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Latin America and the Caribbean: Legislative Issues in 2001

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Latin America and the Caribbean: Legislative Issues in 2001

Summary

This report provides an overview of the major legislative issues facing Congress in 2001 relating to the Latin American and Caribbean region, and provides reference and linkages to other reports covering the issues in more detail. The report is organized by the regions and subregions of the Western Hemisphere.

At the hemispheric level, the major legislative issues include the implementation of the Declaration and Action Plan of hemispheric leaders at Summit of the Americas III in Quebec City, Canada, on April 20-22, 2001. This includes individual and collective action to achieve the goal of creating a Free Trade Area of the Americas (FTAA) by 2005, to promote democracy throughout the hemisphere, to strengthen multilateral mechanisms for counter-narcotics activity, and to further sustainable development and environmental protection in the region.

With neighbor Mexico in North America, the major bilateral issues for the United States are related to trade, drug trafficking, and migration, as new President George W. Bush seeks to advance friendly relations with new President Vicente Fox, the first President of Mexico from an opposition party in over 70 years.

With regard to the Central American and Caribbean region, the major issues are disaster relief and reconstruction in both Central America and the Caribbean, earthquakes in El Salvador, implementation of the peace accords in Guatemala, and dealing with Panama's new control of the Panama Canal. President Bush has announced a "Third Border Initiative" to strengthen the development of the smaller Caribbean countries, and will be seeking ways to advance democracy in Cuba and Haiti.

In the Andean region, the major issues are President Bush's Andean Regional Initiative for Colombia and regional neighbors, the Andean Trade Preference Act (ATPA) under consideration for renewal, dealing with a new government in Peru, and finding ways to engage the "maverick" government in Venezuela.

In the region encompassing Brazil and the Southern Cone countries of South America, the major issues are dealing with trade disputes and conflicting views of FTAA with the Brazilians, dealing with a serious economic crisis in Argentina, and completing negotiations for a U.S.-Chile Free Trade Agreement with Chile.

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Latin America and the Caribbean: Legislative Issues in 2001[1]

I. Hemispheric Issues

Summit of the Americas III

Summit of the Americas III was held in Quebec City, Canada, from April 20-22, 2001, with 34 democratically elected Presidents and Prime Ministers from the Western Hemisphere in attendance, including George W. Bush from the United States. The hemispheric leaders dealt with three major themes: (1) Strengthening Democracy, where they agreed to a democracy clause that specified that democratic government was an essential condition for participation in the summit process; (2) Creating Prosperity, where they agreed to advance toward the conclusion of the agreement on the Free Trade Area of the Americas (FTAA) by January 2005; and (3) Realizing Human Potential, where they agreed to initiatives to promote education, health, and greater equity for women, youth, and indigenous peoples. Considerable press coverage focused on the protesters who argue that free trade agreements benefit business groups and the wealthy while resulting in the degradation of labor and environmental standards.

For more information, see CRS Report RL30936, *Summit of the Americas III, Quebec City, Canada, April 20-22, 2001: Background, Objectives, and Results*, by K. Larry Storrs and M. Angeles Villarreal.

Free Trade Area of the Americas (FTAA)

A centerpiece of the Third Summit of the Americas discussions was the Free Trade Area of the Americas (FTAA). Despite protests from various interest groups, all countries except Venezuela signed the Declaration of Quebec City adopting the bracketed or draft text of the FTAA and reaffirming the commitment to complete negotiations of the FTAA by January 2005, with the agreement's entry into force no later than the end of the same year. The Declaration focuses on some of the most

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[1] For information on legislative issues in 2000, see CRS Report RS20474, *Latin America: Overview of Legislative Issues for Congress in 2000*, coordinated by Mark P. Sullivan. Although this report is organized by regions, it is important to remember that the term "Latin America" is a cultural rather than a geographical term, and includes all countries where Latin-based languages are spoken but does not include the English-speaking countries of the Caribbean; hence the title Latin America and the Caribbean. "Latin America" includes Mexico in North America, most countries in Central America and South America, and Cuba and the Dominican Republic in the Caribbean where Spanish is spoken; Haiti in the Caribbean where French is spoken; and Brazil in South America where Portuguese is spoken.

controversial issues facing the Western Hemisphere countries. The Declaration includes language stating the need to address the "challenge of environmental management" and promoting "compliance with internationally recognized core labor standards as embodied in the International Labor Organization Declaration on Fundamental Principles and Rights at Work." In addition, to the surprise of some, President Bush gave a nod toward support for addressing labor and environmental issues as well as negotiating antidumping, countervailing duty, and other trade remedy measures. All these issues have been sufficiently contentious as to threaten progress in negotiations if extreme positions emerge. How they ultimately will be resolved, either in the United States or the Hemisphere, is difficult to predict.

For more information, see CRS Report RS20864, *A Free Trade Area of the Americas: Status of Negotiations and Major Policy Issues*, by J. F. Hornbeck; CRS Issue Brief IB95017, *Trade and the Americas*, by Raymond J. Ahearn; and CRS Report RL30935, *Agricultural Trade in the Free Trade Area of the Americas*, by Remy Jurenas.

