

**GUATEMALA AND THE DOMINICAN REPUBLIC:
DRUG CORRUPTION AND OTHER THREATS TO
DEMOCRATIC STABILITY**

HEARING
BEFORE THE
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OF THE
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**GUATEMALA AND THE DOMINICAN
REPUBLIC: DRUG CORRUPTION AND OTHER
THREATS TO DEMOCRATIC STABILITY**

THURSDAY, OCTOBER 10, 2002

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

The Subcommittee met, pursuant to call, at 10 a.m. in Room 2172, Rayburn House Office Building, Hon. Cass Ballenger, Chairman, presiding.

Mr. BALLENGER. Let me thank everybody for coming. The Subcommittee will come to order. This morning, we will hear the testimony from the truly distinguished panel of Administration witnesses regarding the subject of this hearing: Drug Corruption and Other Threats to Democratic Stability in Guatemala and the Dominican Republic.

Guatemala and the Dominican Republic are both squarely in the path of the avalanche of cocaine and heroin coming from Colombia to our shores here in the United States. The corruption and moral degradation and crime that these drugs carry with them threaten both of these nations equally. That being said, there is a contrast to be drawn between the responses of the two governments to this threat.

Today, we will hear testimony that I believe will help illustrate the failure of the government of Guatemala to wake up to the mortal threat of drug corruption. The hour is late. The damage done by criminal corruption to Guatemala's fragile democracy is devastating. Guatemala's President Alfonso Portillo and his government have demonstrated their capacity to lead on other issues. Just recently, Guatemala reached a historic agreement with Belize to solve a territorial dispute that has festered for over a century.

This week, the Guatemalan courts handed down a 30-year sentence against a high-ranking former military officer for the murder of Myrna Mack, a noted human rights activist. President Portillo needs to exercise real leadership right now—before it is too late—to fight the drug-related corruption and impunity that riddles Guatemala.

The corrupting influence of drugs and drug money is a long-standing problem in the Dominican Republic as well. Corruption and human rights concerns led the United States in the past to stop working with the Dominican National Police. Corruption and weak government institutions remain impediments to controlling

the flow of illegal narcotics throughout the Dominican Republic. Neighboring Haiti is awash in illegal drugs and drug corruption.

The Dominican Republic's President Hipolito Mejia, however, has demonstrated a personal commitment to making hard decisions to address corruption. He has replaced a corrupt head of the police. He has resolved longstanding extradition cases that were going nowhere. Just this week, President Mejia warned that he would punish any former Army officials convicted of drug trafficking. Certainly, more needs to be done.

I hope that we will be able to continue to count on President Mejia's leadership to root out drug corruption no matter where it may occur. In this regard, I know that the Ranking Member of this Subcommittee has specific concerns to raise with our witnesses. I look forward to hearing testimony on these threats, and on the U.S. efforts to help respond to them.

Firstly however, I want to recognize our Ranking Member Mr. Menendez for an opening statement.

Mr. MENENDEZ. Thank you, Mr. Chairman. I want to thank you for calling this hearing. I know that we are late in the session, but I think that the importance of what we discuss today merits it still being considered within this session of Congress.

The hearing, in particular, is important as both countries, I think, play a significant role here in the hemisphere. Before I speak directly to the two countries involved, because I know that our friends in Latin America often look at the way in which we speak, both about them and to them and raise concerns, I want to put it in context.

Our own country has just experienced a corporate-corruption scandal whose massive scale dwarfs any corruption we may find in either of these two countries. The difference, however, is in the institutions here and there and in the rule of law. Only with effective democratic institutions and respect for the rule of law by all and impunity for none will these two nations achieve their great potential, and I do believe they have great potential.

Let me first address Guatemala, the largest country in Central America. The great international hope that emerged after the 1996 Peace Accords seems to have dissipated. Guatemala appears to have gone in reverse in its development and in its progress toward democratic governance for the benefit of the nation and her people.

I, frankly, am worried about Guatemala. I worry that organized crime elements, with possible links to the national political leadership, have done great harm and are poised to do greater harm to Guatemala. This can never be good economically for a nation; and indeed, the economy has not done well. This comes at a time when we are poised to pursue free trade with Central America.

So I hope that the Administration has some answers for us today as to: Where are the results of our fight against corruption? Where is the focus on helping Guatemala fight the widespread corruption, criminality, violence and impunity of members of the present and former security forces, the military and high levels of the government that appear to have grown out of control in Guatemala under President Portillo and former dictator Rios Montt? The murderers of Bishop Juan Gerardi have had their convictions overturned. I

understand that that is a process of the judiciary. This action clearly seems to raise many questions.

So I want to get a sense of where we are 6 years, after the signing of the Peace Accords? Where is it that we are headed here in Guatemala? What is it that we are doing and what are the responses of the Guatemalan government?

Secondly, with direct regard to the Dominican Republic, I have a great respect for the Dominican people. I have many of their former citizens living in my congressional district. They are an industrious people. As a frequent visitor to that beautiful island, I certainly have great admiration. But I am seriously concerned about what is happening in the Dominican Republic in the question of narcotic trafficking. I would hope that the Administration will talk to us about the five political appointees of the present administration who were recently murdered.

I would like you to share with the Committee any information you have about these murders. One of these was the brutal murder 4 or 5 months ago of Mr. Martin Pimentel, an alleged drug trafficker. I would like to know if you are familiar with that case and what you can share with the Subcommittee about it? I would like you to tell us about Gomez-Masara. I would like to know whether the Administration is aware of any links being made between Mr. Pimentel and Mr. Gomez-Masara, or between him and any of the five-murdered appointees.

I would like to know with our post-September 11th concerns about illegal transit, both of individuals and dangerous materials, is there anything we should be aware of that may be transiting the Haiti-Dominican border? Those are just some of my questions.

Mr. Chairman, I look forward to the answers to those questions and many others. Thank you.

Mr. BALLENGER. Congresswoman Ros-Lehtinen would like to have an opening statement.

Ms. ROS-LEHTINEN. Thank you so much, Mr. Chairman. It is a pleasure to be here with you today. I would like to thank you for holding this important hearing, along with the Ranking Member Mr. Menendez.

The use of Central American nations as a corridor for the transit of drugs into the U.S. is, indeed, an increasing problem, but one which is being addressed jointly by the U.S. and its Central American neighbors. As we have seen in Colombia, Bolivia, Ecuador and Peru, throughout the years, the drug trade has a pernicious effect on the process of democratic consolidation by fermenting violence, instability and the rule of law.

However, as recent experience has shown with the Andean Regional Initiative, it must be addressed as a regional issue and not simply as a bilateral, country-specific priority. I hope that this hearing is the first of several which will evaluate the situation in all Central American nations and all Caribbean nations in order to develop a more comprehensive strategy. Due to the broad representation of the Department of State here today, I am confident that we will be successful in combating the multiple ramifications of the drug trade in all of Central America and the Caribbean.

I congratulate you, Mr. Chairman, for having an excellent array of panelists, but I want to especially point out the excellent work

done by two wonderful diplomats who are great spokesmen for American foreign policy abroad: Assistant Secretary Otto Reich and USAID Assistant Administrator Adolfo Franco. It has been a pleasure, especially for those of us from south Florida, to work with these two distinguished gentlemen.

They have always been helpful, open and willing partners as we struggle with the horrific problems that are menacing Latin America, which certainly needs a lot of U.S. attention and assistance in these troubled times. So we thank Ambassador Reich and Mr. Franco for being here, especially.

Thank you, Cass.

Mr. BALLENGER. Before I introduce the panel, one thing I would like to warn everybody about. The word came to me that we are going to have a vote in about 5 or 10 minutes. It will only be one vote. We will be back. If you give us about 10 or 15 minutes, we will be back in time.

I would like to apologize to my good friend from Massachusetts. I have a horrible habit of punctuality that is normally a complete waste here in Washington. But, in reality, I happen to be the Chairman, so we started on time. I am sorry about that, Bill.

Mr. DELAHUNT. Well, when I walked in, you were congratulating yourself and Mr. Menendez there. I was glad I came.

Mr. BALLENGER. Okay. Let me introduce the panel. This is not in the order of the seating arrangement, but I guess it is in order of rank. Let's put it that way.

First of all, we have the Honorable Otto Reich, Assistant Secretary of the Bureau of Western Hemisphere, U.S. Department of State; the Honorable Adolfo Franco, Assistant Administrator, Bureau for Latin America and the Caribbean, U.S. Agency for International Development; Mr. Paul Simons, Acting Assistant Secretary, Bureau of International Narcotics and Law Enforcement Affairs, U.S. Department of State; Mr. Roger Guevara, Chief of Operations, The Drug Enforcement Administration; and Ms. Monica Vegas Kladakis, Senior Coordinator for Democracy and Human Rights Promotion, Bureau of Democracy, Human Rights and Labor.

We will accept your testimony in the order in which I introduced you. So, Mr. Secretary, go right ahead.

STATEMENT OF THE HONORABLE OTTO J. REICH, ASSISTANT SECRETARY FOR WESTERN HEMISPHERE AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. REICH. Thank you, Mr. Chairman and Members of the Committee. It is a pleasure to appear before the Subcommittee again today, and I thank you for accepting my complete testimony and for making it part of the record of the hearing. With your permission, I would like to give an abbreviated statement and then proceed to your questions, after my colleagues have had a chance to present theirs as well.

Now that all but one of the nations of this hemisphere have embraced democracy and free trade, they must address the greatest factor limiting their development. The World Bank has identified corruption as "the single greatest obstacle to economic and social development." Corruption directly harms the people of the Americas, most dramatically, the poor.

If the countries of the Americas are to grow and develop in accord with their potential, corruption must be reduced. We should not allow the benefits of free trade to accrue to criminals rather than to the people. We must send a clear message: Clean up your act or we will take our business elsewhere.

All the countries of the hemisphere are victims of corruption, including ours. But what differentiates the countries is the way in which their leaders deal with this menace. In the U.S., we have recently seen the sad but reassuring sight of high corporate officials, and even a U.S. Congressman, arrested for misuse of money, abuse of power, or downright fraud.

There are those in the hemisphere who are also making great strides in this fight, such as President Bolanos of Nicaragua. Over 900,000 Nicaraguans have signed petitions to urge the prosecution of former President Aleman for his theft of public funds. President Fox is leading a charge against the decades of corruption that have corroded the Mexicans' faith in their government. The new government of Bolivia has pledged that it will fight corruption across the board. Uruguay arrested banking magnate Jose Periano on fraud charges. Ecuador is investigating corruption in the Finance Ministry that went all the way to the Minister himself.

Twenty-eight out of thirty-four Organization of American States (OAS) member states have ratified the Inter-American Convention Against Corruption, promising to clean up their systems. We must support them in their efforts to fight their own political and economic elites, but we must also help them hold to the promise embodied in the Inter-American Convention that the theft of the people's funds and abuse of their trust will stop as we hold ourselves to the same standard.

Two examples of the fight against corruption about which I would like to talk briefly today are: The Dominican Republic and Guatemala. Corruption has been a major problem in the Dominican Republic for decades but government efforts to combat it are improving. Cooperation with the United States in the law enforcement arena is good. In Guatemala, government corruption appears to be worsening and activities to combat it are less than optimum.

Let me turn first to the Dominican Republic. The U.S. has a strong interest in a democratic, stable and economically healthy Dominican Republic. The DR has the largest economy in the Caribbean and the fastest-growing economy in the Western Hemisphere, 6 percent in the first 6 months of 2002.

It has the second largest population and land mass in the Caribbean, sharing the island of Hispaniola with Haiti. The U.S. Government has been an active partner in the Dominican Republic's democratic and economic development. Yet, corruption remains an issue in Dominican society. Our Embassy, through USAID programs, is working to develop programs to combat corruption, especially in the judiciary.

The U.S. Government is working with the Dominican government through anti-corruption programs and training of law enforcement and border agencies to combat impunity and strengthen systemic controls to prevent corruption. Law enforcement issues have been very important in the bilateral agenda in recent years.

We cooperate closely in the fight against narcotics trafficking, yet the Dominican Republic serves as a major transit country for cocaine. Interdiction of this flow has been hampered by a lack of training and funding for security forces as well as by corruption. The U.S. provides training and equipment assistance to Dominican law enforcement agencies in an effort to improve performance.

President Mejia should be commended for recently promulgating new money-laundering legislation. Extradition of Dominican suspects is another important issue in which the Dominican Republic has made great strides. It is ensuring that criminals wanted for trial in the U.S. are captured and extradited. The repair of the previously dysfunctional Dominican extradition process has been one of the recent successes in the relationship. About 30 Dominicans have been extradited to the U.S. since President Mejia's inauguration in August 2000.

I would like now to turn to Guatemala. A key U.S. objective in Guatemala is to support implementation of the Peace Accords that ended 36 years of internal conflict in 1996. This includes efforts to support democratic institutions and promote respect for human rights and the rule of law. Other important objectives are: Promoting broad-based, sustainable economic growth; maintaining mutually beneficial commercial ties; and cooperating to combat narcotics trafficking and alien smuggling. Honesty and transparency are keys to the success of these goals.

The government of President Alfonso Portillo of the Guatemalan Republican Front, or FRG, has declined in popularity since winning 68 percent of the vote in a two-way runoff in December 1999. There was great hope for the Portillo administration, especially for implementation of the Peace Accords, including improvement in the social conditions of Guatemala's poor. Unfortunately, the government of Guatemala has done little to advance the accords. Guatemala's poor continue to suffer from malnutrition, lack of education and limited economic opportunities. Almost from the beginning, the government has been beset by major corruption scandals, a deteriorating public security situation, and a weakened economy.

A divided opposition, a lack of leadership in the legislature, and a lack of coordination among civil society groups has resulted in an unproductive dialogue with Portillo and his cabinet. We have used visits to Washington by President Portillo, senior Guatemalan officials, and prominent civil society leaders to convey a message to all parties on the need for constructive engagement in order to surmount the many challenges Guatemala faces.

Our Embassy has been active on all fronts and with all sectors of the government and civil society. I should point out that, while human rights practices have improved overall since the signing of the 1996 Peace Accords, events in the past year have caused concern that the situation may be worsening.

In the last year, many human rights groups and activists have reported being threatened and some have been attacked. Some high-level officials have covered up or obstructed efforts to investigate human rights abuses. As a candidate, and then as President, President Portillo promised reforms to strengthen civilian control over the military and to address past human rights abuses. While he issued an official apology for any abuses that occurred, and the

government has paid compensation to a small number of the victims, there appears to be insufficient political will in his government to address the past, and any type of civilian oversight of the military and its growing budget, remains blocked.

We urge President Portillo to overcome influential political players seeking to derail military reform efforts, including his pledge to disband the notorious Presidential Military Staff (EMP).

By all accounts, corruption continues to run rampant in Guatemala, and it is the number one obstacle to increasing the effectiveness of the U.S. Government programs in the country. Efforts to pass legislation on corruption and transparency have failed, primarily, due to a lack of political will by the FRG and disagreements with the opposition parties as to content.

To his credit, President Portillo brought in the World Bank to develop a "National Anti-Corruption Plan," but the effort has been stalled by the inability of the government and civil society to agree on the make-up of the Committee to develop this project.

Even without corruption, the police, prosecutors and judges assigned the task of dealing with organized crime do not have enough resources to tackle the problems. The United States has been very assertive in assisting and in trying to convince the government of Guatemala to deal with the corruption problem.

We have revoked the visas of a number of influential people who were involved in narcotics and alien smuggling, money laundering and other criminal activity. The U.S. facilitated the formation of a diverse group of 11 influential individuals from all sectors, including the Vice President of the country to attend Transparency International's Anti-Corruption Seminar in Prague in the hopes of raising the level of consciousness and promoting cooperation across sector lines, but we must do more.

Organized crime, in particular narcotics trafficking and alien smuggling, is increasing. Guatemala is a major and growing transit country for narcotics. Yet, seizures have dropped to practically nothing. With U.S. assistance, the government of Guatemala is in the process of creating a new Narcotics Police Force due to endemic corruption in the previous institution.

Alien smuggling is also on the increase in Guatemala. The worsening economy has made Guatemala a bigger source country than ever, and it continues to be a major transit country for illegal aliens of all nationalities. Official and private corruption, a weak judicial system, largely unguarded coast lines, lack of host country resources, and geographic advantages combine to make Guatemala attractive for drug trafficking as well as for alien smuggling and many organized crime organizations successfully combine the two activities.

While the government of Guatemala has been cooperative on some substantive issues, or individual cases, much progress remains to be made. There are, nevertheless, success stories. Money laundering is one such anti-organized crime success story. At the end of 2001, Guatemala passed a very extensive and modern money laundering legislation. It should be noted, however, that, despite the enactment of this legislation, Guatemala remains on the Financial Action Task Force's (FATF) list of "Non-Cooperative Countries and Territories." There continues to be an intensified

focus on the government of Guatemala to ensure that it establishes an effective anti-money laundering system and fully complies with the FATF recommendations.

It is expected that Guatemala will remain on the list until the government finalizes its legislative changes to the banking sector and effectively deals with the issue of bearer share corporations. Training is currently underway for banking officials, prosecutors, police and judges.

While no one has been convicted, the government of Guatemala has cooperated with the U.S. Government in providing information on cases of interest. Guatemala's strategic location along the southern border of Mexico, its long history of violence and instability, and the large investment the United States has made in the Peace Accords means that strong engagement by the United States must continue.

Guatemala holds national elections next year. It is essential that they be free, transparent and fair. While many of the indicators are bad, there is hope. Last week's unprecedented conviction of an ex-military officer as being the intellectual author of the civil conflict era murder of Guatemalan anthropologist Myrna Mack indicates there is hope for the judicial system. Our active engagement in aiding the Peace Accords and the aspirations behind them continues.

I want to assure this Subcommittee of the Administration's continuing support for the Dominican Republic and Guatemala as they work to root out and eliminate corruption within their ranks. This is a problem that will not be solved overnight, but which requires long-term commitment from all of us.

Thank you, Mr. Chairman, for this opportunity to testify again before the Subcommittee. I would be pleased to respond to any questions you may have.

[The prepared statement of Ambassador Reich follows:]

PREPARED STATEMENT OF THE HONORABLE OTTO J. REICH, ASSISTANT SECRETARY
FOR WESTERN HEMISPHERE AFFAIRS, U.S. DEPARTMENT OF STATE

CORRUPTION AND OTHER THREATS TO DEMOCRATIC STABILITY IN THE DOMINICAN
REPUBLIC AND GUATEMALA

Mr. Chairman, members of the Committee, thank you for the opportunity to appear before you today to discuss corruption and other threats to democratic stability in the Dominican Republic and Guatemala.

