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CRS Report for Congress

Latin America and the Caribbean: Issues for the 110th Congress

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Latin America and the Caribbean: Issues for the 110th Congress

Summary

Over the past two decades, the Latin America and Caribbean region has made enormous strides in terms of political and economic development. Twelve countries held successful elections for head of government in 2006, including a close election in Mexico. To date in 2007, the Bahamas held elections in May; elections are scheduled for Jamaica and Guatemala in September, Argentina in October, and are due to be called in Trinidad and Tobago by October. Although the region overall experienced an economic setback in 2002-2003, it has rebounded since 2004, most recently experiencing a growth rate over 5% in 2006. Despite this progress, several nations face considerable challenges that affect U.S. interests and policy in the region. These include persistent poverty, violent guerrilla conflicts, autocratic leaders, drug trafficking, increasing crime, and the rise of a new form of populism in several countries.

In the 110th Congress, legislative and oversight attention to Latin America and the Caribbean has focused on continued counternarcotics efforts, especially in the Andean region; immigration reform (which stalled in June 2007) and increased border security, which have been key issues in relations with Mexico; efforts to deal with threats to democracy and the rise of populism in such nations as Venezuela, Bolivia, and Ecuador; debate over the best means to foster political change in Communist Cuba; trade issues, including the extension of Andean trade preferences and potential consideration of implementing legislation for free trade agreements (FTAs); and continued efforts to support stability and poverty alleviation in Haiti.

Curbing the flow of illicit drugs from Mexico and South America into the United States has been a key component of U.S. relations with Latin America for almost two decades. Since 2000, the centerpiece of this policy has been the Andean Counterdrug Initiative (ACI) aimed at supporting Colombia and its neighbors in eradicating the production of illicit drugs. From FY2000-FY2007, the United States provided around $5.7 billion for the ACI.

In the trade arena, the United States signed FTAs with Colombia and Peru in 2006, and with Panama in June 2007. In May 2007, the congressional leadership and the Bush Administration had reached a bipartisan deal regarding the incorporation of enforceable labor and environmental provision into pending free trade agreements. The language was subsequently incorporated into the Panama agreement and into amendments to the Peru agreement. Implementing legislation for both the Panama and Peru agreements could be introduced and considered this fall. In late June 2007, Congress approved legislation extending Andean trade preferences until February 2008.

This report provides an overview of U.S. relations with Latin America and the Caribbean and focuses on the role of Congress and congressional concerns. It will be updated periodically. For further information, see the CRS products listed after each topic.

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Overview[1]

Conditions in the Region

The Latin America and Caribbean region has made enormous strides over the past two decades in political development, with all countries but Cuba having regular free and fair elections for head of state. Despite this democratic progress, several nations face considerable challenges that could threaten political stability, including persistent poverty, violent guerrilla conflicts, autocratic leaders, drug trafficking, increasing crime, and the rise of radical populism. In some countries, weaknesses remain in the state's ability to deliver public services, ensure accountability and transparency, and advance the rule of law.

Twelve countries held successful elections for head of government in 2006: Chile, Costa Rica, Haiti, Peru, Colombia, Mexico, Guyana, Brazil, Ecuador, Nicaragua, Venezuela, and St. Lucia. In Mexico, the narrow official victory of conservative candidate Felipe Calderón over leftist Andrés López Obrador elicited a dramatic response from López Obrador who protested the electoral outcome. Presidents were reelected in four races — Brazil, Colombia, Guyana, and Venezuela — and in five countries, former heads of government returned to power — Costa Rica, Haiti, Nicaragua, Peru, and St. Lucia. To date in 2007, elections were held in the Bahamas in May and are expected in four additional countries: Jamaica (September 3), Guatemala (September 9), Argentina (October 28); and Trinidad and Tobago (by October). (For a listing of recent and forthcoming elections, see CRS Report 98-684, *Latin America and the Caribbean: Fact Sheet on Leaders and Elections*, by Mark P. Sullivan and Julissa Gomez-Granger.)

In terms of economic growth, while the Latin America and Caribbean region overall experienced a gross domestic product decline of 0.6% in 2002 and only a modest growth rate of 1.5% in 2003, the region rebounded with an estimated average growth rate of 5.9% in 2004, surpassing even the most optimistic predictions.