Democracy in Latin America and the Caribbean

Latin America has made enormous strides in recent years in the development of democracy, with all countries but Cuba led by democratically-elected heads of state. Nonetheless, many government institutions in the region have proven ill-equipped to deal with challenges to their further development, such as strong, often autocratic presidents; violent guerrilla conflicts; militaries still not comfortable with civilian rule; and narcotics trafficking and related crime and corruption. Furthermore, many countries have encountered difficulties in promoting economic development in the face of widespread poverty and highly skewed income distributions.

For more information, see CRS Report 98-684, *Latin America and the Caribbean: Fact Sheet on Leaders and Elections*, by Mark P. Sullivan, as well as references cited above on Summit of the Americas III and cited below on Haiti and Peru.

Drug Certification Process and the OAS Multilateral Evaluation Mechanism (MEM)

Since the mid-1980s, Congress has required the President to certify that drug producing and drug-transit countries are cooperating fully with the United States in counter-narcotics efforts in order to avoid a series of sanctions, including suspension of U.S. foreign assistance and financing, and opposition to loans in the multilateral development banks. The sanctions would also apply if the Congress, within 30 calendar days, passed a joint resolution of disapproval to overturn the presidential certification, although any resolution would be subject to veto.

Over the years, spokesmen from many countries have complained about the unilateral and non-cooperative nature of the drug certification requirements, and have urged the United States to end the process and to rely upon various multilateral methods of evaluation that have been developed recently. Mexico, often the focus of congressional debate, particularly expressed dissatisfaction with the process, even though it was regularly certified as being a fully cooperative country. Following the July 2000 election of opposition candidate Vicente Fox as President of Mexico, a number of legislative measures were introduced to modify the drug certification requirements, and these initiatives were mentioned when President Bush met with President Fox in Mexico in mid-February 2001. Although President Bush certified Mexico as fully cooperative in drug control efforts on March 1, 2001, a number of legislators continue to press for modification of the existing certification process.

Acting to soften existing requirements, on April 5, 2001, the Senate Foreign Relations Committee reported out a substitute version of S. 219, which would (1) suspend the existing drug certification procedures for a 3-year trial period, and (2) require the President to identify by October 1 of each year major drug-transit or major illicit drug producing countries and to deny assistance to any country that has failed demonstrably, during the previous 12 months, to make substantial efforts to adhere to its obligations under international counternarcotics agreements. The measure expresses the sense of Congress that the United States should at the earliest feasible date in 2001 convene a multilateral conference of relevant countries to develop multilateral drug reduction and prevention strategies. It also urges the President to request legislative changes to implement the strategies no later than one year after enactment.

One of the multilateral mechanisms most frequently mentioned is the Multilateral Evaluation Mechanism (MEM) developed by the Inter-American Drug Abuse Control Commission (CICAD) of the Organization of American States (OAS). Under the MEM, all hemispheric countries are evaluated on the basis of 61 common criteria. Representatives of each country evaluate all countries except their own. Hemispheric leaders at Summit of the Americas III noted with satisfaction the first set of evaluations and recommendations under the MEM procedures and called for strengthening the MEM process and for strengthening hemispheric counter-narcotics cooperation.

For more information, see CRS Report RL30892, *Drug Certification Requirements and Proposed Congressional Modifications in 2001*; CRS Report RL30949, *Drug Certification Procedures: Side-by-side Comparison of Existing Procedures and S. 219 as Reported;* and CRS Report RL30950, *Drug Certification Procedures: A Comparison of Current Law and S. 219 as Reported,* by K. Larry Storrs.

Sustainable Development and Environmental Protection

Roughly 50% of the world's tropical forests, 40% of its biological diversity, and extensive freshwater and marine resources are located in the Latin American and Caribbean region. The U.S. Agency for International Development (USAID) has devoted about $65 million per year to environment programs in the region in recent years, supporting sustainable forestry, improved hillside agriculture, conservation of biological diversity, prevention of industrial pollution, and better water management. In Brazil, for example, USAID, working with other bilateral and multilateral donors and non-governmental organizations (NGOs), supports programs to conserve the Brazilian rainforest. The programs' goals are to suppress fires, and to develop and train leaders for sustainable development activities that will reduce the extensive burning/clearing of tropical forests in Brazil's vast Amazon region which allegedly contributes to the loss of biological diversity and increased global warming.

For further information, see CRS Report RL30121, *Brazil under Cardoso: Politics, Economics, and Relations with the United States,* by K. Larry Storrs; CRS Report 97-291, *NAFTA: Related Environmental Issues and Initiatives*, by Mary E. Tiemann; and CRS Electronic Briefing Book on "Global Climate Change" on the CRS web site, [http://www.congress.gov/brbk/html/ebgcc1.html] as well as references to Summit of the Americas III above. See also the explanation of USAID's environment programs in Latin America and the Caribbean at USAID's web site [http://www.usaid.gov/environment/lac.html].