Now that all but one of the nations in our hemisphere have embraced democracy and free trade, they must address the single greatest factor limiting their development. The World Bank has identified corruption as "the single greatest obstacle to economic and social development." Transparency International has calculated the cost of corruption in some countries to be as much as six thousand dollars per person each year. One third of the population of this hemisphere still lives on less than two dollars a day, despite the natural wealth of this region. Eighty percent of Latin Americans, according to the 2002 *Latinobarometro* survey, believe corruption has increased.

Corruption directly harms the people of the Americas, most dramatically the poor. Studies by the World Bank show that increased corruption and an absence of the rule of law have a negative impact in areas beyond the economic, harming a country's social and human development as well. If the countries of the Americas are to grow and develop in accord with their potential, corruption must be reduced.

The citizens of those nations suffering from widespread corruption will not have the chance to reap the benefits from the Free Trade Area of the Americas. Moreover, we should not allow the benefits of free trade to accrue to criminals rather than to the people. We must send a clear message—clean up your act or we will take our business elsewhere.

But corruption harms more than just the economy, more than just the poor. Corruption tears at the fabric of democracy itself. As recognized in the Inter-American Democratic Charter, adopted by all thirty-four member states of the Organization of American States on September 11, 2001, transparency in government activities, probity, and responsible public administration on the part of governments are essential components of the exercise of democracy. Yet Latin American citizens have expressed dissatisfaction with democracy in their countries because they have not felt its greatest benefit—an accountable government that represents the people. We cannot expect people to have faith in or support a regime that steals from them, hurts their quality of life, and hides the truth.

There are those in the hemisphere who are making great strides, such as President Bolanos of Nicaragua. Over 900,000 Nicaraguans have signed petitions to urge the prosecution of former President Aleman for his theft of public funds. In Mexico, President Fox is leading a charge against the decades of corruption that have corroded Mexicans' faith in their government. The new government of Bolivia has pledged that it will fight corruption across the board. Uruguay arrested banking magnate Jose Periano on fraud charges. Ecuador is investigating corruption in the Finance Ministry that went all the way to the Minister himself. Twenty-eight out of thirty-four OAS member states have ratified the Inter-American Convention Against Corruption, promising to clean up their systems. We must support them in their efforts to fight their own political and economic elites, but we must also hold them absolutely to the promise embodied in the Inter-American convention that the theft of the people's funds and abuse of their trust will stop.

We are encouraging those governments that combat corruption and pressuring those that do not. This includes, but is not limited to, implementing the Inter-American convention, supporting development of international anti-corruption norms, and providing assistance to hemisphere nations to increase transparency of government processes and build their prosecutorial capacity. We are carrying out a range of activities to strengthen the free press and civil society throughout the hemisphere and engaging in aggressive public campaigns to get the word out about the cost of corruption and the benefits of good governance.

In coordination with the other agencies of the U.S. Government, and with the input and support of the International Financial Institutions and other donor nations, we are addressing the poison of corruption in its myriad forms. By sending a clear and consistent message that corruption is intolerable in a healthy democracy, we will entrench democratic reform, encourage development, and return the power of a free political and economic system to the people.

The U.S. Government is concerned about corruption in the Governments of the Dominican Republic and Guatemala. Corruption is a major problem in the Dominican Republic but government efforts to combat it are improving. Cooperation with the United States is good in the law enforcement arena. In Guatemala, government corruption appears to be worsening and activities to combat it appear to be little more than lip service.

DOMINICAN REPUBLIC

The U.S.-Dominican relationship is more robust than ever. An estimated one million Dominicans (1 in 9) live in the United States (centered in and around New York) and are estimated to contribute over \$1.8 billion annually to the Dominican economy through remittances. The Dominican Republic is four-square behind the U.S. counter-terrorism agenda and can be expected to be supportive in international fora.

The U.S. has a strong interest in a democratic, stable, and economically healthy Dominican Republic. The DR has the largest economy in the Caribbean and the fastest growing economy in the Western Hemisphere—6% in the first six months of 2002. It has the second largest population and land mass in the Caribbean, sharing the island of Hispaniola with Haiti. The U.S. Government has been an outspoken proponent of the Dominican Republic's democratic and economic development. Despite rough patches over the first two years of his term, President Hipolito Mejía dominates the Dominican political scene. Mejía's governing Dominican Revolutionary Party (PRD) won a resounding victory in May 16, 2002 congressional and municipal elections, winning 29 of 32 Senate seats, 73 of 149 seats in the Chamber of Deputies, and control of 104 of 125 city administrations. Disappointed with their poor showing, the Dominican Liberation Party (PLD) and Social Christian Reformist Party (PRSC) complained that the elections were riddled with fraud and government largesse. International election observers, including the OAS, however, certified the elections were free and fair.

The United States strongly supports the Dominican Republic's successful efforts to strengthen its democracy. Over the next five years, USAID will provide approximately \$20 million in assistance under its democracy building program. The funds will be used to develop a more representative and effective electoral system with increased civil society participation. The Embassy, through USAID programs, is working to develop programs to strengthen the rule of law, improve administration of justice, and to combat corruption. We also work closely with Dominican authorities to reduce illegal immigration from the Dominican Republic to the United States.

Law Enforcement, Narcotics Trafficking, Extradition, Money Laundering, Corruption: Law enforcement issues have been very important in the bilateral agenda in recent years. Our two governments cooperate closely in the fight against narcotics trafficking. The Dominican Republic serves as a major transit country for cocaine. Interdiction of this flow has been hampered by a lack of training and funding for security forces, as well as corruption. The same is true for illegal immigration from the DR to the United States, both of Dominicans and of third-country nationals, such as Haitians, Chinese, and Pakistanis. The U.S. provides training and equipment assistance to Dominican law enforcement agencies in an effort to improve performance.

Following years of frustration, we have established a cooperative and productive relationship with the Dominican Republic on the issue of the extradition to the U.S. of Dominican nationals. The DR has made great strides in ensuring that criminals wanted to stand trial in the U.S. are captured and extradited. The initiation of the extradition process has been one of the recent successes in the relationship. Former President Fernandez began the process in 1997 when he interpreted his Constitutional authority and his powers under the bilateral extradition treaty and ordered the extradition of two Dominican nationals. In 1998, the Dominican Congress effectively endorsed his position by removing all legislative bars to the extradition of Dominican nationals. About thirty Dominicans have been extradited to the U.S. since President Hipolito Mejía's inauguration in August 2000. The U.S. has extradited two Dominican nationals to the Dominican Republic and several other Dominican requests are pending.

New police leadership in the Dominican Republic has surrendered police officials accused of human rights abuses including government-conducted murder, rape, torture, and civilian authorities for trial in as many as a dozen cases. Extra-judicial killings have also dropped.

In May 2002, with our strong encouragement, President Mejía promulgated new money laundering legislation. Implementing regulations for the new law are currently being drafted by the head of the newly formed GODR Committee Against Laundering of Assets. Dominican banks are supposed to report suspicious transactions and deposits of amounts greater than \$10,000. The U.S. recently provided laptop computers for use by the Financial Investigations Unit (FIU). How well these efforts will pan out remains to be seen and we continue to monitor them.

Weak institutions and an "every man for himself" culture combine to make corruption a problem in the Dominican Republic, both in the government and private sectors.

Illegal migration, alien smuggling: As noted earlier, the Dominican Republic government has manifested its concern in these areas, but efforts to curb narcotics trafficking, control alien and other types of smuggling and foster democratic institutions are hamstrung by persistent corruption in multiple levels of government and society. Corruption at the Dominican-Haitian border is particularly endemic, permitting drugs and third-country nationals (such as Chinese and some Pakistanis) entry into the Dominican Republic.

The numbers of aliens transiting illegally through Haiti and the Dominican Republic appears to be on the rise. Dominican authorities have detained Dominican government officials, including several Dominican consular officials assigned to Haiti, involved in facilitating the illegal entry of third-country nationals. A former Dominican Consul suspected of participating in an alien smuggling operation while in Haiti, and issuing Dominican Republic passports to Haitians and third-country nationals, was arrested several months ago. One month ago, Dominican authorities arrested a Dominican Vice Consul assigned to Haiti for transporting firearms and nearly 90 pounds of illegal drugs from Haiti into the DR. These are important steps in securing the porous border with Haiti as well as a test of whether the Dominican Republic is serious about cracking down on official corruption.

Haiti remains a key concern of the Dominicans. An estimated one million Haitians live in the DR, mostly illegally, and the government fears that continued deterioration in the situation in Haiti will cause many more Haitians to flee across the border. Dominicans of every stripe complain that the Dominican Republic is being forced by the international community to bear the brunt of Haiti's political and eco-

conomic problems. Although some Haitian immigrants fill a void in the Dominican labor force, unchecked Haitian migration imposes high social and economic costs on the Dominican Republic. Environmental degradation, accelerated by Haiti's difficult economic situation, is an area of concern along the Dominican-Haitian border.

U.S. Assistance to the Dominican Republic: Assistance through the State Department's Bureau of International Narcotics and Law Enforcement consists mostly of support to Dominican law enforcement agencies, with a small amount to regional anti-money-laundering organizations. U.S. Department of Justice OPDAT support focuses on training for the Public Ministry in the area of corruption investigation. Other U.S. assistance goes to the Judiciary, the Department of Prevention of Corruption in the Public Ministry, the Council of Prevention of Corruption, and to civil society organizations.

U.S. assistance has been allocated to USAID's anti-corruption program for the past five years. Programs with civil society organizations have raised the profile of corruption, so that government leaders, the press, and citizens are now talking about and advocating against corruption. The new National Plan Against Corruption and its performance monitoring plan, developed with USAID assistance, are important steps in the right direction in the fight against corruption. The creation of new government offices and the expansion of existing units' roles to fight corruption are also notable. Perhaps the greatest indication of results in this area is the prosecution of corruption cases involving high-level officers of both previous and current administrations.

Assistance is also planned for the Comptroller General as part of a new strategy to support government capacity building and civil society advocacy.

GUATEMALA

The key U.S. objective in Guatemala is supporting the implementation of the Peace Accords that ended 36 years of internal conflict in 1996. This includes efforts to support democratic institutions and promote respect for human rights and the rule of law. Other important objectives are promoting broad-based, sustainable economic growth, maintaining mutually benefiting commercial ties and cooperating to combat narcotics trafficking and alien smuggling.

Political Overview: Guatemala has had two democratically elected governments since the 1996 Peace Accords that ended 36 years of armed internal conflict. The current government, headed by President Alfonso Portillo of the Guatemalan Republican Front (FRG), has lost much of its popularity since winning 68 percent of the vote in a two-way run off in December 1999. There was great hope for the Portillo Administration, especially for implementation of the Peace Accords and for improvements in the social conditions of Guatemala's poor. Unfortunately, very little has been done to advance the accords and Guatemala's poor continue to suffer from malnutrition, lack of education, and limited economic opportunities.

Almost from the beginning, the Portillo-FRG government has been beset by major corruption scandals, a deteriorating public security situation, and a weakened economy. A divided opposition, a lack of leadership in the legislature, and a lack of coordination among civil society groups has resulted in unproductive confrontations with Portillo and his cabinet. We have used visits to Washington by President Portillo, high-level Guatemalan officials, and prominent civil society leaders to convey a message to all parties on the need for constructive dialogue in order to surmount the many challenges Guatemala faces. Our embassy has been engaged on all fronts and with all sectors of the government and civil society.

Peace Accords: Implementation of the 1996 Peace Accords is now virtually at a standstill, due to the lack of political will on the part of the government, military, civil society, and the private sector. In addition to a lack of will, there are not enough resources to properly implement many of the reforms, and many consider the original and subsequent timeframes to have been unrealistic. While there is no immediate risk of a resumed internal conflict, there is growing popular frustration with the government and its lack of progress on issues found in the Accords as evidenced by recent land invasions and demands for payments by members of the Civilian Action Patrols (PACs in Spanish). The Embassy and the rest of the international community continue to believe that the "blueprint" found in the Accords is the best way for Guatemala to make the political, economic, and social reforms so badly needed in Guatemala.

Human Rights: While human rights practices have improved overall since the signing of the 1996 Peace Accords, events in the past year have caused concern that the situation is now worsening. In the last year, many human rights groups and activists have reported being threatened and some have actually been attacked. The United Nations Verification Mission in Guatemala (MINUGUA) reported that the

overall human rights situation deteriorated, and there were increased signs of the participation of clandestine groups in illegal activities linked to employees of the public ministry, military intelligence, justice system, and police. These groups appeared to act with relative autonomy, and, while there was no evidence that they were a part of government policy, they did operate with impunity. MINUGUA also found evidence of civilian and military officers linked to these groups operating both officially and unofficially within the executive and judicial branches.

While the Guatemalan government generally respects the human rights of its citizens, some serious problems continue. Some high-level officials have covered up or obstructed efforts to investigate human rights abuses. Members of a coalition of human rights groups demanded that the Portillo administration take measures to ensure the security of human rights workers, investigate and prosecute the material and intellectual authors of the attacks, investigate the existence of clandestine groups and parallel forces linked to state institutions believed to be behind the attacks, and dismantle them. Human rights groups broke off dialogue, saying the government failed to respond adequately to the human rights groups' demands. Some government officials made public comments disparaging human rights workers and international observers.

The Historical Clarification Commission (CEH), created under the 1996 Peace Accords, found that the Army and the paramilitaries it controlled were responsible for the vast majority of human rights violations committed during the armed internal conflict. As a candidate and then as president, President Portillo promised reforms to strengthen civilian control of the military and to address past human rights abuses. While he issued an official apology for any abuses that occurred, and the government has paid compensation to a small number of victims, there is little political will in his government to address the past, and any type of civilian oversight of the military and its growing budget remains completely blocked. President Portillo must overcome influential political players seeking to kill military reform efforts, including his pledge to disband the notorious Presidential Military Staff (EMP).

Corruption: By all accounts, corruption has increased significantly under the Portillo administration and it is the number one obstacle to increasing the effectiveness of all USG programs in Guatemala. Transparency International's August rankings listed Guatemala as number 81 out of 102 countries. Impunity exacerbates the problem. Few high-level figures are ever charged or even formally investigated for corruption, and fewer go to trial. The Government of Guatemala's efforts to fight corruption have been generally ineffective and have contributed to disillusionment with the government. Efforts to pass legislation on corruption and transparency have failed, primarily due to lack of political will by the FRG and disagreements with the opposition parties as to content. President Portillo brought in the World Bank to develop a "National Anti-Corruption Plan", but the effort has been stalled by the inability of the government and civil society to agree on the make-up of the committee to develop this project.

The United States has been very aggressive in trying to convince the Government of Guatemala to deal with the corruption problem. We have revoked the visas of a number of influential people who were involved in narcotics and alien smuggling, money laundering, and other criminal activity. The U.S. facilitated the formation of a diverse group of eleven influential individuals from all sectors, including the vice president, to attend Transparency International's Anti-Corruption Seminar in Prague in the hopes of raising the level of consciousness and promoting cooperation across sector lines. The U.S. also assisted Guatemala in creating an Anti-Corruption Prosecutor's Office and an Anti-Corruption Task Force within that office. While these groups have been unable to indict any high-level figures to date, they have had success against municipal officials, including mayors throughout the country who have been involved in government corruption. The Anti-Corruption Prosecutor's Office and Task Force's investigations of high-level figures have not yet borne results, however.

Organized Crime: Narcotics trafficking and alien smuggling are on the rise in Guatemala. Some of the leaders of these activities have very close ties to the highest levels of government and regularly influence decisions, especially with respect to personnel nominations in the military and the Ministry of Government.

Seizures of illegal narcotics in Guatemala are down dramatically in the year 2002, even though the amount of illicit drugs transiting through Guatemala has not decreased. Intelligence indicates that large amounts of cocaine are being transhipped through Guatemala with almost complete impunity. Lack of continuity amongst personnel from the police all the way to the ministerial level, a severe lack of resources, and corruption at all levels of the system have contributed to this decrease in seizures. This year the narcotics police were rocked by a number of corruption scan-

dals, including one in which the narcotics police broke into a seized narcotics store-room and stole about 1600 kilos of cocaine. This event forced the government to completely purge the narcotics police. With U.S. assistance, the Government of Guatemala is in the process of creating a new narcotics police. However, the influence of organized crime leaders and a perceived lack of will call into question whether the new narcotics police will be allowed to really do its job.

An additional negative factor is the severe lack of adequate funding for the police, prosecutors, and judges. Even without corruption, the public forces assigned the task of dealing with organized crime do not have enough resources to tackle the problem. The Government of Guatemala needs to work on bilateral and multilateral issues such as a counternarcotics maritime agreement, a modern extradition treaty, and complete compliance with all of the provisions of the UN Drug Convention.

Alien smuggling is also on the increase in Guatemala. The worsening economy has made Guatemala a bigger source country than ever, and it continues to be a major transit country for illegal aliens of all nationalities. Many of the same factors that make Guatemala attractive for narcotrafficking also make it an attractive country for alien smuggling. These attributes include corruption, a weak judicial system, large unpatrolled coastlines, lack of host country resources, and geographic advantages. Many organized crime organizations mix the two activities quite successfully. While the Government of Guatemala has been cooperative on small substantive issues or individual cases, very little progress has been made.

Money laundering is one of the few anti-organized crime success stories in Guatemala. At the end of 2001, Guatemala passed a very extensive and modern money laundering legislation. It should be noted, however, that despite the enactment of this legislation, Guatemala remains on the Financial Action Task Force's (FATF) list of "Non-Cooperative Countries and Territories (NCCT). There continues to be an intensified focus on the Government of Guatemala to ensure that it establishes an effective anti-money laundering system and fully complies with the FATF 40 recommendations. It is expected that Guatemala will remain on the NCCT list until the government finalizes its legislative changes to the banking sector and effectively deals with the issue of bearer share corporations.

Our Embassy was instrumental in making this happen and the Treasury Department provided important technical assistance. Training is currently underway for banking officials, prosecutors, police, and judges. The Departments of Justice and Treasury have been involved in this effort. While no one has been convicted, the Government of Guatemala has cooperated with the USG in providing information on cases of interest. This legislation is key to the war on terrorism and the efforts to discover and freeze terrorist assets.