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[1] This report draws from the various CRS reports listed after each topic. General sources used for this report include major newspapers covering the region, such as the *Miami Herald*, *New York Times*, and *Washington Post*; country reports from the Economist Intelligence Unit; articles from various daily, weekly, and monthly publications of *LatinNews.com*; congressional hearings and reports; and reports, press releases, and congressional budget justifications from such agencies as the State Department, the U.S. Agency for International Development, and the Office of the United States Trade Representative.

Countries that had suffered the deepest recessions in recent years — Argentina, Uruguay, and Venezuela — all experienced significant economic growth in 2004, and even per capita income for the region as a whole increased by more than 4%. Growth continued in 2005 at a rate of 4.5%, with Argentina, the Dominican Republic, Grenada, Trinidad and Tobago and Venezuela all registering growth rates over 8%. Only Guyana experienced an economic setback of 3% in 2005. For 2006, The U.N. Economic Commission for Latin America and the Caribbean estimated a growth rate of 5.3% for the region, with Antigua and Barbuda, Argentina, the Dominican Republic, Trinidad and Tobago, and Venezuela leading the way with growth rates over 8%.[2] (For information on development indicators in the region, see CRS Report RS22657, *Latin America and the Caribbean: Fact Sheet on Economic and Social Indicators*, by Julissa Gomez-Granger.)

The Andean region still faces considerable challenges, including the rise of populism in several countries. Colombia continues to be threatened by drug trafficking organizations and by two left-wing guerrilla groups and a rightist paramilitary group, all of which, combined, have been responsible for thousands of deaths each year. The election of Bolivian indigenous leader Evo Morales as President in December 2005 complicated U.S. relations given Morales' efforts to decriminalize coca growing. In Ecuador, Rafael Correa, a left-leaning U.S.-trained economist won the November 2006 presidential elections and has vowed to reform Ecuador's political system, renegotiate Ecuador's foreign debt, and reassert state control over foreign oil companies operating in the country. Venezuela under President Hugo Chávez has been plagued by several years of political polarization, although Chávez's rule has been solidified since 2004 when he survived a recall referendum. He won another six-year term decisively in early December 2006, in large part because windfall oil profits have allowed his government to boost social spending significantly. In Peru, the presidential electoral victory in June 2006 of former President Alan García over retired military officer Ollanta Humala, an admirer of Hugo Chávez, eased U.S. concerns about the future of democracy in the country and the future of U.S.-Peruvian relations.

In Central America, countries such as El Salvador, Honduras, and Nicaragua emerged from the turbulent 1980s and 1990s with democratic institutions more firmly entrenched, yet violent crime is a major problem in all countries. Honduras and Nicaragua are among the poorest countries in the hemisphere. While Guatemala has made significant progress in improving the government's human rights policy, significant problems remain. The current campaign for the upcoming September 9, 2007 elections has been marred by political violence, with over 40 deaths. In Nicaragua, former President and Sandinista party leader Daniel Ortega won the November 2006 presidential election. Observers are uncertain how his government will proceed since his campaign vacillated between anti-U.S. rhetoric and reassurances that his government would respect private property, free trade policies, and work toward a cooperative relationship with the United States.

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[2] U.N. Economic Commission for Latin America and the Caribbean (ECLAC), "Preliminary Overview of the Economies of Latin America and the Caribbean," December 2006.

The diverse Caribbean region, which includes some of the hemisphere's richest and poorest nations, also faces significant challenges. The AIDS epidemic in the region, where infection rates are among the highest outside of sub-Saharan Africa, has been a major challenge for economic and social development in several countries. Caribbean nations remain vulnerable to destruction by hurricanes and tropical storms as demonstrated in the 2004 and 2005 hurricane seasons, and most recently with Hurricane Dean in August 2007. Haiti — the hemisphere's poorest nation — continues to be plagued by security problems, but for many observers, the new government of President René Préval marks the beginning of a new era. Cuba remains a hardline communist state with a human rights situation that has deteriorated since 2003. In July 2006, Cuban leader Fidel Castro's announcement that he was temporarily ceding political power to his brother Raúl in order to recover from surgery prompted widespread speculation about the island's political future and the future of U.S.-Cuban relations after Fidel. Now more than a year with Raúl in power, it appears clear that a permanent political succession in Cuba has occurred.