II. Mexico

Fox Administration in Mexico

Vicente Fox of the conservative Alliance for Change was inaugurated as President of Mexico on December 1, 2000, for a six year term, promising to promote free market policies, to strengthen democracy and the rule of law, to fight corruption and crime, and to end the conflictive situation in the state of Chiapas. Fox's inauguration ended 71 years of presidential control by the long dominant party. Since his inauguration he worked with a divided Congress to obtain passage of his budget, and he recently submitted fiscal and tax reforms calculated to produce resources for his educational and social initiatives. However, the proposals have been controversial because they remove tax exemptions on medicine and food.

President Fox has sought to resolve the conflictive situation in Chiapas by submitting legislation to strengthen indigenous rights, withdrawing military from certain areas, releasing some Zapatista prisoners, and calling for peace talks with the rebels. The Zapatistas made a peaceful march from Chiapas to Mexico City from February 24 to March 9 to generate support. They pressed their proposals in the Chamber of Deputies on March 28, 2001, and eventually agreed to renew a peace dialogue with the government. After the Mexican Congress passed a modified version of the indigenous rights legislation on April 28, 2001, the Zapatistas denounced the legislation as inadequate and withdrew from any dialogue with the Government.

President Fox has indicated that Mexico will pursue a more activist and diversified foreign policy, with greater involvement in UN activities, and stronger ties to Latin America and Europe. He has also indicated that it will be more aggressive in defending the interests of Mexicans living in foreign countries, particularly those in the United States, and he established a Special Office for Mexicans Abroad. On various occasions, President Fox has indicated that he expects to have warm and friendly relations with the United States, and he has called for greater cooperation under NAFTA and for a more open border between the countries over time.

The United States Congress has closely followed political and economic developments in Mexico, and is interested in President Fox's efforts to advance democracy, promote free market reforms, and resolve the conflictive situation in

Chiapas because of the effects of these developments on bilateral relations and because of the threat of possible instability on the southern border.

For more information, see CRS Issue Brief IB10070, *Mexico-U.S. Relations: Issues for the 107th Congress*, by K. Larry Storrs.

Mexico-U.S. Bilateral Issues

The United States and Mexico have a special relationship under the North American Free Trade Agreement (NAFTA), which removes trade and investment barriers between the countries. The friendly relationship was strengthened by President Bush's meetings with President Fox in Mexico, Canada, and the United States. Major bilateral issues of concern to Congress are trade, immigration, and drug trafficking and border issues.

On February 16, 2001, President Bush met with President Fox in Guanajuato, Mexico, and agreed on goals and principles that would form the basis for a full, mature, and equitable "partnership for prosperity." On migration issues, the two presidents agreed to begin at the earliest opportunity cabinet-level negotiations aimed at achieving short- and long-term agreements to constructively address migration and labor issues between the countries. On border issues, they promised to work for the economic and social development of border communities with a safe and orderly environment They also agreed to form a new high-level working group under the auspices of the Binational Commission, to identify specific steps to improve the efficiency of border operations.

On trucking issues, they agreed to begin immediate discussions to implement the North America Free Trade Agreement (NAFTA) panel decision allowing Mexican trucks access to U.S. highways. On drug trafficking issues, they agreed to strengthen law enforcement cooperation in accordance with each country's national jurisdiction, and on March 1, President Bush certified that Mexico had been fully cooperative in drug control efforts. On energy issues, the presidents indicated that they would consult with Canada to develop a North American approach to energy resources.

On April 21, 2001, Presidents Bush and Fox met in Quebec City, Canada, while attending Summit of the Americas III with other hemispheric leaders. They affirmed their support for concluding an agreement to create the Free Trade Area of the Americas (FTAA) by 2005, and indicated that bilateral issues were being resolved harmoniously.

On May 3, 2001, President Fox visited with President Bush in Washington, D.C., where both spoke at the annual meeting of the American Jewish Committee. The two talked about temporary visas for Mexican workers and plans for long range energy development among Mexico, the United States and Canada. President Fox announced that Mexico had that very day arrested Adan Amezcua, one of the brothers known as "the kings of amphetamines." President Bush invited President Fox to make an official state visit, September 5-7, 2001, and indicated that this would be the first state visit of his Administration, and would highlight the warm friendship between our two countries and peoples.

