 3,550 |
| Colombia | 45.6 | 7.0 | 8.8 | 178 | 22 | 7 | 122.3 | 2,290 |
| Ecuador | 13.2 | 2.3 | 2.4 | 37 | 6 | 4 | 36.5 | 2,620 |
| Peru | 28.0 | 4.9 | 5.3 | 40 | 25 | 15 | 79.4 | 2,650 |

^aIncludes 23,000-member National Guard.

^bBillions of USD at current prices.

Note: Data for 2007 reflect only two significant changes in active-duty militaries: a reduction in the size of the Brazilian navy (to 33,000) and an increase in the size of the Ecuadorian army (to 47,000).

Sources: World Bank; CIA *World Factbook*; IISS, *The Military Balance 2005*.

Table 2. Major Arms Purchases: Venezuela, 2000-2007**Completed or Announced:**

- Russia: 100,000 Kalashnikov (AK-103) assault rifles; Mi-24 combat helicopters plus others (Mi-8, Mi-17), approximately 50 in total; 24 Sukhoi flanker jets; 5-to-9 conventional submarines (under consideration)
- Belarus: Night vision devices
- China: Air surveillance radar
- France: 8 light helicopters
- Spain: 4 Navantia ships, 4 Serviola ships
- Netherlands: Radar systems for ships from Spain (see above)

Blocked by United States:

- F-16 fighter planes from United States
- Upgrading of F-16 fighter planes by Israel
- L-159 jets from Czech Republic
- Transport and reconnaissance (C-295 and CN-235) planes from Spain
- Super Tucano planes from Brazil
- Scorpene submarines from France.

Sources: SIPRI; IISS, *The Military Balance 2005, 2006, and 2007*; and multitudinous press reports.