CONCLUSION

The Administration will remain closely engaged with the Dominican Republic and Guatemala as they work to root out and eliminate corruption within their ranks. This is a problem that will not be solved overnight, but which requires long-term commitment from all of us.

Mr. BALLENGER. As I predicted, the vote came up and I was counting your pages and I was not quite sure that you were taking the short form of your speech.

Mr. REICH. It was the short form of the speech.

Mr. BALLENGER. Okay. Let me just say to everybody that we will vote now, but your complete statements will be included in the record without exception.

[Discussion off the record.]

Mr. REICH. We are definitely returning?

Mr. BALLENGER. Yes, we are definitely returning. Give us 10 minutes. I think that is what we have got, 10 minutes to vote.

[Recess.]

Mr. BALLENGER. Let me thank you all for giving us the opportunity to vote. We have a fairly heavy voting schedule on Iraq today. So it is important that we take time out to vote.

Next, according to the introduction list, we have the Honorable Adolfo Franco. It is all yours, Adolfo.

STATEMENT OF THE HONORABLE ADOLFO A. FRANCO, ASSISTANT ADMINISTRATOR FOR LATIN AMERICA AND THE CARIBBEAN, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. FRANCO. Thank you very much, Mr. Chairman and Members of the Committee. I am delighted to appear today to testify in the role of USAID on the fight against corruption and narcotics in the Dominican Republic and Guatemala. It is always a special pleasure to come home to the House International Relations Committee.

I think Secretary Reich has very well outlined the challenges that we face in terms of the political, economic and trade issues; that corruption touches every facet of society in Guatemala, the Dominican Republic and Latin America. I think he is very astutely up on the challenges that we in the U.S. Government face as a whole.

I would like to speak today about our role at USAID specifically. As in other countries of Latin America and the Caribbean, USAID supports a variety of anti-corruption regional and bilateral initiatives that strengthen government accountability and transparency in Guatemala and the Dominican Republic. These initiatives help to reduce opportunities for corruption by supporting efforts to improve the rule of law and justice systems, increasing citizen participation, or by strengthening public sector capacity to do so.

In the 1990s, the first Summit of the Americas made corruption an acceptable and necessary subject for international concern. The First Global Forum on Fighting Corruption ratified this effort, and USAID played an important role in translating this effort into programs on the International Donor Agenda.

Today, USAID's approach is part of the larger U.S. Government response articulated by Secretary Reich and is framed by the Inter-American Convention Against Corruption supported by the Summit of the Americas process, strongly supported by President Bush and complemented by various national plans and initiatives to combat corruption and to improve public transparency and accountability.

In Latin America and the Caribbean, USAID programs contribute significantly to broader country team efforts to fight corruption and advance the rule of law and complement the work done by other U.S. agencies, ranging from the Departments of Justice, State and Treasury; and, in other ways: The Drug Enforcement Agency, the U.S. military and the Coast Guard. This is a very comprehensive strategy on the part of our government.

USAID's most important contribution in fighting corruption is seeking institutional reform and change. USAID's broad programs work with the executive, legislative and judicial branches of governments in the region, as well as with universities and representatives of civil society and non-governmental organizations. Our efforts are sensitive to local political, legal and cultural demands, while responsive to the overall United States Government strategies and objectives articulated by Secretary Reich.

Mr. Chairman, I would now like to turn to the specifics of the hearing you have called today.

In the Dominican Republic, years of authoritarian regimes left as a legacy a centralized government, weak institutions, and a lack of transparency in all government functions. We believe that the government, though, of President Mejia has made progress in estab-

lishing mechanisms and creating entities to combat the misuse of public funds, including reforms in the Comptroller General's office and the creation of a Council Against Corruption.

However, weaknesses still exist, including outdated legislation and procedures and lack of trained, professional public servants. Since I have assumed my responsibilities at USAID, President Mejia has made two visits to the United States. I have had the opportunity to meet with him, and he is cognizant, as Secretary Reich has said, of the need to make necessary strides against corruption as a key to sustain the type of growth, as the Secretary has articulated, that the Dominican Republic has had in the recent past, and how necessary this is for the Free Trade Agreement for the Americas and for the Dominican Republic to take full advantage of this.

USAID has also funded in the Dominican Republic and developed a report on corruption in that society which we expect will form the blueprint and basis for that government's action to fight corruption, and I believe President Mejia is committed to do so.

Looking ahead in the Dominican Republic, there are four additional priorities that USAID hopes to address in order to attack corruption systematically in that country. First, along with the Department of State, we are looking for ways to help businessmen fight corruption through the implementation of a new Code of Ethics recently approved by the Dominican business community itself.

Second, we seek to develop and promote municipal transparency and municipal government integrity commissions, which is a local initiative throughout the country. Third, we hope to work with Dominican journalists to improve media coverage of corruption, which has proved so effective in Nicaragua and some other countries of the region, along with the public diplomacy offices of the Department of State. And fourth, we plan to promote more stringent and effective financial control systems, following on the Dominican Republic's signing and commitment to the Inter-American Conventions Against Corruptions last September.

Mr. Chairman, I would now like to shift briefly to Guatemala. As you have heard from Secretary Reich in his testimony today, the challenges in Guatemala are substantial. Newspaper accounts report daily on corruption scandals within the administration of President Alfonso Portillo. Much work needs to be done, and USAID has been helping sectors of the Guatemala government, particularly the judicial sector, to make institutional reforms to strengthen their ability to combat corruption over the long term.

For example, working with USAID and other country team offices, Guatemala has developed a new Criminal Procedures Code, which was developed in 1994 and now guarantees: A presumption of innocence; a right to an attorney; and, if needed, a translator, as well as a right for victims to attend a public, oral trial, which is a major development in that country. As an aside, as you know, Guatemala has 23 indigenous languages and has been, unfortunately, a fractured society.

Prior to 1997, Guatemala had no Public Defender Service. Today, an autonomous, professional service, developed with assistance from USAID, helps clients throughout the country. In addition, new USAID-assisted Justice Centers help local communities, churches, and governments connect with police, prosecutors, judges and pub-

lic defenders to fight crime and ensure respect for human rights. New community-level mediation centers, also supported by USAID, resolve 74 percent of the thousands of cases which came to their attention last year. Twenty-five centers, with USAID support, now currently operate in Guatemala.

Despite this progress, Mr. Chairman, much, much more remains to be done in Guatemala, particularly to increase the political will of all the institutions in that country to make meaningful and lasting reforms. As Secretary Reich has noted, developments of the past year have not been good, and we continue to monitor those and continue to press the government of Guatemala to make the necessary reforms.

USAID is committed to continue to strengthen institutions in that country and to implement necessary reforms as part of the consultative process that Guatemala committed to in February of this year at the Inter-American Development Bank to further the Peace Accords.

Looking ahead, Mr. Chairman, countries like Guatemala have spent much of the past 40 years investing heavily in their militaries and did not perceive the need to invest in civil institutions to enforce the rule of law. Expanding the rule of law programs is now urgent. Dysfunctional, unproductive judicial systems need drastic reform, but we now have an opportunity, for the first time in a generation, to create real change. The cost of failure is high in terms of: Lost exports, investments, jobs, and waves of narcotics, crime and illegal aliens as a result if these problems are not addressed.

Sustainable institutional development to change radically entire legal cultures will not happen overnight, or even over the course of 4 or 5 years. Instead, USAID, as part of the overall U.S. Government effort, will have to stay the course in Guatemala and elsewhere for the longer term. Mr. Chairman, USAID has worked with its partners in Guatemala and the Dominican Republic in good faith and has produced tangible results. We stand ready to continue our assistance as long as it is necessary in the future.

This concludes my testimony, Mr. Chairman. I would be pleased to answer any of your or the Committee's questions. Thank you.

[The prepared statement of Mr. Franco follows:]

PREPARED STATEMENT OF THE HONORABLE ADOLFO A. FRANCO, ASSISTANT ADMINISTRATOR FOR LATIN AMERICA AND THE CARIBBEAN, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. Chairman, Members of the Committee, I am pleased to appear before you to testify on the role of the U.S. Agency for International Development (USAID) in the fight against corruption and narcotics in the Dominican Republic and Guatemala.

As in other countries in Latin America and the Caribbean, USAID supports a variety of anti-corruption regional and bilateral initiatives that strengthen government accountability and transparency in Guatemala and the Dominican Republic. These initiatives help to reduce opportunities for corruption both directly and indirectly by supporting efforts to improve the rule of law and justice systems, increasing citizen participation, or strengthening public sector capacity.

In the 1990s, the first Summit of the Americas made corruption an acceptable subject for international concern. The First Global Forum on Fighting Corruption ratified this effort. USAID played an important role in translating this effort into programs on the international donor agenda. USAID initiated a program to raise financial management standards by promoting more rigorous accounting rules and greater reliance on computerized record-keeping. This integrated financial management system effort, now utilized in nearly all the countries in the region, has in-

creased transparency in bookkeeping and reduced the chance for fraud. Today, USAID's approach, as part of the larger USG response, is framed by the Inter-American Convention Against Corruption, supported by the Summit of the Americas process and complemented by various national plans and initiatives to combat corruption and to improve public transparency and accountability. Both the World Bank and Inter-American Development Bank have also begun new efforts in this area.

In Latin America and the Caribbean, USAID programs contribute significantly to broader country team efforts to fight corruption and advance the rule of law. Many USG agencies carry out anti-corruption and law enforcement activities in this hemisphere, including the Department of Justice—working through its International Criminal Investigative Training Assistance Program (ICITAP)—, as well as the Departments of State and Treasury and, in other ways, the Drug Enforcement Agency (DEA), the U.S. military and Coast Guard. Each of these agencies does its part, whether it is by training police units to investigate cases more effectively, helping governments design new anti-money laundering legislation, or providing logistics support for interdiction operations and training. All USG-provided training is purposely designed to promote principles of human and civil rights, as well as to counter corruption.

USAID's most important contribution in fighting corruption is in seeking institutional reform and change. We have broad programs with the executive, legislative and judicial branches of governments in the region, as well as with universities and representatives of civil society. USAID also enjoys a reputation for being able to field high-quality and highly credible technical assistance teams on short notice. Our efforts are sensitive to local political, legal and cultural demands while responsive to overall U.S. Government objectives.

DOMINICAN REPUBLIC

Mr. Chairman, I would now like to turn to specifics. In the Dominican Republic, years of authoritarian regimes left as a legacy a centralized government, weak institutions and a lack of transparency in all government functions. We see reforms to establish transparency and credibility of electoral results and the increasing independence of the Supreme Court of Justice and the court system as signs that things are moving in the right direction.

Transparency International was not kind to the Dominican government in its Corruption Perceptions Index in 2002, ranking the Dominican Republic 60th of 102 nations surveyed for transparency and probity. Nevertheless, the Government of President Hipolito Mejia has made progress in establishing mechanisms and creating entities to combat the misuse of public funds.

Mejia's Comptroller General has moved steadily to introduce basic control systems into public administration. The Council Against Corruption, led by the Technical Secretary of the Presidency, includes government organizations and civil society institutions, coordinates the actions of organizations that fight corruption and proposes new anti-corruption legislation. We conclude that the Dominican Government, and particularly President Mejia, have promoted reform and modernization programs to strengthen institutions. However, weaknesses still exist, including outdated legislation and procedures and the lack of trained professional public servants.

USAID has provided to senior members of the Dominican Government, to leaders from civil society, and will soon share with other donors, a report on corruption in the Dominican Republic produced under a USAID contract. We expect this report will form the basis for the Government's action plan to fight corruption and hope it will accelerate progress toward transparency, enhanced accountability and increased civic awareness.

There are four additional priorities we hope to address in order to attack corruption systemically in the Dominican Republic. First, along with the Department of State, we are looking at ways to help businessmen fight corruption through the implementation of a new Code of Ethics approved recently by the business community. Second, we seek to develop and promote municipal transparency and municipal integrity commissions. Third, we hope to work with journalists to improve media coverage of corruption, along with the public diplomacy offices of the Department of State. And fourth, we plan to promote more stringent and effective financial control systems, following on the Dominican Republic's signing of the Inter-American Conventions Against Corruption last September.

GUATEMALA

Mr. Chairman, I would now like to shift to Guatemala. The challenges in Guatemala are substantial. Newspaper accounts report daily on corruption scandals with-

in the administration of President Alfonso Portillo. Much more needs to be done, and USAID has been helping certain Guatemalan sectors make institutional reforms to strengthen their ability to combat corruption over the long-term.

For example, Guatemala's Judicial Branch, working with USAID and other country team offices, developed a new Criminal Procedure Code in 1994 which now guarantees a presumption of innocence, a right to an attorney and, if needed, a translator, as well as the right for victims to attend a public, oral trial. Prior to 1997, Guatemala had no Public Defender Service. Today, an autonomous, professional service, developed with assistance from USAID, helps clients throughout the country. New USAID-assisted "Justice Centers" help local communities, churches and governments connect with police, prosecutors, judges and public defenders to fight crime and ensure respect for human rights. New community-level mediation centers, also supported by USAID, resolved 74% of the thousands of cases which came to their attention last year. Twenty-five such centers currently operate. USAID supported creation of a case intake system for the Ministerio Publico, or Public Prosecutor's Office. A year ago, it took several hours to present a criminal complaint with the public prosecutor; today, it takes on average 15 minutes. In 1998, Guatemala City criminal courts "lost" the paperwork on over 1,000 pending criminal cases because of corruption. (Some 60,000 new cases are filed each year.) In 1999, with a new USAID-assisted Court Clerk office in place, the number of "lost" cases dropped to just two. A new Judicial Career Law, developed with technical assistance from USAID, gives new independence to the judiciary.

Much remains to be done in Guatemala, particularly to increase the political will of all institutions to make meaningful and lasting reforms. USAID's programs are helping strengthen institutions that can implement such reforms.

LOOKING AHEAD

Countries like Guatemala spent much of the last forty years investing heavily in their militaries and did not perceive the need to invest in civil institutions for enforcing the rule of law. Expanding rule of law programs is urgent. Dysfunctional, unproductive justice institutions need drastic reform. Given the chronic institutional weakness of justice institutions in Latin America and elsewhere, U.S. policy interests call for an integrated approach to the rule of law incorporating cross-border efforts as well as country-specific activities. After all, if progress is made in cleaning up money laundering in Guatemala, criminals may move their operations to Honduras. If El Salvador cleans up gang violence, the problem may migrate to Guatemala. A concerted, integrated initiative will help curb crime across frontiers.

We now have an opportunity, the first in a generation, to create real change. The cost of failure is high in terms of lost exports, investment and jobs, and waves of narcotics and illegal aliens.

Sustainable institutional development to change radically entire legal cultures will not happen overnight, or even in the course of four or five years. Instead, USAID, as part of the overall USG effort, will have to stay the course. Mr. Chairman, USAID has worked with its partners in Guatemala and the Dominican Republic in good faith and with some tangible results. We stand ready to continue our assistance for as long as it is necessary in the future.

Mr. Chairman, this concludes my testimony. I would be pleased to answer any of your or the Committee's questions. Thank you.

Mr. BALLENGER. Thank you, Mr. Administrator. Next is Mr. Paul Simons.

STATEMENT OF PAUL E. SIMONS, ACTING ASSISTANT SECRETARY FOR INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT, U.S. DEPARTMENT OF STATE

Mr. SIMONS. Thank you, Mr. Chairman.

I welcome the opportunity to come before this Committee and discuss with you the issue of narcotics-related corruption and its impact on the Dominican Republic as well as Guatemala. I will ask that my longer statement be entered into the record, and will deliver a shorter oral statement.

Mr. Chairman, let me first strongly endorse the comments of both Assistant Secretary Reich as well as Assistant Administrator Franco on the overall problems of corruption in Latin America. It

would be difficult to overestimate the destructive impact that corruption has had in countries in our hemisphere. And in the two countries we are considering today, the drug trade has exacerbated and magnified an already pervasive and intractable problem that, as Assistant Secretary Reich has pointed out, tears at the very fabric of democracy itself.

So, as we pursue our counter-narcotics objectives in these two countries and in the hemisphere, it is particularly important to remember that corruption and the drug trade are very closely and inextricably linked.

The Dominican Republic and Guatemala share the unlucky circumstance of both being important transit points for South American drugs enroute to our market and to European markets. The Dominican Republic is situated on a natural sea corridor in the Caribbean, while Guatemala is located in the middle of the traditional Central American east pacific transit route. Currently, this east pacific route is the preferred route for up to 70 percent of South American drug flows to the U.S. market, so it is particularly important to us. In addition, the amount of illegal money generated by the drug trade is so great that it really dwarfs the resources available to both the Dominican and the Guatemalan governments.

While these two countries are similar in terms of the type of threat they face from corruption, they very much differ in their responses. In that regard, I believe our views are very similar to the views that you presented, Mr. Chairman, in your opening statement. Once again, in our view, the difference lies largely in the level of political commitment to confront this problem. Both countries face daunting challenges and have suffered setbacks in their anti-corruption efforts. But we would argue that in the case of the Dominican Republic, the glass is half-full. Whereas, in Guatemala, it is half-empty, or I would even say more than half-empty.

By that, we mean that the Dominican government has recognized that corruption constitutes a serious threat and is taking meaningful steps to combat it with the assistance of many of the people here at this table. But, by contrast, the current Guatemalan regime has not yet come to grips with the problem.

In the Dominican Republic, steps which have been taken include: The passage of strong anti-money laundering legislation to criminalize money gained from illegal activity; the proposal by the government to create a professional Civil Service, as well as another proposal to establish a Code of Ethics for Public Services; and the proposal to create a Department for the Prevention of Corruption.

We would not argue that these measure will, in and of themselves, end corruption and implementation remains to be seen. However, collectively, we believe they constitute an important beginning to what may prove to be a long campaign.

The INL Country Program of about \$2 million annually in the Dominican Republic supports a broad-range of law enforcement activities, including anti-corruption efforts. Specific projects focus on: Border security, port security, training for the narcotics police, anti-money laundering and illegal migrant interdiction.

Through our crime office, we fund the training of Dominican investigators, prosecutors and judges in the handling of public corruption cases. We also provided about \$400,000 in Hurricane Mitch

funds for the development and installation of an automated system to track seized assets.

With respect to Guatemala, corruption, has, by most accounts, increased significantly under the Portillo administration. Narcotics trafficking, alien smuggling and money laundering, which are all important indicators of government corruption, are also on the rise. Some of the people implicated in these activities have close ties to high-level government officials and reportedly influence decisions, especially with respect to personnel nominations for critical positions in the military and government ministries.