For more information on bilateral relations, including trade, drug trafficking, and migration issues, see CRS Issue Brief IB10070, *Mexico-U.S. Relations: Issues for the 107th Congress*; and CRS Report RL30886, *Mexico's Counter-Narcotics Efforts under Zedillo and Fox, 1994 to 2001*, by K. Larry Storrs; as well as CRS Report RL30852, *Immigration of Agricultural Guest Workers: Policy, Trends and Legislative Issues*, by Ruth Ellen Wasem and Geoffrey K. Collver; and the section on NAFTA in the CRS Electronic Briefing Book on "Trade," by J.F. Hornbeck, available online [http://www.congress.gov/brbk/html/ebtra42.html]

III. Central America and the Caribbean

Disaster Relief and Reconstruction

Following the destruction caused by Hurricane George in the Caribbean and Hurricane Mitch in Central America in late 1998, the United States responded with some $312 million in emergency relief, and an additional $621 million in grant assistance through AID and other agencies, funded through the 1999 Emergency Supplemental Appropriations Act. Donors and country officials pledged to be better prepared for disasters, and to "build back better" in reconstruction efforts, including work to reduce poor conservation and land use practices that often contributed to the severity of the disaster damage in the countries. Congress is interested in oversight over this major project in Central America, with expenditure of the designated funding continuing until the end of 2001.

For background, see CRS Report 98-1030, *Central America: Reconstruction after Hurricane Mitch*, coordinated by Lois McHugh. For current status, see USAID's Hurricane Reconstruction Site on the web [http://hurricane.info.usaid.gov/].

Earthquakes in El Salvador

El Salvador experienced several major earthquakes in January and February 2001 that killed over a one thousand people, and displaced nearly two million people. The United States and other countries have responded with emergency and relief assistance. U.S. emergency assistance totaled nearly $10 million by mid-February 2001, with $6.1 million provided in response to the mid-January earthquake, and $3.3 million in response to the mid-February earthquake. When President Bush met with Salvadoran President Francisco Flores in early March 2001, he said that the United States had provided over $16 million in emergency relief assistance, and he pledged to provide $52 million in reconstruction assistance in FY2001, and an equal or greater amount in FY2002. He also notified the Salvadoran President of the U.S. Attorney General's decision to grant Temporary Protected Status (TPS) to Salvadoran immigrants in the United States for a period of 18 months. The Salvadoran government had expressed concern about the additional strain that returned immigrants would place on already stretched resources. Some Members have suggested the need for even more assistance to the country.

For background, see CRS Report 98-1030, *Central America: Reconstruction after Hurricane Mitch*, coordinated by Lois McHugh. For current status, see USAID's updates on Earthquake in El Salvador [http://usaid.gov/about/el_salvador/].

Guatemala and the Peace Accords

Guatemala is beginning the fifth year of implementation of the historic peace accords signed in December 1996, which called for programs to transform Guatemala into a more participatory and equitable society. The United States is the single largest bilateral donor in this area, having offered $260 million in support over the four-year period from 1997 to 2000. Additional support was pledged through FY2003, although multilateral institutions are making larger contributions. Bush Administration-requested assistance for FY2002 includes $24 million in development assistance, $18 million in food assistance, and $10 million in Economic Support Funds, largely to support the peace process. U.S. assistance helps the Guatemalan Government to implement its social reform program, modernize the justice sector, carry out land bank and titling programs, and encourage participation from marginal communities.

For background, see CRS Report 98-1030, *Central America: Reconstruction after Hurricane Mitch*, coordinated by Lois McHugh. For current status, see USAID's reports on Guatemala [http://www.usaid.gov/countries/gt/index2.html].

Panama

The 1977 Panama Canal Treaty terminated on December 31, 1999 and the United States turned operation of the Panama Canal over to Panama on that date. All U.S. troops withdrew from Panama and all U.S. military installations reverted to Panamanian control. Under the terms of the 1977 Treaty on the Permanent Neutrality and Operation of the Panama Canal, which has no termination date, Panama now has responsibility for operating and defending the Canal. However, the treaty gives the United States the right to use military force to reopen the Canal or restore its operations.

In 1999, some Members of Congress and politicians in Panama suggested that there was an opportunity for the United States to negotiate the use of facilities in Panama for U.S. antidrug flights, similar to the Forward Operating Locations (FOLs) arrangements being made with Ecuador, Aruba, and Curacao. However, in 2000, Panamanian President Moscoso resisted a request from the United States to allow the U.S. military to establish a military presence in Panama for antidrug flights, and in September 2000, she announced that Panama would remain neutral regarding drug trafficking problems between Colombia and the United States. Other U.S. interests or concerns in Panama have included a controversy over the extent to which the United States will clean up three hazardous firing ranges in Panama; and allegations by some that China could threaten the operation of the Panama Canal because of its links to a Hong Kong company operating ports at both ends of the Canal. Both the State and Defense Departments and the Panama Canal Commission have asserted that the operation of the ports by a Hong Kong company would not constitute a threat to the Canal.

For more information, see CRS Issue Brief IB92088, *Panama-U.S. Relations* by Mark P. Sullivan and M. Angeles Villarreal.

Caribbean "Third Border Initiative"

At the 2001 Summit of the Americas in Quebec, Canada, President Bush announced the "Third Border Initiative" for the Caribbean region. According to the Administration, the initiative aims to deepen U.S. commitment to fighting the spread of HIV/AIDS, to respond to natural disasters, and to make sure the benefits of globalization are felt in even the smallest economies, particularly those in the Caribbean, which can be seen as a "third border" of the United States. U.S.initiatives include $20 million in HIV/AIDS funding, establishment of a teacher training "Center for Excellence," increased funding for Disaster Preparedness and Mitigation, assistance to improve regional civil aviation oversight, and additional funding for anti-corruption and anti-money laundering law enforcement efforts.