U.S. Policy

U.S. interests in Latin America and the Caribbean are diverse, and include economic, political and security concerns. Geographic proximity has ensured strong economic linkages between the United States and the region, with the United States being the major trading partner and largest source of foreign investment for most countries in the region. Free trade agreements with Mexico and Canada, Chile, and Central America and the Dominican Republic have augmented U.S. economic linkages with the region. The region is also the largest source of migration, both legal and illegal, with geographic proximity and economic conditions in the region being major factors in the migration. Curbing the flow of illicit drugs from Mexico and South America into the United States has been a key component of U.S. relations with Latin America for almost two decades. Latin American nations, largely Venezuela and Mexico, supply the United States with just over one-third of its imported oil, but there have been concerns about the security of the region as an oil supplier because of Mexico's declining oil reserves and periodic threats by Venezuela's President to cut oil exports to the United States.

In the aftermath of the Cold War, U.S. policy interests in Latin America and the Caribbean shifted away from security concerns and focused more on strengthened economic relations, but the September 2001 terrorist attacks in the United States resulted in security interests re-emerging as a major U.S. interest. As a result, bilateral and regional cooperation on anti-terrorism efforts have intensified. The Bush Administration has described the Caribbean region as America's third border, with events in the region having a direct impact on the homeland security of the United States. Cooperation with Mexico on border security and migration issues has also been a key component of the bilateral relationship.

In general, Administration officials set forth three priorities for the United States in Latin America and the Caribbean: promoting democracy; advancing free trade; and advancing poverty alleviation and social justice.[3] As noted above, Latin America has made enormous strides in terms of political and economic development over the past 25 years, with considerable U.S. support, but such conditions as persistent poverty, especially in Haiti, and the rise of populism in such countries as Venezuela, Bolivia, and Ecuador will continue to pose challenges for U.S. interests and policy in the region. Fostering cooperation on such issues as drug trafficking, terrorism, crime, and poverty reduction will remain key components of U.S. policy in the region.

In the 110th Congress, legislative and oversight attention to Latin America and the Caribbean has been focusing on: continued counternarcotics efforts, especially in Mexico and the Andean region; potential immigration reform (although efforts stalled in June 2007) and increased border security; efforts to deal with threats to democracy in such nations as Venezuela as well as the rise of populism in several Latin American countries; debate over the best means to foster political change in Communist Cuba; trade issues, including the potential consideration of several free trade agreements with Colombia, Peru, and Panama; and continued efforts to support stability and poverty alleviation in Haiti. The Congress is also maintaining an oversight interest in potential terrorist threats in Latin America, as well as efforts to counter the trafficking of persons in the region, the rise of violent gangs in Central America, and continued efforts against HIV/AIDS in the Caribbean, where infection rates in some countries are among the highest outside sub-Saharan Africa. Oversight hearings have also focused on such issues as poverty and inequality in the region, and the significant increase in U.S. deportations to the region in recent years.

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[3] U.S. Department of State, "Future Engagement and Partnership with Latin America," R. Nicholas Burns, Under Secretary for Political Affairs, November 20, 2006.

Figure 1. Map of Latin America and the Caribbean

Source: Map Resources. Adapted by CRS.

Regional Issues

U.S. Foreign Assistance

The United States maintains a variety of foreign assistance programs in Latin America and the Caribbean, including security assistance, counternarcotics, economic development, and trade capacity building programs. Aid to the region increased during the 1960s with the Alliance for Progress and during the 1980s with aid to Central America. Since 2000, U.S. assistance has largely focused on counternarcotics especially in the Andean region.

Aid programs are designed to achieve a variety of goals, from poverty reduction to economic growth. Child Survival and Health (CSH) funds focus on combating infectious diseases and promoting child and maternal health. Development Assistance (DA) funds improvements in key areas — such as trade, agriculture, education, the environment, and democracy — in order to foster sustainable economic growth. Economic Support Funds (ESF) assist countries of strategic importance to the United States and fund programs relating to justice sector reforms, local governance, anti-corruption, and respect for human rights. P.L. 480 food assistance is provided to countries facing emergency situations, such as natural disasters. Counternarcotics programs seek to assist countries to reduce drug production, to interdict trafficking, and to promote alternative crop development. Foreign Military Financing (FMF) provides grants to nations for the purchase of U.S. defense equipment, services, and training.

U.S. support to counter the HIV/AIDS epidemic in the region is provided through programs administered by several U.S. agencies, although the U.S. Agency for International Development (USAID) is the lead agency in the international fight against AIDS. The United States also provides contributions to multilateral efforts, such as the Global Fund to Fight AIDS, Tuberculosis, and Malaria.