Not surprisingly, the government of Guatemala's attempts to fight corruption have been ineffective. For example, efforts to pass anti-corruption and transparency legislation have failed for lack of political support. Very few figures are ever charged or formally investigated for corruption, and even fewer ever go to trial. Corruption in law enforcement has been particularly egregious, as evidenced by the recent dismissal of over 75 percent of the members of the Anti-Narcotics Police Unit this year. These dismissals followed the discovery that narcotics police had actually broken into a storeroom for seized drugs and stolen 1600 kilos of cocaine.

These problems in the police have, in turn, lead to the grave difficulties for interdiction and procedures which you have cited. But one of the most disturbing aspects of the situation in Guatemala is actual evidence of the involvement of former members of the military in drug trafficking itself. In any case, the fact remains that our efforts to stem the flow of drugs through Guatemala, which are largely interdiction efforts, are very much stymied by endemic corruption at every level of law enforcement and the military.

We continue to be aggressive, along with our colleagues, in trying to convince the government of Guatemala to deal with this problem, and to deal with the problems of corruption, narcotics and alien smuggling. We remain engaged and will continue to press the Guatemalan government to improve its counter-narcotics and law enforcement performance.

Our country program of about \$3.5 million a year in INL monies emphasizes support for the Anti-Narcotics Unit, which I mentioned is in the process of transformation, training for a special Narcotics Prosecutors Unit in the Attorney General's Office and demand reduction activities. However, at present, we are seriously reviewing our project activities, particularly those that involve the anti-narcotics police; and we have taken steps to withhold commodities and funding where appropriate to send a message that we must have reform in the counter-narcotics police.

Meanwhile, we intend to continue our support for those projects that we deem essential and where we can make progress. Mr. Chairman, thank you very much.

[The prepared statement of Mr. Simons follows:]

PREPARED STATEMENT OF PAUL E. SIMONS, ACTING ASSISTANT SECRETARY FOR INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT, U.S. DEPARTMENT OF STATE

Mr. Chairman and Members of the Committee:

I am pleased to appear before you today to testify on drug corruption and other threats to democratic stability in the Dominican Republic and Guatemala. As we pursue our counternarcotics objectives in these two countries and in the hemisphere,

it is important to remember that corruption and the drug trade are inextricably linked.

THE DOMINICAN REPUBLIC

The Dominican Republic serves as a major transit country for cocaine and illegal migrants headed for the United States. Interdiction of this flow has been hampered by corruption that permeates Dominican society at all levels both within and outside of the government. It is a vestige of the lengthy Trujillo dictatorship that the Dominicans have yet to overcome.

The Government of the Dominican Republic (GODR), to its credit, is becoming increasingly aware of this problem and has taken a number of steps to combat it. In addition to increased drug seizures, cooperation with Haitian police, and increased responsiveness to U.S. requests for the extradition of Dominican citizens; the GODR has enacted a strengthened anti-money laundering law and established a Department for the Prevention of Corruption (DPC) to investigate and prosecute cases in the public sector. President Mejía has created a high profile Consultative Committee against Corruption (CCC). Members include the President, Attorney General, District Attorneys for Santo Domingo and Santiago and prominent leaders of non-government organizations (NGO's) concerned with corruption. Currently under consideration is a legislative initiative to establish a Code of Ethics for Public Service and a law creating a Dominican equivalent of the General Accounting Office.

President Mejía took an important step to reform the National Police in January 2002 when he replaced the corrupt and brutal holdover from the previous administration. Under the new police chief, Jaime Marte Martinez, extra-judicial killings by the police, which had been running at an annual rate of 300 plus, plummeted by more than 90 percent. Moreover, unlike his predecessor, Marte Martinez has surrendered police officials accused of human rights abuses ranging from murder to rape to torture, to civilian officials for trial. In addition, Dominican authorities have taken steps against corrupt GODR officials involved in facilitating the illegal entry of third country nationals. One month ago, Dominican authorities arrested a Dominican vice consul assigned to Haiti for transporting firearms and nearly 90 pounds of illegal drugs from Haiti into the Dominican Republic.

Despite these efforts, however, corruption and weak governmental institutions remain an impediment to effective law enforcement. A recent assessment by the Caribbean Financial Action Task Force (CFATF) has highlighted significant weaknesses in the existing anti-money laundering organizational structure and operations that will require significant assistance and work in implementing the new, enhanced anti-money laundering regime.

President Mejía's high profile Consultative Committee against Corruption has met only a few times and has yet to produce any concrete results. The effectiveness of the nascent government auditing organization is dependent on pending legislation that would guarantee the independence of the Comptroller General, provide for civil service reform in the Public Ministry, and require governmental officials to file financial disclosures prior to entering and when departing from office. The Dominican Republic has signed and ratified the Inter-American Convention against Corruption, but it has yet to implement legislation to bring it into compliance with its obligations under the Convention.

USG Assistance to the GODR

In order to augment the GODR's efforts, the U.S. mission has made fighting corruption a major part of its work. The work has taken a number of forms. Last year, in the wake of a scandal over the misuse of seized assets, The Department of State's bureau of International Narcotics and Law Enforcement (INL) funded a \$400,000 assessment and development of an automated tracking system to assist the national drug control authority and anti-drug unit in managing seized and forfeited assets. The \$400,000 was part of a supplemental appropriation intended to ameliorate the effects of Hurricane Mitch.

INL has also worked with the Department of Justice's Overseas Prosecutorial Development and Training office (OPDAT) to reprogram prior year unused training funds to provide comprehensive training to the DPC. The first class, offered in June 2002, provided an overview on investigating and trying complex corruption cases. An advanced course, scheduled for this week, presents case studies and practical exercises in investigating and trying complex corruption cases. Attendees are investigators and prosecutors selected for their demonstrated skill and effectiveness. A future course will deal with oral advocacy in complex corruption cases, anticipating passage of legislation that will convert the Dominican justice system from inquisitorial to an accusatorial system like those of the U.S. and the United Kingdom.

To assist the GODR's anti-money laundering effort, INL will provide \$100,000 for training and equipment for law enforcement and technical personnel. INL has also provided funding to support a justice system automation project managed by the United Nations Drug Control Programme. The project involves developing a case information sharing network for prosecutors and judges and a database of international experts on various kinds of criminal cases.

INL-funded training and technical assistance complement the U.S. Agency for International Development's (USAID's) larger role in efforts to assist the GODR in combating corruption. USAID has been instrumental in justice system reform. It has assisted in drafting and lobbying the legislature for enactment of the new criminal procedures code. USAID has also funded a \$900,000 automated criminal case tracking system intended to provide reliable data and update case files in a transparent manner, reducing the use of the criminal law system for corrupt purposes. USAID has also organized a number of public events and supported a virtual network to heighten awareness of the deleterious effects of corruption and the benefits, including future U.S. assistance, of transparency with the government and various components of civil society.

Finally, the USG is using its prerogative to revoke the visas of Dominican officials whose corrupt practices are sufficiently documented. Prominent Dominican business leaders have identified this practice as the best tool the USG has to sanction corrupt Dominican government officials.

GUATEMALA

Widespread corruption, high turnover of law enforcement personnel, and a lack of resources have plagued counternarcotics efforts in Guatemala during the last three years. Since the Portillo administration took office in January 2000, there have been four Ministers of Government, four directors of the National Civilian Police (PNC), and nine different directors of the government's anti-narcotics unit (DOAN). This constant upheaval makes long-range planning for operations and investigations nearly impossible and working relationships very difficult.

Transparency International's August rankings listed Guatemala as number 81 out of 102 Countries. A week does not go by without another corruption scandal involving government officials. High levels of impunity and intimidation only exacerbate the problem of corruption, as few high-level figures are ever charged or formally investigated, and even fewer go to trial. Government efforts to fight corruption have been generally ineffective and have contributed to disillusionment with the government's commitment to solving this problem.

We have been very aggressive in trying to convince the Government of Guatemala to deal with the corruption problem. We have cancelled the visas of a number of influential people who were involved in organized crime, narcotics and alien smuggling, money laundering, and corruption. Many of these people had close ties to President Portillo. The USG facilitated the formation of a diverse group of 11 influential individuals from all sectors, including the vice president, to attend Transparency International's Anti-Corruption Seminar in Prague in the hopes of raising the level of consciousness and promoting cooperation across sector lines. We have sponsored many seminars and training sessions on corruption and its caustic effect on all aspects of society. Both the recently departed U.S. Ambassador and the Chargé have been out front addressing this problem in the press as well as in their meetings with the President and his cabinet members.

The USG also assisted Guatemala in creating an Anti-Corruption Prosecutor's Office and an Anti-Corruption Task Force within that office. While these groups have been unable to convict any high-level figures to date, they have had substantial success against many municipal officials, including mayors throughout the country, who have been involved in government corruption. In spite of political pressure, the Anti-corruption Prosecutor's Office and Task Force have opened investigations on many high-level figure including the President and Vice President. They have yet to progress very far in these cases, but three or more years ago, they would not have even been allowed to open an investigation. Without USG pressure and assistance, this would not have been possible.

Law Enforcement Corruption

Narcotics trafficking, alien smuggling, car theft, money laundering, and organized crime in general are on the increase in Guatemala. Some of the leaders of these activities have very close ties to the president and regularly influence his decisions, especially with respect to personnel nominations in the military and the ministry of government.

Seizures of illegal narcotics in Guatemala are down dramatically in the year 2002 as compared to last year, even though the amount of illicit drugs transiting through

Guatemala is not decreasing. Intelligence indicates that large amounts of cocaine are being transshipped through Guatemala with almost complete impunity. Lack of continuity amongst personnel from the police all the way to the ministerial level, a severe lack of resources, and corruption at all levels of the system have contributed to this decrease in seizures. The narcotics police were rocked by a number of corruption scandals in 2002, including the an incident in which the narcotics police broke into a seized narcotics storeroom and stole about 1600 kilos of cocaine. This event forced the government to purge the narcotics police of almost 75% of the total force.

With USG assistance, the Government of Guatemala is in the process of creating a new narcotics police free of corruption. However, due to the influence of organized crime leaders in the ministry of government and other organizations within the justice sector, as well as a perceived lack of will, we are not convinced that the new narcotics police will be allowed to do their job effectively.

An additional negative factor is the severe lack of adequate funding for the police, prosecutors, and judges. Even without corruption, the public forces assigned the task of dealing with organized crime do not have enough resources to tackle the problem. The Government needs to fund the police, prosecutors, and judges to a minimally acceptable level. The Government also needs to work on bilateral and multilateral issues such as a counternarcotics maritime agreement, a modern extradition treaty, and complete compliance with all of the provisions of the UN Drug Convention.

Alien smuggling is also on the increase in Guatemala. In fact, the worsening economy has made Guatemala a bigger source country than ever, and it continues to be a major transit country for illegal aliens of all nationalities. Many of the same characteristics that make Guatemala attractive for narcotrafficking also make it attractive for alien smuggling. These characteristics include corruption, the weak judicial system, a large unpatrolled coastline, the lack of host country resources, and unique geographic locations. In fact, many organized crime organizations mix the two activities quite successfully. While the Government has been cooperative on small substantive issues or individual cases, very little progress has been made on dealing with alien smuggling.

Money laundering is one of the few anti-organized crime success stories in Guatemala. At the end of 2001, Guatemala passed very extensive and modern money laundering legislation. The U.S. Embassy was instrumental in making this happen and U.S. Treasury provided the necessary technical assistance. Training is currently underway for banking officials, prosecutors, police, and judges. While no one has been convicted, the Government has already cooperated with the USG in providing information on cases of interest. This legislation is key to the war on terrorism and the efforts on discovering and freezing terrorist assets.

Other types of organized crime are on the increase as well and the police seem unable to deal with this increase for the same reasons listed above. The U.S. Embassy has been encouraging personnel changes and has been providing top-notch training to all segments of the police, public ministry and the judiciary. We have also revoked visas of officials who we know to be involved in criminal activities. We have exhorted Guatemalan officials, including the President, to do something concrete about addressing the problem of organized crime. We have had successes such as the anti-corruption task force, the anti-kidnapping task force, justice centers, the regional counternarcotics training center, and money laundering. However, we do not have enough resources to counteract the tremendous resources available to organized crime groups and the severe lack of resources of the Guatemalan entities confronting this transnational problem. We are often only able to attack specific problem areas, while bigger problems go unaddressed.

At present we are reviewing INL's support and assistance provided to the Government of Guatemala. If we see real sustainable progress in addressing corruption and criminal activity within government agencies, we will gradually return some of this support. For the moment, however, we will only continue to support those projects deemed essential to counternarcotics and law enforcement affairs.

Thank you, Mr. Chairman. This concludes my written statement.

Mr. BALLENGER. Roger Guevara.

**STATEMENT OF ROGER E. GUEVARA, CHIEF OF OPERATIONS,
DRUG ENFORCEMENT ADMINISTRATION**

Mr. GUEVARA. Chairman Ballenger, Ranking Member Menendez and distinguished Members of the Subcommittee, good morning.

I appreciate the opportunity to appear before you to discuss United States counter-narcotics efforts in Guatemala and the Dominican Republic. Both of these countries serve as important transit points for illegal drugs destined for the United States. The Drug Enforcement Administration (DEA) focuses its efforts in these important countries through the Guatemalan City Country Office and Santo Domingo Country Office. I will discuss Guatemala first and then address the Dominican Republic.

Guatemala is a transshipment and storage point for Colombian heroin, as well as cocaine, enroute to the United States. Guatemala's geographic location, porous border, sparsely populated coastlines, highway infrastructure and ongoing corruption problems all contribute to the presence of drug-smuggling ventures, utilizing virtually all types of conveyances.

Widespread corruption has had a major impact in all areas of Guatemalan government, including the counter-drug effort.

Although various high-level officials have pledged to engage the counter-drug effort, they have been unable to affect the entrenched culture of corruption that exists within the Policia Nacional Civil (PNC) and Departamento de Operaciones Anti-Narcoticos. Persistent and worsening corruption limits the ability of the DEA to work closely with our host nation counterparts. Nevertheless, a relationship does exist. The PNC has been generally cooperative and supportive of DEA's efforts.

Judges and prosecutors are routinely bribed in Guatemala. Police officers are mistrustful of their peers because of the pervasive corruption. Even within the military, there is considerable mistrust because of the trafficking activities of some in the armed forces.

The DEA, therefore, recently has shifted its operational strategy. New and significant drug investigations are now conducted with the intent of eventually obtaining indictments in the United States. Unfortunately, this makes evidence, which may not be acceptable in U.S. courts, much more difficult to collect.

We have seen some successes in Guatemala, however. One example is the joint DEA-Department of Defense operation, Mayan Jaguar, which most recently resulted in the eradication of approximately 281,000 marijuana plants.

Guatemala, then, is a transshipment point for Colombian heroin enroute to the United States, and a primary stopover for cocaine coming northward from Colombia. Corruption has created barriers to DEA enforcement efforts there. In spite of the difficulties, however, the DEA has had some success and continues to focus on major trafficking organizations in Guatemala.

The Dominican Republic's primary role in regional drug trafficking is as a center for command, control and communications (C³) operations. We see indications that Dominican, Puerto Rican and Colombian traffickers have made the Dominican Republic their location of choice for C³ operations for the movement of cocaine, via go-fast boats from Colombia and Venezuela to Puerto Rico, through Caribbean countries.

The Dominican Republic is an important transshipment point for illicit drugs smuggled from South America to the United States. Cocaine is the principal drug smuggled through the Dominican Republic, although heroin transshipment through the country is in-

creasing. Drugs are smuggled in the Dominican Republic via maritime vessels, air drops, couriers, and overland from Haiti. Once the drugs are in the Dominican Republic, traffickers often smuggle drugs in small maritime vessels to Puerto Rico for transshipment to the United States.

Multi-hundred-kilogram amounts of cocaine occasionally are shipped from the Dominican Republic to the United States via maritime containerized cargo vessels.

The Dominican Republic also continues to be a major player in the flow of ecstasy from Europe to the United States. Seizures have been rising.

While corruption is known to exist in the Dominican Republic, the DEA does not believe that corruption significantly affects DEA's law enforcement efforts or our relationship with the Direccion Nacional de Control de Drogas (DNCD), the organization primarily responsible for the enforcement of counternarcotics efforts there.

President Hipolito Mejia is addressing the issue of corruption. Historically, the Dominican Republic served as a haven for fugitives seeking to evade arrest from United States authorities. More recently, however, the Dominican government has demonstrated substantial progress in assisting with the extradition of U.S. fugitives.

Outstanding Dominican cooperation has enabled successful joint U.S. and Dominican operations such as the Martires Paulino-Castro case. This investigation resulted in important seizures, arrests, and the extradition to Puerto Rico of Paulino-Castro, the most significant Dominican drug trafficker in recent history. Martires Paulino-Castro had been considered virtually untouchable, due to his contacts in law enforcement and political circles.

Money laundering is a problem in the Dominican Republic. Bulk cash, carried via human couriers, or concealed in vehicles aboard shipping vessels, is a primary method of transporting drug proceeds from the United States to the Dominican Republic.

Most drug money in the Dominican Republic is laundered in currency exchange houses, which are also used by thousands of legitimate persons and businesses, providing ideal coverage to conduct drug-related financial transactions.

While implementation issues remain, the Dominican Republic has taken important legislative measures to combat money laundering to allow for seizure and forfeiture of drug-related assets and to provide for international cooperation in forfeiture cases.

The Dominican Republic then is both a regional drug trafficking center for command, control, and communications operations for the movement of cocaine and an important transshipment point for cocaine smuggled from South America to the United States. Other drugs and laundered money also flow through the country. The administration of President Mejia, however, has made notable progress in fighting corruption. This has resulted in joint DEA/DNCD enforcement successes and the extradition of significant drug traffickers to the United States.

I would like to conclude by saying that corruption obstructs any country's efforts to fight drug trafficking and the violence that accompanies it. While Guatemala and the Dominican Republic are

both small nations, located on major drug routes between North and South America, and relatively lacking in wealth, the Dominican Republic has made a noticeable break with its past of corruption. Guatemala has not come as far, although there are fine, honest officials there willing to place their lives on the line for justice. The United States Drug Enforcement Administration welcomes upright officials in any nation to vigorously join us in our mission to target and eliminate major drug trafficking organizations throughout the world.