For information on the United States-Caribbean Trade Partnership Act, see the section on CBI-NAFTA parity in the CRS Electronic Briefing Book on Trade, by Vladimir N. Pregelj [http://www.congress.gov/brbk/html/ebtra5.html]. For more information on the "Third Border Initiative," see the U.S. Department of State, Washington File, Fact Sheet: Caribbean "Third Border Initiative" on the State Department website [http://usinfo.state.gov/regional/ar/summit/factb.htm].

Cuba

Bipartisan majorities in both houses of the 106th Congress supported easing sanctions against Cuba. The 106th Congress passed legislation allowing the sale of agricultural and medical products to Cuba as part of the FY2001 Agriculture Appropriations bill (P.L. 106-387). The bill placed severe constraints on such sales, however, permanently prohibiting private financing of agricultural exports to Cuba by U.S. banks or by state and local governments. The bill also codified existing embargo regulations by prohibiting the import of merchandise from Cuba and travel for tourism to Cuba.

Several bills are pending in the 107th Congress, including several that would allow some U.S. financing of medical and agricultural products to Cuba, permit travel to Cuba, and/or lift the embargo on Cuba. On July 25, 2001, in action on the Treasury Department Appropriations for FY2002 (H.R. 2590), the House approved an amendment that would prohibit the Treasury Department from using funds to enforce restrictions on travel to Cuba, but it rejected another amendment that would affected the overall economic embargo. On July 16, President Bush extended for 6 months the waiver of Title III of the Helms-Burton law that allows U.S. nationals to sue for damages persons who traffic in property confiscated in Cuba. The Clinton administration had waived implementation of the law since its passage in 1996, in exchange for the European Union dropping a World Trade Organization complaint against the extraterritorial aspect of the law.

For further information, see CRS Report RL30806, *Cuba: Background and Current Issues for Congress*, and CRS Report RL30628, *Cuba: Issues and Legislation in the 106th Congress*, by Mark P. Sullivan and Maureen Taft-Morales.

Haiti

Former President Jean-Bertrand Aristide was inaugurated on February 7, 2001 to a second, non-consecutive term. Aristide and his Fanmi Lavalas party swept presidential and legislative elections on November 26, 2000. All of the major opposition parties boycotted the elections, however, citing widespread fraud by Aristide supporters and the unresolved dispute over May 2000 legislative elections. Also on February 7, a coalition of 15 political parties, the Convergence Democratique, formed an alternative government and repeated its call for new elections.

As President-elect, Aristide negotiated an agreement with the outgoing Clinton Administration in December 2000. Aristide pledged to make several political, judicial, and economic reforms, including correcting the problems of the May elections, in which Aristide supporters were awarded 10 disputed Senate seats. At the Summit of the Americas on April 22, hemispheric leaders singled out Haiti as a country whose problems are limiting its democratic and other development, and urged President Aristide to carry through on his pledges to reform.

The Foreign Operations Appropriations bill for FY2001 (**P.L. 106-429**), signed into law November 6, 2000, places several conditions on aid to Haiti. **Section 520** prohibits providing assistance to Haiti except through regular notification procedures to the Committees on Appropriations. **Section 558** prohibits aid to the Government of Haiti until it has held free and fair elections to seat a new parliament and is fully cooperating with U.S. efforts to interdict illicit drug traffic through Haiti. **Section 561** allows the Haitian government to purchase defense articles and services for the Haitian Coast Guard, subject to regular notification procedures. The Senate Committee on Appropriations' report (H.Rept. 106-291) states, "Absent significant political change, the Committee believes American aid should be suspended, except for the most urgent humanitarian programs." In compliance with the above conditions, USAID currently provides humanitarian assistance only through non-governmental organizations.

For further information see CRS Issue Brief IB96019, *Haiti: Issues for Congress*, by Maureen Taft-Morales.

IV. Andean Region

Andean Regional Initiative (ARI)

President Bush announced in budget submissions and at the 2001 Summit of the Americas III in Quebec, Canada, the "Andean Regional Initiative" that is extended to provide $882.29 million in FY2002 economic and counter-narcotics assistance to Colombia and regional neighbors to deal with drug trafficking and related activities.

According to the Administration, distinctive features of the initiative, compared to last year's Plan Colombia assistance, are that the economic and social programs are roughly equal to the counter-narcotics programs, and that more than half of the assistance is directed at regional countries that are experiencing the spill-over effects of illicit drug and insurgency activities. Assistance is requested for the following countries:

- Colombia ($399 million), the major producer of cocaine and the central challenge in dealing with guerrillas, paramilitaries; and drug traffickers;
- Peru ($206 million) and Bolivia ($143 million), where past successes in reducing cocaine production could be threatened by expected progress in Colombia;
- Ecuador ($76 million), the most exposed neighbor because of its proximity to Colombian areas controlled by drug producers and guerrillas; and
- Brazil ($26 million), Venezuela ($21 million), and Panama ($11 million), where the threat is primarily confined to common border areas with Colombia.