The annual Foreign Operations Appropriations bills have been the vehicles by which Congress provides funding for, and sets conditions on, foreign assistance programs. In FY2006, aid levels to Latin America and the Caribbean comprised about 10% of the worldwide bilateral aid budget, or about $1.47 billion excluding food aid. The region's share of the total budget has since fallen by one percent in the FY2007 aid allocation, and another percent in the proposed FY2008 budget. Appropriations for FY2007 were finalized late in the fiscal year (P.L. 109-289, as amended by P.L. 110-5 on February 15, 2007). Aid to Latin America for FY2007 totals about $1.44 billion excluding food aid. Amounts requested for FY2008 would continue to reduce the ratio of assistance to Latin America, despite concerns expressed by some Members of Congress about decreasing levels of aid to the region. The Administration contends that aid levels have not been cut when Millennium Challenge Compacts are included. Current aid levels could increase as more countries are deemed eligible for compacts. A restructuring of foreign aid programs, led by the newly created position of Director of Foreign Assistance at the State Department, got underway in 2006.

The FY2007 enacted level of $1.439 billion is 2% lower than FY2006. The largest decrease occurred in the Development Assistance Account, which sustained an 8.5% reduction. The largest increase was for the Global HIV/AIDS Initiative (up 42%). The Child Survival and Health Account was cut by 1.4%.

The FY2008 request for Latin America continues a downward trend, totaling $1.37 billion, a nearly 5% decrease from FY2007, with major reductions in Child Survival and Health (down 22%), Development Assistance (down 18%), Foreign Military Financing (down 20%), and the Andean Counterdrug Initiative (down 32%), with a large increase proposed for Economic Support Funds (up 193%). The marked increase in ESF and decrease in Andean Counterdrug Initiative (ACI) funds results from a proposed transfer of some ACI-related activities to the ESF account. On June 22, 2007, the House passed the FY2008 State, Foreign Operations and Related Programs Appropriations bill (H.R. 2764). The bill expressed concern with decreasing levels of assistance to Latin America and the Caribbean. It also significantly restructured aid to Colombia and other countries that receive Andean Counterdrug Initiative funds. The Senate Appropriations Committee reported out its version of the bill on June 28. It also restructured aid to Colombia and renamed the Andean Counterdrug Initiative as Andean Programs.

The Millennium Challenge Account (MCA) is a new initiative that provides sizable aid grants to a few low-income nations that have been determined, through a competitive process, to have the strongest policy reform records and where new investments are most likely to achieve their intended development results. In 2005, the Millennium Challenge Corporation (MCC) approved five-year compacts with Honduras ($215 million) and Nicaragua ($175 million), and in 2006 it approved a five-year compact with El Salvador ($461 million). Both Guyana and Paraguay have received threshold assistance from the MCC to help assist the countries become eligible for an MCC compact. Other Latin American or Caribbean nations could be eligible to receive assistance in future years.

CRS Products

CRS Report RL32487, *U.S. Foreign Assistance to Latin America and the Caribbean,* coordinated by Connie Veillette.

CRS Report RL33337, *Article 98 Agreements and Sanctions on U.S. Foreign Aid to Latin America,* by Clare M. Ribando.

CRS Report RL34023, *State, Foreign Operations and Related Programs: FY2008 Appropriations*, by Connie Veillette, and Susan B. Epstein.

CRS Report RL32427, *Millennium Challenge Account,* by Curt Tarnoff.

CRS Report RL33491, *Restructuring Foreign Aid: The Role of the Director of Foreign Assistance in Transformational Development*, by Connie Veillette.

Andean Counterdrug Initiative

The Andean Counterdrug Initiative (ACI) is the primary U.S. program that addresses counternarcotics and alternative development in the Andean region of South America. The ACI supports Plan Colombia, a six-year plan developed by the Colombian government in 1999 to combat drug trafficking and related guerrilla activity. Some critics have argued that it has been ineffective in reducing drug production, while supporters claim that it has helped stabilize Colombia, a strong U.S. ally.

The ACI program is regional in nature because organizations in countries bordering Colombia also produce and traffic in narcotics and because it is affected by other cross-border issues. The ACI began in 2000, when Congress passed legislation providing $1.3 billion in interdiction and development assistance (P.L. 106-246) for Colombia and six regional neighbors: Bolivia, Peru, Ecuador, Venezuela, Brazil, and Panama. Funding for ACI from FY2000 through FY2007 totaled approximately $5.7 billion.