Mr. Chairman, Ranking Member and Members of this Subcommittee, this concludes my prepared remarks. Again, I want to thank you for inviting me here today and giving me an opportunity to speak to you regarding U.S. counter-narcotics efforts in Guatemala and the Dominican Republic.

I also wish to take the opportunity to thank this Committee for the leadership in this field that it has provided and will continue to provide. I will be glad to address any questions you may have. Thank you.

[The prepared statement of Mr. Guevara follows:]

PREPARED STATEMENT OF ROGER E. GUEVARA, CHIEF OF OPERATIONS, DRUG ENFORCEMENT ADMINISTRATION

EXECUTIVE SUMMARY

Guatemala and the Dominican Republic each serve as critically important transit points for illegal drugs destined for the United States. The Drug Enforcement Administration (DEA) maintains a presence in this important arena through its Guatemala City Country Office and Santo Domingo Country Office. Both of these offices play an integral role in U.S. counterdrug efforts.

Guatemala is a transshipment and storage point for Colombian heroin enroute to the United States and a primary stopover for cocaine coming northward from Colombia, utilizing virtually all types of conveyances. Widespread corruption has had a major impact in all areas of the Guatemalan government, including the counter-drug effort. Although various high-level officials have pledged to engage the counter-drug effort, persistent and worsening corruption has made it extremely difficult for the DEA to conduct counter-drug operations. Consequently, cocaine seizures have steadily declined.

The DEA has taken into account the situation in Guatemala and has shifted its operational strategy in order to compensate for the host government's relatively weak judicial system. Currently, new and significant DEA drug investigations are conducted with the intent of eventually obtaining indictments in the United States. In spite of the difficulties in Guatemala, however, the DEA has seen some success and continues to focus on major trafficking organizations in Guatemala.

An example of enforcement success in Guatemala is Operation Mayan Jaguar. The most recent Mayan Jaguar operation resulted in the eradication of approximately 281,000 marijuana plants.

The Dominican Republic's primary role in regional drug trafficking is as a center for command, control, and communications. This country is an important transshipment point for illicit drugs smuggled from South America and destined to the United States. Cocaine is the principal drug smuggled, however, heroin transshipment through the country is increasing. The Dominican Republic also continues to be a major player in the flow of ecstasy from Europe to the United States.

President Hipolito Mejia is addressing the issue of corruption within the Dominican government. Historically, the Dominican Republic served as a haven for fugitives, seeking to evade arrest from U.S. authorities. More recently, however, the Dominican government has demonstrated substantial progress in assisting with the extradition of U.S. fugitives. Outstanding Dominican cooperation has enabled successful joint U.S. and Dominican operations, such as the Martires Paulino-Castro case, which resulted in important seizures and arrests and the extradition of Paulino-Castro and others to Puerto Rico. The Paulino-Castro case established that evidence legally obtained by foreign law enforcement agencies, including court authorized wire intercepts, could be used in U.S. Federal courts in the prosecution of narcotic traffickers.

While implementation issues remain, the Dominican Republic has taken important legislative measures to combat money laundering, to allow for seizure and forfeiture of drug-related assets, and to provide for international cooperation in forfeiture cases.

Chairman Hyde, Ranking Member Lantos, and distinguished members of the subcommittee, good morning. I appreciate the opportunity to appear before you to discuss United States counternarcotics efforts in Guatemala and the Dominican Republic. Both of these countries serve as critically important transit points for illegal drugs destined for the United States. The Drug Enforcement Administration (DEA) focuses its efforts in these important countries through the Guatemala City Country Office and Santo Domingo Country Office. I will discuss Guatemala first and then address the Dominican Republic.

GUATEMALA

Trafficking Trends

Guatemala is a transshipment and storage point for Colombian heroin enroute to the United States. Guatemala's geographical location, porous borders, sparsely populated coastlines, highway infrastructure and ongoing corruption problems all contribute to the presence of drug smuggling ventures, utilizing virtually all types of conveyances.

Go-fast vessels departing Colombia are used to transport cocaine loads of approximately 1000 to 2000 kilograms to Guatemala's Pacific and Caribbean coasts. Current intelligence indicates that the Ocos area, located on the Pacific coast near the Mexican border, is the most frequently exploited point of entry. Cargo containers aboard commercial maritime vessels making calls at Guatemala's two major seaports, Puerto Quetzal and Puerto Barrios, are used to transship cocaine to the United States and Europe.

Guatemala is a primary landing zone for general aviation aircraft transporting cocaine northward from Colombia. Traffickers frequently exploit the more than 490 clandestine landing strips that are located throughout the country, from the Pacific coast to the remote northern border with Mexico. Couriers board commercial passenger flights to and from La Aurora International Airport in Guatemala City to transport heroin and cocaine from South America to the United States and Europe.

Inadequate border enforcement and well-developed highways, stretching from the Pacific and Caribbean coasts to Guatemala City and transiting the country from Honduras, El Salvador and Mexico, facilitate smuggling ventures via commercial cargo trucks, buses and private vehicles.

Corruption and Drug Law Enforcement

After nearly thirty-six years of violent guerilla and civil war, Guatemala has only recently attempted to move from military to judicial rule. Criminals with political connections function within the various departments of the government, including the courts and national police. Widespread corruption has had a major impact in all areas of the Guatemalan government, including the counter-drug effort. The United States embassy has continually expressed concern regarding corruption problems within the Guatemalan government.

The political structure in Guatemala is fluid, resulting in a lack of stability for Guatemalan law enforcement. Since January 2000, Guatemala has seen four different Ministers of Government, seven Policia Nacional Civil (Guatemalan National Police (PNC)) Directors, and at least nine Departamento de Operaciones Anti-Narcoticos (DOAN) Comisario Generales. (The DOAN is the section within the Guatemalan Treasury Police dedicated to counter-narcotics and is DEA Guatemala's direct counterpart.) This lack of continuity has made it very difficult for the DEA to establish effective working relationships with the individuals in these positions.

Although various high-level officials have pledged to engage the counter-drug effort, they have been unable to affect or control the deep seated and well-entrenched culture of corruption that exists within the PNC and the DOAN. Corruption within the DOAN became so intolerable that, in April of 2002, the force was reduced from 650 to 140 members. The criminal behavior of the DOAN far exceeded bribery—it had become as grievous as kidnapping and murder. The impact of this situation on DEA counter-drug efforts in Guatemala is obvious. Counter-drug operations are constantly under threat of being compromised. DEA has had to be very judicious in sharing of intelligence and operational leads with host nation counterparts, for fear of compromising the information.

Persistent and worsening corruption limits the ability of the DEA to work closely with our host nation counterparts. Monetary assistance for the DOAN and PNC from the U.S., as well as other foreign governments, has been curtailed sharply. The U.S. Government has completely stopped funding the DOAN with money for train-

ing, equipment and operations. Nevertheless, a relationship does exist. The PNC has been generally cooperative and supportive of DEA's efforts.

Judges and prosecutors are routinely bribed. Judges have compromised search warrant operations by revealing the impending operations to targeted narco-traffickers and have taken large sums of money to dismiss court cases against narco-traffickers. In 2001, for example, Judge Delmi Castaneda accepted thousands of dollars to dismiss a criminal case against narco-traffickers. The judge was observed meeting with and transporting the defendants in her own car. Although she has lost her judgeship, there has yet to be a successful arrest or prosecution against her.

Prosecutors are reluctant to vigorously pursue criminal cases because they fear being compromised at every level. Police officers are mistrustful of their peers because corruption is pervasive within their ranks. The courts, the prosecutors and the police are afraid of compromise, and all are without mutual support of each other. The result is an almost complete refusal by any of these three entities to effectively engage in the counter-drug mission.

Issues of corruption and involvement in narco-trafficking have long existed in the Guatemalan military, as well. Even within the ranks of the military, there is considerable mistrust because of the trafficking activities of some of the armed forces. This has hindered the anti-narcotics efforts of legitimate members of the Guatemalan military.

The situation in Guatemala has made it very difficult for the DEA to conduct counter-drug operations. Complicated, protracted drug investigations being conducted in this country with local law enforcement have effectively stopped.

New Approaches in Drug Law Enforcement

The DEA has understood and accepted this reality and recently shifted its operational strategy. New and significant drug investigations are now conducted with the intent of eventually obtaining indictments in the United States. This is the only viable method wherein it can reasonably be expected that, not only will an arrest be made, but that there will be a meaningful prosecution and sentence.

This approach has a downside, however. Evidence is much more difficult to collect and, in many instances, is not acceptable in U.S. courts. Moreover, DEA has no investigative or law enforcement authority in Guatemala. What evidence DEA's Guatemala office can collect must be accomplished through a local task force that is not vetted, is understaffed, under trained, under-equipped, and underpaid. This has left the DEA in Guatemala with very little resources by which to accomplish its mission.

Enforcement Operations

We have seen successes in Guatemala. In June 2002, for example, the DEA dismantled the Guatemalan wing of the Colombia-based Jose Jairo Garcia-Giraldo heroin organization. This organization transported heroin from Colombia to the United States via La Aurora International Airport in Guatemala City. The Garcia-Giraldo group was responsible for trafficking approximately 15 to 20 kilograms of heroin to the U.S. per month.

Operation Mayan Jaguar is the Guatemalan component of Operation Central Skies, a joint DEA-Department of Defense operation that utilizes U.S. army helicopters based in Honduras and host nation law enforcement agents to conduct tactical, 2-week operations twice a year. This program has been very successful, both operationally and as a liaison activity. The most recent Mayan Jaguar operation, completed in January 2002, resulted in the eradication of approximately 281,000 marijuana plants.

Guatemala Summary

Guatemala is both a major transshipment point for Colombian heroin enroute to the United States and a primary stopover for cocaine coming northward from Colombia. Corruption there has created barriers to DEA enforcement efforts. In spite of the difficulties in Guatemala, however, the DEA has had some success and continues to focus on major trafficking organizations.

DOMINICAN REPUBLIC

Trafficking Trends

The Dominican Republic's primary role in regional drug trafficking is as a center for command, control, and communications (C³) operations. We see indications that Dominican, Puerto Rican, and Colombian traffickers have made the Dominican Republic their location of choice for C³ operations for the movement of cocaine, via go fast boats, from Colombia and Venezuela to Puerto Rico, through St. Martin and other Caribbean countries.

The Dominican Republic is an important transshipment point for illicit drugs smuggled from South America and destined for the United States. Cocaine is the principal drug smuggled through the Dominican Republic; however, heroin transshipment through the country is increasing. Drugs are smuggled into the Dominican Republic via maritime vessels, airdrops, couriers, and overland from Haiti. Once the drugs are in the Dominican Republic, traffickers often smuggle drugs in small maritime vessels to Puerto Rico for transshipment to the United States.

Dominican nationals play a major role in the actual transshipment of drugs. Many go-fast crews in the Caribbean include Dominican nationals, mostly fisherman recruited from the local docks. Human carriers bring drugs (in luggage or swallowed by "mules") on flights originating in Colombia, Venezuela, Panama, and Europe. This method accounts for the highest number of seizures/arrests, mostly of cocaine and heroin.

One of the primary methods for smuggling cocaine into the Dominican Republic involves go-fast vessels that depart Colombia or Venezuela and arrive at remote areas along the southwest or southeast coast of the Dominican Republic. The go-fast vessels are usually met by Dominicans in smaller *yola* type boats, in close proximity to the Dominican shoreline. The narcotics are then stored in the Dominican Republic until they are later transported to the United States and/or Puerto Rico.

Cocaine shipments from the Dominican Republic bound for Puerto Rico are transported via go-fast boat or *yola*, departing the Dominican Republic's eastern coast and crossing the 70-mile stretch to Puerto Rico's western shoreline. Multi-hundred-kilogram amounts of cocaine occasionally are shipped from the Dominican Republic to the United States via maritime containerized cargo vessels.

The Dominican Republic continues to be a major player in the flow of ecstasy from Europe to the United States via local airports. Ecstasy seizures have been on the rise. Dominican nationals as well as middle-aged Europeans who have relocated to the Dominican Republic continue to be the primary ecstasy couriers. Over 71,500 tablets of ecstasy were seized in the Dominican Republic in the third quarter of FY-2002.

Anti-Corruption Efforts

While corruption is known to exist in the Dominican Republic, the DEA does not believe that corruption significantly affects DEA's law enforcement efforts or relationship with the Direccion Nacional de Control de Drogas (DNCD), the organization primarily responsible for the enforcement of counternarcotics efforts in the Dominican Republic and DEA's principal partner in anti-narcotics enforcement in the country.

In August 2000, Hipolito Mejia was elected President of the Dominican Republic. One of President Mejia's goals is to address the issue of corruption within the Dominican government. He appointed retired Major General Manuel Antonio LaChapelle Suero as President of the DNCD. General LaChapelle is a well respected, law abiding official. During his tenure he has demonstrated his honesty and has striven to rid the DNCD of anyone suspected of corruption. This positive atmosphere has allowed the DEA Santo Domingo Country Office and the DNCD to successfully coordinate major international narcotics investigations.

Enforcement Operations

Historically, the Dominican Republic served as a haven for fugitives, seeking to evade arrest from U.S. authorities. More recently, however, the Dominican government has demonstrated substantial progress in assisting with the extradition of U.S. fugitives. The Andujar-Guzman and Paulino-Castro cases illustrate the success of coordinated international efforts.

Wilfredo Andujar-Guzman, a Dominican national who has lived in Puerto Rico, was the subject of a joint DEA/DNCD investigation. His organization coordinated multi-hundred kilogram cocaine shipments from Venezuela to Puerto Rico via St. Martin. He was a DEA fugitive, wanted by the Southern District of New York for shipping in excess of 450 kilograms of cocaine from Puerto Rico to the Bronx, New York, in 1995.

During the investigation, the DNCD conducted court-authorized interceptions on over 25 telephones belonging to the organization, resulting in the total seizure of three (3) tons of cocaine and more than \$2.5 million. Dutch authorities seized two go-fast vessels and made six (6) arrests during the enforcement operation. DEA San Juan arrested 14 members of the Andujar-Guzman organization in Puerto Rico. Four targets within the investigation, including Andujar-Guzman, were subsequently extradited to Puerto Rico.

On July 2, 2002, in Puerto Rico, Priority Target Wilfredo Andujar-Guzman pled guilty, to charges related to the seizure of approximately 2,776 kilograms of cocaine

over a nine month period. Andujar-Guzman received a 20-year sentence. On June 28, 2002, Manuel Buenaventura Brito-Tolentino, Andujar-Guzman's right hand man, also pled guilty. He has not yet been sentenced.

Without the cooperation of all involved in this process, these defendants would not have been successfully investigated, arrested, extradited and convicted.

In September 2000, the DEA, in coordination with the DNCD, culminated a year-long investigation into the drug trafficking activities of the most significant Dominican drug trafficker in recent history, Martires Paulino-Castro. The International Drug Trafficking Organization headed by Paulino-Castro was involved in the transportation and distribution of hundred kilogram quantities of cocaine from Colombia to Puerto Rico and the United States, via the Dominican Republic. Paulino-Castro was considered virtually untouchable in the Dominican Republic due to his contacts in law enforcement and political circles.

On September 29, 2000, based on evidence gathered during the investigation and a Federal Grand Jury indictment in Puerto Rico, Paulino-Castro and several associates were arrested. A total of twenty (20) people were arrested during the execution of search warrants at nineteen (19) separate homes and businesses, which were seized by the DNCD. Also seized during the execution of arrest warrants: thirty four (34) personal vehicles, forty-three (43) greyhound type buses, seven (7) commercial trucks, several mopeds, titles and deeds to fifty (50) properties, keys for forty-eight (48) rental properties, six (6) shotguns, eleven (11) pistols and handguns, U.S. and Dominican currency totaling \$643,277.00 USD, loan documentation, and miscellaneous documents.

On May 30, 2001, Martires Paulino-Castro was turned over by members of the DNCD to U.S. law enforcement authorities for extradition and subsequently flown to Puerto Rico under protective custody.

This investigation is significant, first, in that it established that evidence legally obtained by foreign law enforcement agencies, including court authorized wire intercepts, could be used in U.S. Federal courts in the prosecution of narcotic traffickers. According to U.S. prosecutors, this investigation was a "test case" and a major accomplishment in counternarcotics worldwide efforts. This accomplishment can be attributed to the outstanding cooperation between the United States and the President Mejia administration.

Also of importance in this operation was the extradition of Paulino-Castro to San Juan, Puerto Rico. Intelligence developed in this investigation established that Paulino-Castro had strong connections with high-ranking Dominican law enforcement officials and political figures. His extradition demonstrated the willingness of the Mejia administration to combat corruption and, at the same time, send a message to other drug traffickers that the Dominican Republic was no longer a sanctuary for their illegal activities.

Money Laundering

Bulk cash carried via human couriers or concealed in vehicles shipped to the Dominican Republic aboard shipping vessels is a primary method for transporting drug proceeds from the United States to the Dominican Republic. Intelligence also indicates that drug proceeds are often used to buy personal vehicles in the United States for export to the Dominican Republic.

The use of local banking systems and casino complexes to launder money has increased. However, the majority of drug money laundering in the Dominican Republic is done via *casa de cambios* or *remesadoras* (currency exchange houses), which are attractive to drug traffickers because of the flexibility they offer in making drug proceeds appear legitimate, sometimes disregarding U.S. reporting requirements. These businesses can be set up for the sole purpose of laundering money because they provide a perfect mechanism to launder proceeds expeditiously. The fact that these exchange houses are used by thousands of legitimate persons and businesses provides an ideal cover to conduct drug related financial transactions.

Since 1995, the Dominican Republic has criminalized drug-related money laundering. Among other things, the Dominican legislative framework also has required financial institutions to establish "know your customer" programs and to report suspicious and large currency transactions to the Dominican Superintendency of Banks, which has a financial intelligence unit. Dominican legislation also has provided for the seizure and forfeiture of drug-related assets and international cooperation in forfeiture cases. In 2002, the Government of the Dominican Republic promulgated new money laundering legislation in an effort to better combat money laundering. We are hopeful that this legislation will enable the Dominican Republic to more effectively combat money laundering and enhance both domestic forfeiture in the Dominican Republic and forfeiture cooperation with the United States.

Dominican Republic Summary

The Dominican Republic is an important transshipment point for cocaine smuggled from South America to the United States, as well as a regional drug trafficking center for command, control, and communications operations for the movement of cocaine. Other drugs and laundered money flow through the country, as well. The administration of President Hipolito Mejia has made notable progress in fighting corruption, however. This has resulted in joint DEA/DNCD enforcement successes and the extradition of significant drug traffickers to the United States.