Critics of the Andean Regional Initiative argue that it is a continuation of what they regard as the misguided approach of last year's Plan Colombia, with an overemphasis on military and counter-drug assistance, and with inadequate support for human rights and the peace process in Colombia. Supporters argue that it continues needed assistance to Colombia while providing more support for regional neighbors and social and economic programs.

In action on the FY2002 foreign operations appropriations bill, H.R. 2506, the House on July 24, reduced ARI funding to $826 million, while the Senate Appropriations Committee voted on July 26 to reduce ARI funding to $718 million and to add conditions on the aerial fumigation program. Four related reporting requirements and a prohibition on the issuance of visas to members of illegal armed groups in Colombia were included in the Foreign Relations Authorization for FY2002-FY2003 (H.R. 1646) passed by the House on June 16, 2001.

For additional information, see CRS Report RL31016, *Andean Regional Initiative (ARI): FY2002 Assistance for Colombia and Neighbors*, by K. Larry Storrs and Nina M. Serafino; see also material available under Plan Colombia on the U.S. Department of State's International Information Programs Internet site [http://usinfo.state.gov/regional/ar/colombia/].

Andean Trade Preference Act (ATPA)

For 10 years, the Andean Trade Preference Act (ATPA) has provided preferential, mostly duty-free, treatment of selected U.S. imports from Bolivia, Colombia, Ecuador, and Peru. It is scheduled to expire on December 4, 2001. Enacted in 1991, ATPA was part of a broader Andean initiative to address the growing drug trade problem in Latin America. ATPA reduces the cost of certain imports in the United States, improving access to U.S. markets, which in turn is an incentive for Andean workers (particularly farmers) to pursue economic alternatives to the drug trade (e.g. growing coca). Because many Andean imports are not eligible under ATPA, or enter the United States under other preferential trade arrangements, most studies conclude that ATPA's effects on trade diversification and reducing drug production have been positive, but nonetheless, small. ATPA supporters also argue that there may be economic development and broader regional political cooperation (good will) benefits related to ATPA, although they are even less tangible.

ATPA's reauthorization provides the opportunity to evaluate its efficacy as a counternarcotics policy tool. On a broad scale, ATPA is part of a larger "alternative development" strategy, which, given the extraordinary profitability of coca production, is fighting an uphill battle. Some analysts believe that for ATPA to be considered successful, there must be some evidence of export diversification into ATPA-eligible products, which to date is not overwhelming. One option suggested is to expand the category of eligible products to include apparel, footwear, tuna, and sugar, among other products. On March 13, 2001, Senator Graham introduced S. 525, the Andean Trade Preference Expansion Act (ATPEA), which would amend the provisions and extend the trade preferences through October 1, 2005. The bill would allow for selected apparel products to enter the United States free from duty and quantitative restrictions, similar to benefits provided eligible countries under NAFTA and the Caribbean Basin Trade Partnership Act. In addition, there is some interest in considering adding Venezuela as a beneficiary country, which has not been acted on.

For further reading, see CRS Report RL30790, *The Andean Trade Preference Act: Background and Issues for Reauthorization*, by J. F. Hornbeck.

Colombia

U.S. ties to Colombia have broadened extensively with Congress' approval of the Clinton Administration's "Plan Colombia" legislation(P.L. 106-246), which has stirred a new set of congressional concerns about the future of U.S. policy there. The Bush Administration has requested some $399 million in FY2002 funding for Colombia, which will be used to continue to carry out the "Plan Colombia" programs. These focus on developing and sustaining three Colombian Army Counternarcotics battalions (CACBs) to assist the Colombian National Police in the fumigation of illicit narcotics crops and the dismantling of laboratories, beginning with coca fumigation in the southern provinces of Putumayo and Caquetá.

Last year, Congress approved some $1.3 billion in regular and supplemental FY2000 and FY2001 appropriations for "Plan Colombia" programs (some of which will carry into FY2002). Congressional approval came in June 2000, as President Andres Pastrana was completing the second year of a four-year term, unable to advance significantly in the peace process he had launched to bring two leftist guerrilla groups into the political system and grappling with a depressed economy. The rationale for this "Push Into Southern Colombia" program was to debilitate the powerful guerrillas by depriving them of the substantial income they derive from taxing narcotics cultivation, processing, and marketing. The Congress also provided substantial assistance for economic development, displaced persons, human rights monitors, and administration of justice and other governance programs.