For FY2007, the Administration requested $721.5 million for the ACI program, of which $65.7 million was proposed for the Critical Flight Safety Program, to upgrade aging aircraft. On June 9, 2006, the House passed H.R. 5522, the FY2007 Foreign Operations Appropriations Act, that made significant changes to the way foreign aid to Colombia is provided but largely approved the Administration's request with regard to funding levels. The Senate Appropriations Committee reported its version of the Foreign Operations bill on June 29, 2006, which proposed $699.4 million for ACI, a decrease of $22 million. Both the House and Senate bills maintained reporting requirements from previous appropriations bills. Congress did not complete the Foreign Operations bill, instead passing three continuing resolutions to maintain funding into 2007. The final CR (P.L. 109-289, as amended by P.L. 110-5) sets ACI funding at $722 million.

For FY2008, the Administration requested $442.8 million for ACI. This apparent decrease results from the decision to transfer alternative development programs from the ACI account to the Economic Support Fund (ESF). The House-passed FY2008 State, Foreign Operations and Related Programs Appropriations bill, H.R. 2764, provided $312.5 million for ACI, a reduction of $130.4 million from the request. The bill provides funding for economic development, alternative development and democratic institution building in the ESF and International Narcotics Control and Law Enforcement (INCLE) accounts that had previously been funded from ACI. The bill realigns the ratio of security assistance to alternative development from 76-24% to 56-44%. With regard to Colombia, the bill provides a total of $530.6 million from all accounts, with Foreign Military Financing (FMF) cut $30 million from the request. The bill requires the Secretary of State to certify that certain human rights conditions have been met before 35% of funds can be made available for aid to the Colombian Armed Forces. The Senate bill provided $415.1 million for ACI, a reduction of $27.7 million from the request. Like the House, the Senate bill placed more emphasis on development assistance to Colombia rather than counternarcotics. Colombia would see $560.7 million in assistance from a variety of accounts under the Senate version.

Supporters of U.S. policy argue that assistance to Colombia is necessary to help a democratic government besieged by drug-supported leftist and rightist armed groups. Assistance to Colombia's neighbors, according to supporters, is merited because of an increasing threat from the spillover of violence and drug production from Colombia. While some critics agree with this assessment, they argue that U.S. assistance overemphasizes military and counter-drug assistance and provides inadequate support for protecting human rights. Critics also assert that U.S. assistance is disproportionately targeted to eradication of crops and military training rather than to alternative development projects that could provide alternative livelihoods for growers who voluntarily give up illicit crops.

For a broader discussion of Colombia beyond the ACI, see section on "Colombia" below.

CRS Products

CRS Report RL33370, *Andean Counterdrug Initiative (ACI) and Related Funding Programs: FY2007 Assistance*, by Connie Veillette.

CRS Report RL32250, *Colombia: Issues for Congress*, by Colleen Cook.

U.S. Trade Policy

Trade, as a critical component of commercial and foreign economic policy, has been one of the most enduring and dynamic issues in U.S.-Latin American relations. U.S. trade policy has evolved over time, adjusting to changes in both U.S. interests and altered circumstances and priorities in the region. When Latin American countries faced economic, social, and political upheaval in the 1970s and 1980s, the United States sought to support and influence the region with unilateral (one-way) trade preference programs intended to encourage export-led economic growth and development. By the 1990s, the rebound of economic growth and new-found interest in trade liberalization created an opening for U.S. trade policy to shift toward reciprocal free trade agreements (FTAs). Among the major differences with trade preferences, FTAs are negotiated between parties, have more comprehensive, mutual obligations, and are permanent, not requiring periodic congressional renewal.

By implementing the North American Free Trade Agreement (NAFTA), the U.S.-Chile FTA, and the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) — still not ratified by Costa Rica — countries exchanged their unilateral trade preferences provided under the Generalized System of Preferences (GSP) and the Caribbean Basin Initiative (CBI) for reciprocal benefits under the FTAs. Currently, newly negotiated FTAs with Panama, Peru, and Colombia present the same tradeoff with respect to unilateral preferences extended to them under either the CBI or the Andean Trade Preference Act (ATPA). The decision to enter into an FTA with the United States often has been controversial, and for those countries still uncommitted, the decision may be further complicated by the fact that key preferential arrangements are set to expire by the close of the 110th

Congress and that their long-term renewal faces resistence by some key Members of Congress. Their potential expiration puts additional pressure on those Latin American countries not currently in an FTA with the United States to reconsider the option in order to maintain preferential access to the U.S. market. Costa Rica, the Caribbean Community (CARICOM) countries, Ecuador, and Bolivia fall into this category.