CONCLUSION

Corruption obstructs any country's efforts to fight drug trafficking and the violence that accompanies it. While Guatemala and the Dominican Republic are both small nations, located between North and South America on major drug routes, and relatively lacking in wealth, the Dominican Republic has made a noticeable break with its past of corruption. Guatemala has not come as far, although there are fine, honest officials there, willing to place their lives on the line for justice. The DEA welcomes upright officials, in any nation, to vigorously join us in our mission to target and eliminate major drug trafficking organizations throughout the world.

Chairman Hyde, Ranking Member Lantos, and members of the Subcommittee on the Western Hemisphere, this concludes my prepared remarks. Again, I would like to thank you for inviting me here today and giving me an opportunity to speak to you regarding United States counternarcotics efforts in Guatemala and the Dominican Republic. I will be glad to address any questions you may have.

Mr. BALLENGER. Thank you, Mr. Guevara. Next is Ms. Kladakis.

STATEMENT OF MONICA VEGAS KLADAKIS, SENIOR COORDINATOR FOR DEMOCRACY AND HUMAN RIGHTS PROMOTION FOR DEMOCRACY, HUMAN RIGHTS AND LABOR, U.S. DEPARTMENT OF STATE

Ms. KLADAKIS. Thank you very much. Mr. Chairman and Members of the Committee, thank you for the opportunity to testify before you today on threats to democracy in Guatemala and the Dominican Republic.

The Committee's interest in the state of democracy in these two countries is timely and welcomed given the importance of this region to our vital interest and the growing concern of the crisis of democracy in the hemisphere. Guatemala and the Dominican Republic are confronting serious threats to democracy as you have heard from my colleagues. Many of these threats have already been thoroughly addressed by my colleagues here on the panel.

Having recently returned from a trip to Guatemala with Assistant Secretary Lorne Craner, I will focus the majority of my remarks on critical threats to Guatemala's struggling democracy. During this trip, we were able to meet with government officials, human rights activists, civil society groups, journalists, and political party representatives.

A common theme emerging from our meetings with civil society groups was the lack of confidence in political parties and democratic institutions. The schism between the elite political class and the constituents they are elected to serve has eroded the average citizen's confidence in democracy. Clandestine groups that commit human rights abuses with impunity are on the rise, and those who work to protect human rights and democracy are increasingly at risk and under threat. This presents not only a grave threat to democracy in Guatemala, but also undermines initial measures undertaken by Guatemala to address past abuses committed during the 36-year civil conflict and to support the nascent reconciliation process.

There was also growing concern in the human rights community and civil society groups that the clandestine groups responsible for the recent wave of threats and violence against human rights activists and forensic anthropologist may be operating with at least a tacit complicity of elements within the Guatemalan government.

In separate meetings with high-level government officials, Assistant Secretary Craner raised these concerns and urged them to devote necessary resources to the beleaguered judicial system to enhance its ability to effectively investigate and prosecute these cases.

Our visit also coincided with the trial of three senior Guatemalan military officers charged with orchestrating the 1990 murder of prominent Guatemalan anthropologist Myrna Mack and the appeals hearing for the three former military officials convicted of the 1998 killing of Bishop Juan Gerardi, the coordinator of the Archbishop's Office on Human Rights. Guatemala's Court of Appeals has since annulled the Gerardi convictions and called for a retrial.

On October 3rd, the Mack trial came to a historic conclusion, as you know, with the judges convicting one of the three officers for his involvement in the Mack murder. This was the first trial in which a high-level military official was convicted for human rights abuses committed during the civil conflict, and it establishes an important precedent for future investigations of human rights violations that occurred during the civil war period.

Democracy in the Dominican Republic faces similar, albeit less systemic, threats. The Dominican Republic has a popularly-elected President and legislators who won generally free and fair elections. Despite marked improvement over the last year, though, the government's poor record on human rights poses a substantial threat to democracy. The National Police have made great strides in improving their abysmal human rights record under new leadership. Nevertheless, we continue to watch this situation closely as even one extra-judicial killing is one too many. Race-based discrimination in the Dominican Republic and trafficking in persons continue to be serious problems. Prison conditions remain inhumane and the use of torture commonplace. Judicial authorities rarely prosecute human rights abusers. At times, members of the security forces commit abuses with the tacit acquiescence of civil authority, fostering a climate of impunity. However, General Marti, the new chief of the National Police has turned suspected culprits over to the civil courts for prosecution, almost unheard of before.

Our approach to these overwhelming challenges to democracy and human rights in Guatemala and the Dominican Republic has been consistent: Support the consolidation of democracy institutions that protect human rights, promote civil society and restore the rule of law. We take every opportunity to press these governments at all levels to institutionalize democracy and protect the fundamental rights of their citizens.

In addition, as you have heard from Assistant Administrator Franco, USAID funds a variety of assistance programs to address these issues.

I would like to conclude by stressing that promotion of democracy is, and will continue to be, a central defining element of our foreign policy. We will continue to use all available bilateral and multilat-

eral tools at our disposal to combat threats to democracy and to institutionalize democratic reforms toward a stable Western Hemisphere.

Thank you very much, and I would be pleased to answer any questions.

[The prepared statement of Ms. Kladakis follows:]

PREPARED STATEMENT OF MONICA VEGAS KLADAKIS, SENIOR COORDINATOR FOR DEMOCRACY AND HUMAN RIGHTS PROMOTION FOR DEMOCRACY, HUMAN RIGHTS AND LABOR, U.S. DEPARTMENT OF STATE

Mr. Chairman, Members of the Committee, thank you for the opportunity to testify before you today on threats to democracy in Guatemala and the Dominican Republic. The Committee's interest in the state of democracy in these two countries is timely and welcome given the importance of this region to our vital interests, and the growing concern over the "crisis of democracy" in the Hemisphere. President Bush has repeatedly highlighted the importance of the Americas. This need to focus on our neighbors to the south has become increasingly apparent over the last year. Many of our strongest democratic allies in Latin America have been ravaged by global market upheavals that exposed weak democratic institutions and exacerbated internal social and political tensions.

Guatemala and the Dominican Republic are confronting serious threats to democracy. Many of these threats have already been thoroughly addressed by my colleagues from the Bureaus of International Narcotics and Law Enforcement and Western Hemisphere Affairs. Fragile, ineffective democratic institutions, which fail to protect fundamental human rights and establish the rule of law, present a serious threat to democracy in Guatemala, in the Dominican Republic, and throughout the Hemisphere. The crisis of representation and the historic deep divide between the elite "political class" and average citizens of both countries have also contributed to the destabilization of democracy in our focus countries and throughout the region. This trend is deepened by a lack of institutional transparency and widespread corruption. The continued marginalization of indigenous populations in Guatemala, throughout Central America, and across the Andean region constitutes another profound failure that must be addressed if democratic stability is to take root.

Having recently returned from a trip to Guatemala with Assistant Secretary Craner, I will focus the majority of my remarks on critical threats to Guatemala's struggling democracy. During this trip we were able to meet with government officials, human rights activists, civil society groups, journalists, and political party representatives. Our interlocutors confirmed many of our worst fears about the delicate state of democracy and human rights in Guatemala, but they also highlighted some positive democratic elements that merit support.

A common theme emerging from our meetings with civil society groups was the lack of confidence in political parties and democratic institutions. The schism between the elite "political class" and the constituents they are elected to serve has eroded the average citizen's confidence in democracy. Clandestine groups that commit human rights abuses with impunity are on the rise, and those who work to protect human rights and democracy are increasingly at risk and under threat. This presents not only a grave threat to democracy in Guatemala but also undermines initial measures undertaken by Guatemala to address past abuses committed during the 36-year civil conflict and support the nascent reconciliation process. Finally, continued corruption scandals involving high-level government and military officials, coupled with a lack of transparency and accountability, also present serious threats to democracy.

There was also growing concern in the human rights community and civil society groups that the clandestine groups responsible for the recent wave of threats and violence against human rights activists and forensic anthropologists may be operating with at least the tacit complicity of elements within the Guatemalan government. A number of retired military officers with ties to violent, organized crime have significant influence within the army, police, judicial, and executive branches. In separate meetings with high-level government officials, Assistant Secretary Craner raised these concerns and urged them to devote necessary resources to the beleaguered judicial system to enhance its ability to effectively investigate and prosecute these cases.

Our visit also coincided with the trial of three senior Guatemalan military officers charged with orchestrating the 1990 murder of prominent Guatemalan anthropologist Myrna Mack and the appeals hearing for the three former military officials convicted of the 1998 killing of Bishop Juan Gerardi, the Coordinator of the Arch-

bishop's Office on Human Rights. Guatemala's Court of Appeals has since annulled the Gerardi convictions and granted a new trial to the three former military personnel and Catholic priest allegedly involved. On October 3, the Mack trial came to an historic conclusion, with the judges convicting one of the three officers for his involvement in the Mack murder. This was the first trial in which a high-level military official was convicted for human rights abuses committed during the civil conflict, and establishes an important precedent for future investigations of human rights violations that occurred during the civil war period.

Democracy in the Dominican Republic faces similar, albeit less systemic, threats. The Dominican Republic has a popularly elected president and legislators who won generally free and fair elections. Despite marked improvement over the last year, though, the Government's poor record on human rights poses a substantial threat to democracy. The National Police have made great strides in improving their abysmal human rights record under new leadership. Nevertheless, we continue to watch this situation closely; even one extrajudicial killing is one too many. Race-based discrimination in the Dominican Republic and trafficking in persons continue to undermine democratic values and constitute serious human rights violations. Judicial authorities rarely prosecute human rights abusers. At times members of security forces commit abuses with the tacit acquiescence of civil authority, fostering a climate of impunity. However, General Marte, chief of the National Police, has turned suspected culprits over to the civilian courts for prosecution, almost unheard of before. Prison conditions remain inhumane and the use of torture commonplace.

Our approach to these overwhelming challenges to democracy and human rights in Guatemala and the Dominican Republic has been consistent—support the consolidation of democratic institutions that protect human rights, promote civil society, and restore the rule of law. We take every opportunity to press these governments at all levels to institutionalize democracy and protect the fundamental rights of their citizens. Toward this effort, the U.S. Agency for International Development (USAID) funds a variety of assistance programs to strengthen local governments, promote civil society and support the justice sector in both Guatemala and the Dominican Republic.

I would like to conclude by stressing that promotion of democracy is and will continue to be a central, defining element of our foreign policy. We will continue to use all available bilateral and multilateral tools at our disposal to combat threats to democracy and to institutionalize democratic reforms toward a stable Western Hemisphere.

Mr. BALLENGER. Thank you, Ms. Kladakis.

Secretary Reich, having listened to a very sad bunch of stories, shall we say, and having been involved in Guatemala myself for 30 years, always thinking that the next government would be a little bit better than the last one, it appears that its going the other way.

I would like to ask you a question, and I do not know what kind of quandary I will put you in by asking the question: But is there any hope of persuading President Portillo to do something called the right thing or something along those lines?

And what comes to my mind is: We have a monstrous weapon that I never really approved of, but maybe sometime, somewhere it has a use, and that would be decertifying Guatemala under our drug certification statute.

Is that too big a gun for us to use? What do you see that we can do that actually will affect—I met President Portillo immediately after he got elected and he talked big, and everything was going to be great and wonderful. Then I met the Speaker of the House and I thought: Things have not changed at all, and I do not think they have.

Mr. REICH. Well, sir, you were right, I think, to be concerned about the implications of the question because I think it is a question that can be applied to most countries in Latin America. What is it that causes someone who comes into office with good intentions, I believe, and I do not have any reason to question the intentions, to not be able to control this scourge of corruption?

I think part of the problem is historic; part of the problem is cultural. It is just plain human greed but we have to deal with it. Whether we deal with it through, say a blunt instrument such as decertification, or more surgical strikes, such as the revocation of visas or other instruments that you have heard my colleagues here describe at length, is a good question.

We have tried to come up with a balanced policy. In some cases, we have to go to a more heavy approach, if you want to call it that. Sometimes a more subtle approach works in some countries. Overall, I think there has been progress in the region. In Central America, for example, and Congresswoman Ros-Lehtinen talked about the regional context, I think it is important. I am not trying to avoid answering your question specifically, but we have to take the regional context. The leaders in Central America today, by and large, are the kind of leaders that we want to be associated with in Honduras, Nicaragua, Costa Rica, El Salvador.

They are honest people, hardworking and many of them come from the private sector. They know how to manage and they are trying to do the right things. We have to try to help them because, although our resources are limited in relative terms, we do have more resources than they do.

I have personally talked to President Portillo several times, in person and on the telephone, about specific problems. When I talk to him, he says the right things. I just wonder how much control he has over certain elements of society. Guatemala, unfortunately, has had a very violent history. Some countries have more history of violence than others; and, Guatemala, unfortunately, has had a very violent one. That is why we are putting so much emphasis on the peace process because it did end a 30-year war. It was a civil war that cost the lives of a lot of people, including a lot of Americans.

As far as certification, obviously, it is the law. We have to follow the law. We have not come to any conclusions on decertification. We would have to examine the conditions of the statutes and make a recommendation to the Secretary of State, who would, in turn, make a recommendation to the President. But I would hope that we would not have to get to that point.

I would hope that the government of Guatemala realizes that it is in their interest to work with us, and their neighbors, and the Organization of American States, the World Bank, and the other international organizations that have been mentioned here to attack this problem, which is corroding the institutions of their country and the confidence of the people of their country.

Mr. BALLENGER. All I was saying is sometimes when you are dealing with a situation that seems to have been endemic for years, it is sort of like getting the attention of a mule by hitting him with a two-by-four. Maybe you do not have to hit him, but if you at least flash the two-by-four that you might hit him with, you might get a reaction that might be positive.

I do not want to string it out, but I would like to ask Mr. Simons the question. When we started Plan Colombia, we did not have the helicopters that were necessary. So the DEA in Guatemala sacrificed, or we sacrificed their capabilities by removing three helicopters from Guatemala and sending them to Colombia.

[Photos of the information referred to, submitted for the record by Chairman Ballenger, follow:]



Top: UH-60 (Blackhawk); Bottom: UH-1 and UH-2 helicopters in Tolemaida, Colombia, August 2002.

Mr. BALLENGER. Now those pictures there are pictures of helicopters in Colombia. They are sitting on the ground because they do not have the pilots. Now this is the Army. The Air Force has the pilots and somehow they cannot get together on the thing. But,

in the meantime, for at least 4 or 5 years, I have begged on bended knee your organization to possibly get one, two or three DEA helicopters to the DEA units in Guatemala. I know they have pilots there. They have a whole bunch of private helicopters up there. Surely, we could hire somebody to fly them. But it appears that when we took the helicopters out of that great big open country, you know it and I know it, there are areas where you can go almost anywhere and smuggle and so forth. And yet, those helicopters, that I have been begging for to help them out, do not seem to get there. Is there anything I can do besides just give you a hard time? [Laughter.]

Mr. SIMONS. Let me try to answer your concerns, Mr. Chairman.

First of all, with respect to Colombia, we believe that all of the helicopters that are in the process of being provided under Plan Colombia to the Colombian military, and that includes the 14 Blackhawks, the 32 UH-1Ns, some of which you see in these pictures, as well as the 25 Huey-2s, all of them are extremely important to meet our goal of turning around the situation on the ground with respect to cocoa production.

These particular 1-N helicopters that you see here, I have been informed by my staff that they are operating at an 84-percent operational readiness rate.

Mr. BALLENGER. These are Huey-2s and Blackhawks, not 1Ns. I am sorry about that.

Mr. SIMONS. Well, Huey-2s are operating in excess of a 70-percent readiness rate, and the Blackhawks are operating, I am told, at an 88-percent readiness rate. So we are in the process of getting the Colombian pilots ready in the case of the Huey-2s. That is a process that is ongoing that we have been working on for a couple of years.

We do believe that by January of next year, we will be able to have out-of-training mode and be into operational mode, not only the 1Ns, which have been the backbone of our effort for the last couple of years in terms of providing the ground protection to our spray operations, which we know enjoys strong support from your Committee, but also the Huey-2s and the Blackhawks.

We believe those are going to be particularly important to have on the ground and working as we go ahead and implement the expanded authorities, which Congress provided us in the context of the supplemental, to go after and implement President Uribe's integrated strategy to attack both narcotics and terrorism.

So we do believe that these helicopters are a central element in making our Colombia policy work.

Mr. BALLENGER. I will agree with you 100 percent on that. But, if it is going to be January before you have them going, I think I requested some assistance in Guatemala 2 years ago.

Mr. SIMONS. Right. I wanted to deal with the two issues separately.

Mr. BALLENGER. Okay.

Mr. SIMONS. First, I did want to stress that the Colombia equipment is very important to the success of the Colombia program.

Mr. BALLENGER. I will agree with that.

Mr. SIMONS. Now, with respect to Guatemala, we certainly would be prepared to take another look at this whole question in con-

sultation with you. We know you have spent quite a bit of time down in Guatemala, and we would be interested further in your thoughts on this. But we have had, over the years, a series of concerns and I thought I would just raise them here and perhaps we could continue the discussion beyond.

One of our concerns is the whole corruption issue and the question of the interlocutor. Who would we be working with? We have been having great difficulties just in implementing our day-to-day programs with the counter-narcotics police.

Who would our counterpart be and how could we assure that the same kind of corruption problems that are plaguing our interdiction activities, our ground interdiction activities, would not similarly face an aerial interdiction effort. So that is one major concern.

A second concern that we have concerns the mission itself. Over the past few years, we have believed, and this is I think an inter-agency position, that the most successful way to interdict narcotics in Guatemala is to focus on coastal interdiction efforts and on ground, overland interdiction efforts.

We believe that if you went back, and we did have, as you pointed out, an aerial interdiction program in place in the late 1980s, initially to support a very successful eradication program and later as an interdiction-only operation, but that was quite an elaborate program. It involved not just helicopters. First of all, it involved the full complement of seven helicopters with full contractual, logistical support. It is a very expensive operation.

But, in addition, we needed the Intel package to go along with it. We needed tracker aircraft; we needed a plan; and we needed an interlocutor, a reliable interlocutor to work with us because we were really looking at a very extensive operation to block these shipments using these extensive assets.