However, even as Plan Colombia-financed fumigation operations began in Putumayo in December 2000, debate over the wisdom and prospects of success for the policy intensified. The European nations that were expected to contribute substantial amounts for economic development have been reluctant to contribute, alleging a U.S. "militarization" of the Pastrana plan. In addition, the Pastrana government has been unable to come up with the $4 billion that it had expected to contribute to its Plan Colombia. The missing funds raise another area of concern because economic opportunities will be unavailable to those whose livelihoods are being disrupted by coca fumigation, and others who may be attracted to guerrilla or paramilitary groups because of economic deprivation.

On the human rights front, despite the Pastrana government's efforts to curb the rightist "paramilitaries" or "self-defense" groups and the Colombian military leaders who have directly or indirectly supported them, the paramilitaries have conducted several massacres since the beginning of 2001. (The largest of them occurred from April 11-13 in several towns in western Cauca state, where an estimated 40 people were killed). Finally, some question whether the net result of the U.S. initiative will be just to push the cultivation of illegal narcotics, along with its attendant labor flows and criminality, into neighboring countries, thus spreading Colombia's instability throughout the region.

For more information, see CRS Report RL30541, *Colombia: Plan Colombia Legislation and Assistance (FY2000-FY2001)*; and CRS Report RL30330, *Colombia:.Conditions and U.S. Policy Options*, by Nina M. Serafino. See material cited previously under the Andean Regional Initiative for tracking of FY2002 assistance to Colombia..

Peru

Peru was thrust into a major political crisis with the sudden resignation of President Alberto Fujimori in November 2000, following allegations of electoral fraud and a series of corruption and human rights scandals involving his top aide. An interim government was formed according to constitutional rules of succession, and the President of the Congress, Valentin Paniagua, was officially inaugurated President on November 22, 2000. The interim government's mandate was widely seen to be threefold: (1) to hold free and fair elections in April and June 2001; (2) to begin to restore the independence of democratic institutions by rooting out widespread political corruption; and (3) to prevent the economy from sliding into recession. Opposition leader Alejandro Toledo was inaugurated as President on July 28, 2001, following the well regarded two-round presidential elections in April and June 2001. A long-time anti-Fujimori opposition leader, he was elected on June 3, 2001, with 53% of the valid vote, against former left-leaning Peruvian President Alan Garcia with 47% of the vote.

In legislation and committee reports, the 106th Congress expressed concern about the Clinton Administration's provision of counter narcotics assistance to Peru's intelligence service, which was widely reported to be responsible for a wide array of human rights violations. Since the fall of the Fujimori government, many observers have also expressed concern regarding the former head of that intelligence service, Vladimiro Montesinos, and his relationship to U.S. intelligence agencies and to counter narcotics operations. Montesinos, was recently captured in Venezuela and returned to Peru for trial.

The Bush and Paniagua administration are currently disputing the details of an accident in which an American missionary plane was shot down in Peru on April 20, 2001. A Central Intelligence Agency surveillance plane had reportedly identified the plane to Peru's military as a possible drug flight. The Peruvians subsequently shot down the plane, killing a missionary woman and her infant daughter. The aerial drug interdiction program has been suspended and is under review. According to press reports, the Administration concluded in late July 2001 that sloppy procedures cast blame on both Peru and the United States in the incident.

Members of Congress have also expressed concern regarding the case of Lori Berenson, an American serving a life sentence in Peru on charges of treason. Berenson was convicted in January 1996 by a secret Peruvian military tribunal of helping plan a thwarted attack against the legislature by a guerrilla group. Many Members of Congress have appealed to Peru for the release of, or a new, fair trial for Berenson, who maintains her innocence. A new trial began in late March 2001 and concluded with a new conviction in mid-June 2001.

For further information, see CRS Report RL30918, *Peru: Recovery from Crisis,* and CRS Report RS20536, *Peruvian Elections in 2000: Congressional Concerns and Policy Approaches,* by Maureen Taft-Morales.

Venezuela

Venezuela is led by President Hugo Chavez, a former military coup leader and populist, who was elected in late 1998. He has mounted attacks on the legislature and other institutions and many fear that he has authoritarian tendencies somewhat like those of disgraced former President Fujimori in Peru. Chavez has established close ties with Fidel Castro and other leftist leaders, and he often employs anti-U.S. rhetoric. He has denounced Plan Colombia as a U.S.-dominated military strategy, and he has denied the United States overflight rights over Venezuela territory. Reports persist that he has established friendly relations with Colombian guerrillas.

At the 2001Summit of the Americas in Quebec City, President Chavez reserved the position of Venezuela in the Declaration of leaders committing to move forward to achieve an agreement on a Free Trade Area of the Americas (FTAA) by January 2005, and he also expressed alternative views on U.S. policy and Plan Colombia in the region.

For additional information, see CRS Report RS20978, *Venezuela under Chavez: Political Conditions and U.S. Relations*, by Mark P. Sullivan.