So I think it really would not be just a question of giving them a couple of helicopters and seeing what they did with them. We would have to be quite involved in the planning and operation of these. It would involve a major step-up in our overall activities in Guatemala. So, I think, before we do that, we need to think seriously about whether we can make such a program work. But, again, I am happy to continue this discussion.

Mr. BALLENGER. I will be glad to talk to you, but I think each of us up here ought to try 5 minutes at a whack, and then we will go back for a second time around. So let me turn it over to Mr. Menendez.

Mr. MENENDEZ. Well, thank you, Mr. Chairman. Since no one took me up on any of my questions, let me pursue them again. Does anyone on the panel have any information for this Committee on the five political appointees in the Dominican administration that were recently murdered?

Mr. REICH. Sir?

Mr. MENENDEZ. Yes or no.

Mr. REICH. No. During the break, I tried to look into that, and found, at least in the first search, that we do not have that information but we will certainly look into it.

Now there was a spike, and we mentioned the extra-judicial killings as we should in the Dominican Republic.

Mr. MENENDEZ. Mr. Secretary, I am talking about political appointees, not all the other extra-judicial killings. I am talking about the five political appointees.

Is there any information from any member of this panel for this Committee on those five appointees and their killings, yes or no?

Mr. REICH. I do not have any.

Mr. MENENDEZ. I will take everybody's silence to be no. Does anyone know about Mr. Martin Pimentel, who was one of those who was brutally murdered 4 or 5 months ago, and who was alleged to have been a drug trafficker? Does the DEA have any information in that regard?

Mr. GUEVARA. Not on that particular subject, sir.

Mr. MENENDEZ. Not on that particular subject or on that individual?

Mr. GUEVARA. I can say that there is an investigation that is ongoing that is very sensitive. I am not aware at this time of what the particulars are—I may be able to shed some light on that subject. I will be glad to follow that up subsequently.

Mr. MENENDEZ. Does anyone know who Mr. Gomez-Masara is?

Mr. GUEVARA. That is a subject that I may be able to shed further light on, once I have had an opportunity to have the matter looked into and respond to your question.

Mr. MENENDEZ. I listened with great interest to the descriptions of the pursuits of what is going on in the Dominican Republic and they are, for the most part, glowing.

I have real concerns, however. I think I am disappointed with what I have heard here. So I look forward, if it has to be, Mr. Chairman, in closed session to listen to what Mr. Guevara has to say about some of these issues.

I have many friends at different levels in the Dominican Republic, both legislators and others, who express very strong concerns about the level of Colombian influence in and beyond the government of the Dominican Republic. I see, Mr. Guevara, in your written statement on page 8 where you talk about the extradition of Paulino-Castro to San Juan.

In it you say:

“Intelligence developed in this investigation established that Paulino-Castro had strong connections with high-ranking Dominican law enforcement officials and political figures.”

Now what happened with that information? Where did it go? Who are these individuals? What did the Dominican government do about it?

Mr. GUEVARA. That information would have been provided to our counterparts there, as DEA would not have a mandate or the ability to investigate those concerns. I can say, though, that the integrity of the overall investigation was protected that lead to the subsequent indictment of Paulino-Castro and his subsequent extradition to Puerto Rico, where he is in custody facing charges.

Mr. MENENDEZ. But aren't the rest of you, who are involved with our promotion of justice, the rule of law, and our other relationships with the Dominican Republic, concerned about information that the intelligence our country develops with reference to these strong connections with high-ranking Dominican law enforcement

officials and political figures? Because all I hear is a rather glowing reference to what the Dominican Republic is doing.

Mr. Simons, in your written statement on page 2, you say that President Mejia's high-profile Consultative Committee Against Corruption has met only a few times and has yet to produce any concrete results. I am seriously concerned about what is going on in the Dominican Republic in the context of Colombian drug trafficking.

And while you have all acknowledged it as a transshipment point and also a command and control opportunity for drug traffickers, I do not think that the responses are appropriate to the information. Either our intelligence community lacks information, which maybe I would be happy to share with them, or we are not getting the full story here. What level has the Colombian cartels infiltrated the Dominican government? Do we have any information of that?

Mr. REICH. No, sir. But, on those specifics, there are some things that would not be appropriate to discuss that I do have knowledge of, but that would not be appropriate to discuss in an open hearing.

Mr. MENENDEZ. Then it would have been nice, Mr. Secretary, for you and others to tell the Chairman and myself, as Ranking Member, that the questions that we would be posing and the information that we have been seeking would have necessitated a private session, so that we could have really gotten to the substance.

I am not really interested in all this ephemeral stuff. I want to know: What is going on; what we know; what we are pursuing; and how we are dealing with these respective governments, both in Guatemala and in the Dominican Republic? The testimony I heard here is unsatisfactory.

So I will be looking forward, Mr. Chairman, to urging a private session to be able to hear some of the real information that will make us know: Where we are headed; where we are going; and what is happening with these two governments?

Mr. BALLENGER. Ms. Ros-Lehtinen?

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

Secretary Reich, about the visas: What criteria are we using for denial of visas, and does this reflect a policy change on our part?

Mr. REICH. It does not reflect a policy change as much as a different emphasis. We are much more aggressive than in the past in using existing legislation, although there is new legislation post-September 11. The Patriot Act did give the Executive Branch more authority. Congress gave the Executive more authority to go after money laundering, for example.

Interestingly enough, the mechanisms that are used by terrorist groups to funnel money to their cells is very similar to the mechanism that would have to be used by narcotics traffickers or organized crime to hide money. When you have stolen money from the government or private business or banks, et cetera, you have to be engaged in money laundering.

So that particular mechanism, which the Congress gave us, has proven very useful. We have used it already several times in the hemisphere with very good results in terms of getting the governments in the region to go after some of those people identified as being involved in money laundering.

Ms. ROS-LEHTINEN. Thank you. And further, Secretary Reich, a long-standing debate among the countries of the Western Hemisphere has dealt with the differences between demand-based strategies and supply-based strategies. I know that you have worked extensively on bringing these seemingly divergent policies closer together. Could you please elaborate on the efforts of your Bureau and the Department to develop a more comprehensive policy which addresses the demand problem as well as supply?

Mr. REICH. Yes. I think the focus of the hearing today, and what you could hear from the testimony, is what the Administration is trying to do by working with the governments in the region, international organizations and others to try to deal with the problem of narcotics trafficking at the source, whether it is cultivation, transportation, money laundering, et cetera.

But we should not forget our own responsibility in this country, and in other developed countries, in creating the demand for these narcotics and for this illegal business. I think that any American who uses drugs, even if they think they are recreational drugs, has to recognize the direct link between that illicit activity and the human cost in the region: Judges who have been assassinated, police officers who are assassinated by drug traffickers, and the corruption that we have been discussing here. For example, the fact that 75 percent of the anti-narcotics unit in Guatemala has been fired because they fell victim to the enormous amounts of money that are involved in this illicit activity. That money is coming from the developed countries, the United States, primarily, and Europe; and we have to accept the responsibility.

President Bush has said it several times: The Office of National Drug Control Policy is very actively drawing the connection between the demand here and the destruction of the institutions and the deaths that are caused, the kidnappings, and other crimes in the region. That is what, I think, I always try to refer to. This does not mean we should not divert our attention from going after narcotics at the source, but we also have to deal with the demand.

Ms. ROS-LEHTINEN. That is true.

Mr. REICH. And one more thing, if you do not mind. We have seen in many of these countries, that were so-called producing countries, that they are now becoming consuming countries. Because there is so much production, the drug traffickers literally give it away in some cases, or sell it very cheaply and people become addicted. This is what is pervasive and so bad about these drugs. People become addicted and then they have to pay whatever price the supplier asks for after they are addicted.

Ms. ROS-LEHTINEN. Thank you. That is certainly true.

Administrator Franco, what has USAID done since the signing of the Guatemalan Peace Accords to promote justice and the rule of law in the country, and what is the breakdown of USAID programs for Guatemala? What sort of policy directions and assistance have you received from various bureaus at the Department of State to carry forth this mission?

Mr. FRANCO. Congresswoman, first of all, we are very much engaged in discussions with the government of Guatemala, through our Embassy, in terms of our development programs on the implementation of the Peace Accords.

I participated in the consultative group regarding the Guatemala Peace Accords with all of the other member states' representatives at the Inter-American Development Bank in February. At that meeting, I reiterated what Secretary Reich has said, and that is: We expect not only compliance but timely implementation of what is contemplated in the Peace Accords, which is really to bring about a democratic society at every level in that country and that is part of our mission. I will get to the specifics in a moment.

But this is something that we reiterate constantly. I know the Secretary does and, under his leadership, I will say, Mr. Chairman, that I think he has flashed the two-by-four by saying that our assistance and continued commitment, which we want to support the Portillo government, is based on results.

I also had the opportunity to meet with President Portillo and he does say the right things. There are some, as you noted as well, Mr. Chairman, in other areas, there has been leadership demonstrated by President Portillo and the government of Guatemala. We expect the same type of commitment on the Peace Accords.

The other factor I would add is that we try, and I know Secretary Reich has done this repeatedly, and I try to echo this message: We try to put into very clear terms to the Guatemalans, and it is in their self-interest, that imposing an agenda from Washington is difficult.

It is in Guatemala's interest to bring about an equitable society that addresses questions of impunity and corruption. Why? We are talking about a Free Trade Agreement for the Americas by 2005. That is the agenda. I know the U.S. Trade Representative, Ambassador Zoellick, is zealously working to bring about a Free Trade Agreement for Central America that we will enter into, I hope, very, very soon.

Therefore, to address these questions of corruption, whether it is customs duty or regulatory compliance with WTO, these are things that are endemic in terms of the corruption problems that need to be addressed to take full advantage of the potential that Guatemala has. So we try to echo that message. And, as Secretary Reich has said and he has said it repeatedly, our assistance is not guaranteed. It will continued to be monitored very, very closely.

Ms. ROS-LEHTINEN. Well, what about the resources? One of the issues that has been raised in the testimony offered today has to do with the lack of resources available for the Guatemalan government. What has the U.S. Government asked the Guatemalan government to focus in its limited resources and what benchmarks are we using in the various areas of concern that you have brought out, corruption, et cetera, to determine whether we have been successful?

Mr. FRANCO. In terms of our investment in Guatemala, we invest over \$50 million. It is \$53.5 million that we are investing in Guatemala in terms of the development activities, of which \$10.3 million are for good-governance democracy programs.

We have instituted a Public Defense Institute. This is part of the Accords for Peace, which is part of the Peace Accords, which provide for public defender services in Guatemala, which did not exist in the past. We have worked on the judicial sector to bring about reforms.

Up to 1994, trials were conducted in secret in Guatemala. We have made progress in that area. It is one of the areas I think is important, and I know the Committee knows this, but to underscore, the judiciary in Guatemala has some degree of independence. We have not been as fortunate, in terms of our work with the Congress in Guatemala, but we have implemented a program to provide justices of the peace in each one of the departments. Interpreters are now available, through our programs. There are 23 languages spoken there in every department of the country. So, at the grassroots level, we are making progress. We have a Victims Assistance Office. This has to go, again, with the Peace Accords.

Of the benchmarks that we try to use are: The number of municipalities that are being reached, and the number of beneficiaries. For example, we had 20,000 Guatemalans who received assistance through the Public Defender program. So we try to quantify these to the extent that we can.

I think we have the data, and I would be happy to share it with the Committee. Some of this, as Secretary Reich has said, is cultural. It is a more difficult thing. It is not passing the buck on the Committee. It is creating a climate where people expect a higher set of ethical standards from their government. We are working with journalists—the Guatemalan press, I think, has been good and aggressive and even developed more investigative reporting and work to expose and hold government officials accountable.

So this has been the range of activities that we have engaged in. As noted in my testimony, and I have to say this with all candor, I think this is a long-range problem. It is a 35-year old civil war. I know the Guatemalans say this to you and they say it to us: Give us time.

We are somewhat sympathetic to that, but we want to really push the government to do more and our assistance will be contingent on that continued progress.

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

Mr. BALENGER. Congressman Delahunt?

Mr. DELAHUNT. I think it is important to create a context here. I just wrote down some phrases that have been used. While we are here, specifically, on the Dominican Republic and Guatemala, I dare say that we could substitute just about any other nation say in Latin America and talk about the same problems.

We, obviously, have a focus in terms of the drug issue. But the problems of corruption, the problems of a political elite, a beleaguered judiciary, and weak institutions preceded the advent, if you will, of the drug problem.

Clearly, I think drugs has compounded the problem, aggravated it, accelerated it, but what we are talking about here is—I think it was you, Otto, that used the term “cultural attitude and mindset.” I don’t think it is all gloomy news. I think, with the exception of Cuba, we now have at least nominal democracies.

We have elections that, by and large, seem to be conducted in a way such that we can describe them as free. I know that just throwing money at the problem is not going to work. But then I think of the fact that we send to Egypt \$2 billion annually. And picking up on what Congresswoman Ros-Lehtinen talked about, we

are spending I think it was \$50 million all together; \$40 million in terms of economic development; and \$10 million for good governance.

I have got to tell you, we have really got to focus on these institutions: An independent judiciary and a strengthened legislative body. We better start understanding that we have to provide the resources. What is the level of our assistance, if you know, Secretary Reich, just off the top of your head in terms of Latin America? Does it amount to \$2 billion?

Mr. REICH. No, sir, no. It is \$850 million, but I am glad you asked that because I had the job that Assistant Administrator Franco had 20 years ago. When I left the job, I had twice that much, or at least our last congressional presentation was for about \$1.5 billion in 1985.

Mr. DELAHUNT. My point is, we have got to start to think big. We really have to understand that we cannot do this on the cheap. We have to make an investment. I know Chairman Ballenger will be meeting today with a legislator from Colombia. He and I had, I think, a remarkable experience dealing with 18 members of the Venezuelan National Assembly here in the United States, in terms of trying to strengthen that institution and utilizing the Organization of American States in that effort. I know Mr. Franco is familiar with that.

We talk about democracies in Latin America. Well, if you do not have democratic institutions that are strong, what we are really talking about, I would submit, is "nominal democracies." We have elections and that is it. Whether it is Venezuela, Colombia, Peru, you name the country, we see what happens. When we do not have these institutions, tensions grow and societies begin to implode.

I would really hope that, Mr. Secretary, you go back with your colleagues and come back with a vision, a plan. What ought to occur is an examination, in my judgment, of each country in Latin America in terms of their institutions, particularly their legislative bodies and their judicial systems. Bring in outside experts, think tanks, et cetera, utilize the resources on the ground in those various countries, examine them closely and come back here. I know you will have the support, I believe, of everybody on the Subcommittee.

Let's start to look at the need to build institutions in Latin America, or you are going to hear the same frustration from Cass Ballenger when he says: Thirty years ago, I heard the same thing, thirty years ago. Otto?

Mr. REICH. Well, sir. I agree with you so much that you sound like you are member of the Bush Administration because this is what we say.

Ms. ROS-LEHTINEN. We even got him to say that Cuba is not a democracy. We are making a lot of progress here, Mr. Delahunt.

Mr. REICH. We are doing a lot of what you say. Let me focus on two things: Resources and things we can do without additional resources. On resources, President Bush announced in March in Monterrey, at the U.N. Conference on Financing for Development, a \$5 billion Millennium Challenge Account to help those countries. They are poor countries but they are helping themselves.

The key factor here, and as a former USAID Assistant Administrator and somebody who has a Masters Degree in Latin America economic development, I could not agree more with the President. It is not just the amount of money that he is requesting. It is the conditions that we are going to demand of the countries, so that they qualify: Political, economic and social conditions.

We are going to help only those countries that, of course, deserve it because of their poverty, but only those countries that are helping themselves politically, meaning that they are democracies and that they respect human rights and promote human rights.

Number two, economically, that they follow the right economic formulas or ones that have been shown to work, meaning individual initiative, private property, market systems; but also, who fight corruption.

The President said this very clearly. I had the pleasure of being in Monterrey with him when he gave that speech and he emphasized it. Later on, in his stops in Lima and San Salvador on that trip, he talked about the need to fight corruption.

And the third element: Social policy. Countries that invest in their people, even if they are poor. Countries that take some of those limited resources and put them into health and education instead of wasting them on other projects that are not as critical to a poor country. So we agree with you. We are doing that.

Mr. DELAHUNT. Let me interrupt for a minute, Mr. Secretary.

Mr. REICH. Yes, sir.

Mr. DELAHUNT. How much did Latin America receive from the millennium account?

Mr. REICH. Well, the Millennium Challenge Account criteria are still being determined.

Mr. DELAHUNT. Okay. Let me suggest this. I believe in economic development programs. I have advocated for them in the past, but the more time that I spend in this particular Committee, clearly, it has to be a priority in terms of the institutions themselves.

For example, if we have an independent judiciary, a judiciary that commands the respect of the international community, foreign investment dollars will flow. This is not just about human rights. This is also about economic development in terms of strengthening these institutions.

We have got to be creative. Legislative bodies all over Latin America simply do not in any way perform or function at the same level that the United States Congress does. I think it is necessary that whatever resources are needed be allocated in terms of providing a base for those institutions to be nurtured and grown.

What I would like to see is have you come back at some future point in time with an assessment, even if we just started with Central America. Let's not bite off more than we can chew. Go through Central America, do an individual, country-by-country analysis of the institutions. How they are functioning. How they can be improved and what is needed in terms of resources.

Mr. FRANCO. Mr. Chairman, if I could comment on that. Mr. Delahunt, I would love to do that and join Secretary Reich and others in coming up and talking about Central America or the region as a whole. We are investing currently in the entire region in a wide variety of institution building for democracy and good govern-

ance programs and the types of things that you have—I think we share the same vision, \$93 million. Now that is the entire region where we work, which is 16 countries.

I can tell you, and I want to sit down with you and with Secretary Reich, we can do a great deal more than that. It is great to be discussing anti-corruption and institution building and it is a priority for President Bush. He has articulated it in his speech at the IDB. He did it in Monterrey, and we are going to commit to do more.

But just take Guatemala as an example since this is the subject of this discussion. We have a food-security problem there. So we can have this discussion and I want to do more in this area. I am not passing the buck on it. But we also are being pressed for health care programs in the region, which are also institution building, a Health Ministry which we are being pushed for.

Mr. DELAHUNT. I understand that. I think we are in agreement. My point is: If we can afford \$2 billion for Egypt.

Mr. FRANCO. I understand.

Mr. DELAHUNT. Let's rearrange our priorities. Let me put this challenge to the Administration. When the President was inaugurated, he spoke about Latin America. But we have got to walk the walk as well as talk the talk.

I would like to see a comprehensive program come in with whatever is necessary because, in the end, it is going to be cheaper because we can all agree that Latin America is in crisis now.

Mr. FRANCO. I agree.

Mr. DELAHUNT. The Ranking Member, for years, has put forward a proposal that I do not believe that anyone has provided him a response in terms of what this Administration would do as far as a continuing funding for programs. But, if we do not do it, we are going to have real problems in our hemisphere.

Mr. Franco. I agree.

Ms. KLADAKIS. Could I just add one thing as well? My Bureau, the Bureau of Democracy, Human Rights and Labor, is extremely focused on the institutional crisis that you mentioned. We agree fully that that is a fundamental problem in the region.

In fact, you mentioned pulling together experts. Just a few weeks ago, we did have a round table with academics, think tanks, and some of the implementors of programs—such as the National Endowment for Democracy—to talk about these very issues. They all agreed that the institutions are a fundamental problem, in particular the absence of genuine, real representative political parties. But obviously, there are issues across the board. So while DRL, my Bureau, does not have a whole lot of resources, we are looking at the ones we have to try to find ways to deal with institutional problems. And we always work with USAID and Assistant Secretary Reich's office to address those problems.

Mr. BALLENGER. Since you have the microphone there, I might as well just ask you a question. I was curious. Human rights problems: I have been involved with Central America for 35 years, and somehow, as democracy developed, I mean, they used to have human rights problems in Salvador. I am sure they had them in Nicaragua. They are probably having them still in Honduras. But,

somehow, it appears to me that Guatemala was terrible 30 years ago and it might be just as bad today. I do not know.

Could you venture your opinion? I was just curious. If the drug problem has compounded the problems—I know it has corrupted the governments, but has it compounded human rights problems that has existed there for years?

Ms. KLADAKIS. I think it has, as you mentioned, in part, because of the links. Others have mentioned the links between organized crime and drug traffickers involving some of the highest levels of officials in the government and in the military. Clearly, that kind of situation results in a problem with impunity, where if individuals commit human rights abuses they are not brought to justice. That leaves the situation wide open for continued abuses.

I find it interesting that, in the last year, there has been an increase in the harassment and intimidation of human rights workers, judges and prosecutors. It was about a year ago that convictions were brought down against individuals alleged to be responsible for the murder of Bishop Gerardi. There was a situation where individuals were found guilty. It seems as if that has had an effect of, perhaps, frightening those who do not want to see that kind of justice brought to bear. And also more recently, with the Myrna Mack case it the first time that a high-level military official has been found guilty for something that was committed during the civil war.

There are some positive steps I should mention, in addition to the conviction in the Mack Case. The government appointed a human rights ombudsman earlier this summer. They also have a new Attorney General who has expressed commitment to human rights protection, and he has appointed a special prosecutor for human rights.

All of these individuals seem professional and committed to the work that they are doing. Unfortunately, they are not receiving the resources that they need to do their work. As an example, the human rights ombudsman told us while we were there that he has a grand total of two computers for about 48 or 50 staff people. So it is very difficult for them to do their work.

Mr. BALLENGER. I think we are negotiating for a free trade agreement with Central America, or whatever it is, and I do not know specifically whether this is feasible or not. But the basic idea of somehow saying that people that want to join this organization would have to meet, say, our current drug certification ideas. Is such a thing feasible? Why in the world can we not put the screws to somebody that we know is—

Mr. REICH. Well, I think you put your finger on an important point, which is the mere process of negotiating free trade agreements forces the countries, or causes them, if you want to be a little less aggressive, to become more transparent. They have to. They have to open up.

In order to have a free trade relationship with anyone, whether it is us or the Europeans or each other, they have to open their financial transactions and the government's statistics and do so in a way that everybody can see, clearly, for example, that they are not going to be transshipping goods from a third country to the United States or their territory.

Take the case of Mexico, where the free trade agreement, NAFTA, and the economic changes and political changes that it has brought about, has helped open up the political system considerably. A lot of people, in fact, even credit the process that led to NAFTA, with the advent of President Fox and the reforms that he is trying to implement, which include very strong anti-corruption reforms. He just stared down the Petroleum Workers Union, who had threatened to go on strike because he wanted to end the corruption in that traditionally—let's say, unconventional union. He won that particular battle, and we support him in these efforts. But I think Mexico is an example of how free trade can have the concurrent benefit, not only of helping economic development, but political development as well.

Now I am not sure that it is necessary for us to make conditions. There are conditions, of course, that accrue to such an agreement. But I think that the benefits that these countries derive will cause them to want to become true partners of the United States, not only economically but in political and other areas.

Mr. BALENGER. Mr. Ranking Member.

Mr. MENENDEZ. Thank you, Mr. Chairman.

Let me turn to a different set of questions beyond my Dominican Republic questions. Mr. Secretary, in page 9 of your testimony, you say that President Portillo brought in the World Bank to develop a national anti-corruption plan, but the effort has been stalled by inability of the government and civil society to agree on the make-up of the Committee to develop that project.

Is that inability, in essence, an inability that is corrupt? Is it an inability that is structural? What is the inability?

Mr. REICH. It is all of the above. As I mentioned in my statement, there is insufficient political will. There is corruption at many levels, not only in the Executive Branch as we have discussed here, but also in the Congress and in the private sector. And, therefore, we have to address that, combat it wherever it exists. This is why we are focusing on the institutions, and particularly the Judiciary.

Congressman Delahunt is absolutely right that we have to focus on the judicial system. It is probably the most important of the powers when it comes to corrupting a system. If an investor, for example, does not have confidence that he or she is going to have a fair judgment from a court, that country, when that happens, is not going to be the object of a lot of investment. So we are spending a lot of money. USAID is spending a lot of money, as well as INL and others on judicial reform, not enough perhaps. There I agree, but we are also using other mechanisms such as visa revocations, where we do not have enough financial resources.

Mr. MENENDEZ. You say in your statement that by all accounts, speaking again of Guatemala, that corruption has increased significantly under this administration. It is the No. 1 obstacle to increasing the effectiveness of all U.S. Government programs in Guatemala, and you go on to say impunity exacerbates the problem.

So how do we function, Mr. Franco, under that set of circumstances? How is our money being used effectively? Is it possible that, in fact, you can use it effectively if corruption is so pervasive and impunity is the rule rather than the exception.

Mr. FRANCO. Well, I think we are using it effectively and we can, in large measure, Mr. Menendez, because we work through non-governmental organizations. That is a great deal of our focus in Guatemala and in societies where we encounter these difficulties.

The others are, where we talked about the obstacles and you have articulated a number of, in your earlier set of comments and questions, really serious concerns. They are there. There is no question about that, but we have the obstacles and we have to surmount them. On the one hand, we try to work with non-governmental organizations. For example, in most of our work on the justice sector in Guatemala, a great deal of it is through the civil society organizations and through the ombudsman effort and so forth.

By the same token, we are making investments to try to persuade the government of Guatemala to make reform at the ministry level; to make the judiciary reforms that are necessary, the engaging and training of judges.

Mr. MENENDEZ. How does the non-government organization—and I am a big proponent of non-government organizations. I have been for the 10 years that I have sat on this Committee. But how, in the context of judicial reform and integrity, as well as improving its quality, get affected by non-government organizations in a country like Guatemala?

Mr. FRANCO. Specifically, we are working with four civil society anti-corruption activities with four organizations: CIEN, INIAP, IDE, AC—we can substitute the acronyms and get you information specifically. It is a democracy with problems, but there are organizations that are promoting transparency. They are working, as I mentioned earlier, at the grassroots level promoting programs that provide justices of the peace and public defenders.

There is progress in this area. More needs to be done, but these organizations face obstacles. But they are effective and they are promoting it with journalist, with non-governmental organizations that expose problems and urge transparency in the countries.

Mr. MENENDEZ. I would like to see a synopsis of those four organizations.

Mr. FRANCO. Absolutely, sir.

[The information referred to follows:]

800 851

Anti-Corruption Projects with Guatemalan NGOs

In 2000-2001, USAID/Guatemala sponsored a number of projects led by 4 local civil society organizations (Accion Ciudadana, INIAP, CIEN and IDE) to promote transparency and reduce corruption. The specific details and objectives of these individual projects are noted in the chart below. Also, Accion Ciudadana, the local organization with closest ties to Transparency International (TI) received a separate sub-grant to establish a local chapter of TI, with the participation of the 3 other civil society organizations. Though each group did achieve some success in their individual programs, the idea that a coalition could form a chapter of TI locally did not flourish. Rather, Accion Ciudadana was registered in 2001 as the official local chapter of TI; however, Accion does continue to collaborate with other civil society groups, particularly CIEN.

Transparency/Anti Corruption Projects funded under Proyecto INCIDENCIA in 2000/2001

Organization	Programmatic Area	Project / General Objective	Total Amount / Duration
CIEN Centro de Investigaciones Económicas Nacionales	Transparency	Reform of Civil Service Law General Objective: Join efforts to promote transparency in the management of public affairs through the analysis of the Civil Service Law and its application in public administration in order to detect possible sources of corruption and propose new legislation that deters corruption in Guatemala's public administration system.	Total Amount: \$114,750 USAID: \$48,200 Counterpart: \$66,550.00 Duration: 1 year 7/15/00 to 7/14/01
INIAP Instituto de Investigación y Autoformación Política	Transparency	Transparency in Public Administration. General Objective: Promote the establishment of transparent mechanisms to control public social investment expenditure at the municipal level.	Total Amount: \$45,088 USAID: \$32,090 Counterpart: \$12,998 Duration: 1 year 7/15/00 to 7/14/01

Organization	Programmatic Area	Project / General Objective	Total Amount / Duration
IDE Instituto pro Democracia y Desarrollo	Transparency	Fostering of Public Ethics in the Office of the Comptroller General Objective: Strengthen the National System of Public Ethics initiated by the Guatemalan Comptroller General. This activity included the development of a network of civil society, private sector and government institutions that sought to promote public ethics.	Total Amount: Q 65,911 CAII/USAID \$52,097 Counterpart: \$13,814 Duration: 1 year 7/15/00 to 7/14/01
AC Acción Ciudadana	Transparency	Program to promote Transparency in Guatemala General Objective: Strengthen a coalition to work to improve the functioning of State oversight institutions, especially the Comptroller General, in order to promote transparency and accountability in the administration of public affairs. A critical book was published that analyzes in detail each of the State oversight institutions and their current status.	Total Amount: \$ 54,048 USAID: \$37,485 Counterpart: \$16,053 Duration: 1 year 7/1/00 to 6/30/01
AC Acción Ciudadana	Transparency	"Consolidating a Transparency Coalition" Project General Objective: Join efforts of 4 Guatemalan civil society groups to form a local chapter of Transparency International.	Total Amount: \$59,240 USAID: \$44,136 Counterpart: \$15,104 Duration: 7/1/00 to 6/30/01

Organization	Programmatic Area	Project / General Objective	Total Amount / Duration
CIEN Centro de Investigaciones Económicas Nacionales	Transparency	Analysis and follow-up to the General Budget and the Budgetary and Fiscal Guide. General Objective: Advocate for transparency in public spending and the development of the National Budget, through strengthening and enhancing a national level discussion on public policy regarding the approval and implementation of the national budget. Inform and train civil society organizations and relevant officials on the Budget process.	Total Amount: \$58,095 USAID: \$21,012 Counterpart: \$37,083 Duration: 1 year 7/1/00 to 6/30/01

Mr. MENENDEZ. Mr. Secretary, with reference to your comment that human rights have improved since 1996, they are pretty bad in Guatemala right now. So, while there may have been improvement, I think we have taken steps backwards. Give me some sense of the spectrum. They have improved. But, based upon where we are right now, it is pretty bad. So I would like to understand.

Mr. REICH. Everything is relative. Mr. Delahunt used the term "context." I think, in the historical context, if you go back to the 36 years of the Guatemalan war where paramilitary groups, army and guerrillas and others would go into a village and kill everyone, if they could, or single out people and kill them.

Compared to that, to those massacres, which is what they were, the situation today is better. It is not good. We have tried to be as candid as possible by saying that the situation, while it has improved in the period since 1996, since the Peace Accords, still is one that warrants our constant vigilance and that, in the last year, we have seen some signs.

As Monica Kladakis has mentioned, even the killing of people investigating some of those earlier massacres. But, in terms of the violence, for example, that existed throughout the region—20 years ago, we were engaged in—

Mr. MENENDEZ. That was in the context that I was taking your comments in because, obviously, I would agree with you. If you are going back in that time frame, of course, things are much better. I am saying from post-1996 on, you made the comment that progress has been made.

Mr. REICH. Yes.

Mr. MENENDEZ. But I am looking at things in Guatemala right now in the context of post-1996 on and they are pretty bad. So I am not quite sure that we have not slipped back instead of moving forward.

Mr. REICH. My colleague Adolfo Franco would like to add something. I would be happy to answer more, but I do not want to dominate the—

Mr. FRANCO. Just a couple of comments on that. You are right. It depends on the context and everything is relative. We sent, in December 2001, which is less than a year ago, Ambassador Jim Michel, who had my job; and previous to that, as you know, Ambassador to Guatemala, to look at our justice programs to see progress. Mr. Menendez, that is being done.

In addition, there is a GAO team that went to Guatemala to look at what is happening in the justice sector since 1996. Now to answer your question specifically, although big problems remain, since 1996 or 1994, prior to 1996, trials were secret. They are no longer secret. We now have 118 justices of the peace where there were zero in all 118 departments. We have a public defender's office. We have a presumption now of innocence. We have oral trials. We have the representations by an attorney at trial.

Now are these systems perfect? No. Do we need to work more? Yes. But every assessment we have had, and we have done an external review at AID—independent external, which I will be happy to share with you. I think we have a very good report from Ambassador Michel, and the Commission and the GAO, showing progress in this area and articulating to us the obstacles that we need to surmount.

So when we look back in terms of, and I do not have to go back 36 years, just 5 or 6 years ago. Yes, we are making slow progress. We need to do more and we need to accelerate that.

Mr. MENENDEZ. Thank you for that answer. Mr. Chairman, I just want to make one overarching point and then I will cease. We are coming to the end of this session. I fully intend to be back here in the next session. I want the Chair to know, whether he continues to be the Chair by virtue of not choosing another assignment, or by virtue of a change in the majority, but whether he is the Chair or whatever, that I intend to fully ask the Secretary and those who come before this Committee to be a lot more substantive and direct to some of the issues that we are talking about here.

I will, for my part, endeavor to try to get you what I want to hear before you come here, so that I do not have to have a process in which I do not get answers to questions. And if those questions need to be done in executive session, I am happy to urge the Chairman to do so.

I would urge this Administration, as I have urged previous Administrations, so this is not a partisan question: This hemisphere needs a lot more attention than it is getting. It needs a lot more attention in resources than it is getting. It is only when we have problems in this hemisphere that we seek to be engaged. So we wait before spending billions in Central America to seek democracy; and, then, after planting the seeds, we let them be not firmly cultivated.

It is very difficult when you are seeing what is happening in Colombia, Argentina, what is happening in other parts, and what is happening in these two countries that we referred to today and not see the type of investment and engagement. We will pay for it, both in security terms as well as in economic terms. Thank you, Mr. Chairman.

Mr. BALLENGER. Congressman Smith, did want to ask a quick question, if he could.

Mr. SMITH. I have one quick question and three or four slow questions.

Mr. BALLENGER. Well, you are going to be by yourself when you do the slow ones.

Mr. SMITH. We are just going over to vote on this amendment on the Iraq resolution. Please give me, maybe briefly, the study, the effort, the investigation, the relationship between the drug trade and corruption and terrorism. I will start with you, Secretary Simons, and then we will go to Roger.

Mr. SIMONS. Is this with respect to the Dominican Republic and Guatemala, specifically, or are you looking more hemispherically?

Mr. SMITH. Well, hemispherically, I would think.

Mr. SIMONS. Well, certainly, the trends that we have seen in terms of corruption, in terms of weak institutions that exist throughout the hemisphere are exacerbated by the presence of the drug trade and by the presence of terrorist groups.

So the same kinds of institutional weaknesses that all of us around the table are working to remedy through different kinds of assistance programs: When we build up judicial capacities; when we build up law enforcement capacities; when we build up the capacities of customs officials, of police officials, of judiciaries, of prosecutors. That institutional strengthening, basically, serves across a wide swath of functions: To enable countries to control terrorist threats; to control alien smuggling; to control drug trafficking; to control the wide-range of problems that come along through institutional weaknesses.

Mr. SMITH. Are there investments underway to look at known financing from the drug trade for terrorist activities?

Mr. SIMONS. Yes. We have developed, post-9/11, a priority list of 37-priority countries for terrorist financing; and we are addressing those in a systemic basis to provide technical assistance to, again, develop institutional capabilities. That effort has accelerated post-9/11. We have additional funding through the '02 supplemental, and we are moving forward.

I think, from the perspective INL, and again, this is our Bureau's perspective. We found that on a short-term basis, the U.S. law enforcement institutions that operate overseas on an operational basis have strengthened their presence. At the same time, we have gotten resources to address some of the longer-term strengthening issues. This operational basis, together with what we are doing in the long-term strengthening, there is a synergy there. I believe that USAID also, a lot of the programs that USAID is working on in terms of institutional strengthening are going to have indirect impacts on our ability also to manage the terrorist threats.

Mr. SMITH. It has got to be a priority. And just so it is in the record, Mr. Chairman, before you get the gavel, maybe Secretary Simons—it appears that President Portillo has not really taken a very aggressive, proactive actions to get rid of some of the drug-related corruption in his administration. I just want to include that in the record and maybe you can give me your answer in writing at a later point.

Mr. BALLENGER. Actually, that was well discussed before you came.

Let me just say, thank you, gentlemen, for coming. I know that the Secretary has got a time schedule and so forth. Really, I think it was constructive because I hope some news media reports on the fact that we are worried about the situation, both in the Dominican Republic and in Guatemala.

I would like to thank you, gentlemen and lady, for participating in this. I wish you all the best of luck. And if we can help in any way, shape or form—even when I am giving you a hard time, I am on your side. I thought you would like to know that.

Mr. REICH. We know that. Thank you, sir.

Mr. BALLENGER. Yes, sir. This Subcommittee is adjourned.

[Whereupon, at 12:15 p.m., the Subcommittee was adjourned.]