V. Brazil and the Southern Cone

Brazil

President Fernando Henrique Cardoso of the center-left Brazilian Social Democracy Party (PSDB) is in his second and final term, elected twice largely because of the success of the anti-inflation "Real Plan," named for the country's new currency, that he developed as Finance Minister. He governs with a coalition of centrist and center right parties. Although the country experienced a financial crisis in 1998-1999, and was forced to let the currency float and to negotiate a package of assistance from the IMF when the value of the *real* fell dramatically, recovery has been much more rapid than expected. The government coalition has recently suffered some dissension as the parties compete for leadership positions in Congress and prepare for the presidential elections in 2002.

In the foreign policy area, Brazil's relations with the neighboring countries of Argentina, Uruguay, and Paraguay, which together with Brazil form the Southern Common Market (Mercosur), strengthened significantly in the 1990s, although Brazil's devaluation of the *real* and Argentina's economic difficulties are posing new challenges to the subregional bloc. Brazil and members of Mercosur have emerged as the major advocates of a slower approach to achieving an agreement on a Free Trade Area of Americas (FTAA). Even so, relations with the United States have also warmed considerably as demonstrated by President Cardoso's recent visit to Washington, D.C. The two countries are cooperating in many areas, despite continuing trade disputes.

For additional information, see CRS Report RL30121, *Brazil under Cardoso: Politics, Economics, and Relations with the United States*, by K. Larry Storrs, and CRS Report 98-987, *Brazil's Economic Reform and the Global Financial Crisis*, by J.F. Hornbeck.

Argentina

In his meeting with Argentine President Fernando de la Rua on April 19 at the White House, President Bush pledged to work with Argentina to expand regional trade and expressed support for the government's economic stabilization program. Continuing recent economic problems have raised widespread concerns among foreign lenders that Argentina may not be able to meet its debt obligations in 2001, an outcome that could easily lead to financial crisis. In December 2000, Argentina unveiled a financial package of $39.7 billion from the IMF and other lending institutions to provide sufficient liquidity to avoid defaulting on its debt and to restore investor confidence. If the economic situation appears to be leading to a financial crisis, Congress may consider the possibility of U.S. intervention by providing financial assistance.

President de la Rua had high public approval ratings in the first few months of his administration, but increasing doubts over economic recovery, recent corruption scandals, and unpopular spending cuts affecting government salaries and pension payments have diminished public confidence in his abilities. Economic difficulties have led to political problems for the President and have affected the governing coalition in Argentina. In March 2001, President de la Rúa asked his entire cabinet to resign in response to continuing economic problems. The newly-appointed Economy Minister Ricardo Lopez Murphy resigned after only two weeks in office because of growing opposition to his proposed austerity program which would have cut $2 billion in government spending.

The new Economy Minister, Domingo Cavallo, appointed on March 21, has been more successful in gaining political approval of his economic reform package, which includes plans to increase tax collection and other measures to reactivate the economy. Mr. Cavallo has assured the IMF and foreign investors that Argentina would meet fiscal targets for 2001 and would not need to obtain additional financial aid. However, on April 23, the government called off a major bond auction after lenders indicated their concerns about the economy and demanded interest rates of over 30%. This has raised further concerns that Argentina might default on its debt, which could lead to financial crisis there and other Latin American countries. In early June 2001, former President Carlos Menem was arrested for alleged involvement in a conspiracy to sell arms to Croatia and Ecuador. In mid-June 2001, Economy Minister Cavallo announced a decision to end the decade-old policy of pegging the peso to the dollar and to adopt multiple exchange rates to help Argentine exporters, and at the end of July the Argentine Congress approved a very austere budget..

For more information, see CRS Report RS20781, *Argentina: Political and Economic Conditions and Relations with the United States,* by M. Angeles Villarreal.

Chile

President Bush met with Chilean President Ricardo Lagos at the White House on April 16, 2001. A U.S. State Department official characterized the meeting as "extraordinarily good," and said they discussed bilateral relations, trade, and regional issues. Since 1994, U.S.-Chilean relations have centered on negotiating a free trade agreement, with the hope initially that Chile would accede to the NAFTA. The United States and Chile commenced formal negotiations on a bilateral trade agreement on December 6-7, 2000, in Washington, D.C., despite the fact that the President still lacks trade promotion (or "fast track") authority, an issue confronting the 107th Congress. Negotiations continued in 2001 in Chile, and the next round is scheduled for May 2001 in Chile. The Bush Administration has indicated that an agreement is not expected until late this year or early 2002. According to press reports, Chile wants to model the free trade agreement on the NAFTA. Differences on how to address labor and environmental issues are expected to be a big stumbling block. The United States seeks changes in some of Chile's agricultural policies, while Chile has an interest in changing U.S. anti-dumping laws.

For background information see CRS Report RL30035, *Chile: Political/ Economic Conditions and U.S. Relations,* by Mark P. Sullivan. For more information on U.S.-Chile trade relations, see CRS Issue Brief IB95017, *Trade and the Americas,* by Raymond J. Ahearn, and the section on Chile-U.S. Free Trade Agreement in the CRS Electronic Briefing Book on Trade, which is available online [http://www.congress.gov/brbk/html/ebtra122.html], by J.F. Hornbeck.