Three other important issues cut across U.S. trade policy initiatives in the region. First, the proposed hemispheric-wide Free Trade Area of the Americas (FTAA) has stalled over disagreements between Brazil and the United States. The Brazil-led Southern Common Market (Mercado Común del Sur — Mercosur) seems to be expanding its customs union approach to regional integration as an alternative to the U.S.-backed FTAA, particularly to countries with no trade preferences with the United States. It is in this context, as well as the lingering World Trade Organization (WTO) negotiations, that congressional consideration of the three recently concluded U.S. bilateral FTAs takes on added significance. Second, the expiration of Trade Promotion Authority (TPA) means expedited legislative procedures typically used to consider reciprocal trade agreement implementing legislation is no longer available for FTAs signed after July 1, 2007. Without a renewed TPA, the United States could be limited in its ability to move forward on future FTAs in the region. Third, the "New Trade Policy for America," a set of principles developed jointly by congressional leadership and the Bush Administration, has emerged as the basis for significant changes in labor and environmental provisions, among others, in the proposed FTAs with Peru, Panama, and Colombia.

Andean Trade Preferences Extension. The Andean Trade Preference Act (ATPA) extends special duty treatment to certain U.S. imports from Bolivia, Colombia, Ecuador, and Peru that meet domestic content and other requirements. ATPA was intended to promote export-led economic growth in the Andean region and to encourage a shift away from the cultivation of illegal coca by supporting alternative crop production. The ATPA (Title II of P.L. 102-182) was enacted on December 4, 1991, and renewed and modified under the Andean Trade Promotion and Drug Eradication Act (ATPDEA; title XXXI of P.L. 107-210) on August 6, 2002. Andean trade preferences were scheduled to end on December 31, 2006. Legislation was enacted late in the 109th Congress to extend Andean trade preferences until June 30, 2007. In late June 2007, the 110th Congress approved a further extension of the ATPA for all four countries for eight additional months, until February 29, 2008 (H.R. 1830, P.L. 110-42). Further extension of the ATPA could be considered in the second session of the 110th Congress, although some Members may be reluctant to support it given their concerns about actions of the Bolivian and Ecuadorian governments.

U.S.-Peru Trade Promotion Agreement. On January 6, 2006, President Bush notified the Congress of his intention to enter into a free trade agreement with Peru. On April 12, 2006, the United States and Peru signed the U.S.-Peru Trade Promotion Agreement (PTPA). The PTPA was signed in time to be considered by Congress under the 2002 Trade Promotion Authority (TPA), which expired on July 1, 2007. TPA requires the President to submit formally the draft agreement and implementing legislation to Congress after entering into the agreement, but with no time limit to do so. Implementing legislation has not been introduced in the 110th

Congress, but is expected in September 2007. The Peruvian Congress already approved the PTPA on June 28, 2006 by a vote of 79 to 14. U.S. congressional action on the PTPA was postponed in part to allow congressional leadership and the Bush Administration to develop new text for the labor and environment chapters based on principles set forth in the "New Trade Policy for America." On May 10, 2007, Congress and the Administration reached an agreement on a new bipartisan trade framework that calls for the inclusion of core labor and environmental standards in the text of pending and future trade agreements. On June 25, 2007, the United States reached an agreement with Peru on the legally binding amendments to the PTPA to reflect the bipartisan agreement of May 10. Two days later, Peru's Congress voted 70 to 38 in favor of the amendments to the PTPA.

A PTPA would likely have a small net economic effect on the United States because of the small size of Peru's economy. In 2006, Peru had a nominal GDP of $93 billion, approximately 0.7% the size of the U.S. GDP of $13.2 trillion. The United States currently extends duty-free treatment to selected imports from Peru under the Andean Trade Preferences Act (ATPA), a regional trade preference program that expires at the end of February 2008. In 2006, 54% of all U.S. imports from Peru received preferential duty treatment under ATPA. U.S. imports from Peru account for 0.3% of total U.S. imports, and U.S. exports to Peru account for 0.3% of total U.S. exports. The U.S. trade deficit with Peru was $3.24 billion in 2006. The major U.S. import from Peru is gold, followed by refined copper, and petroleum light oils, while the leading U.S. exports to Peru are gasoline, transmission apparatus, and office and data processing machinery parts.

U.S.-Colombia Trade Promotion Agreement. On August 24, 2006, President Bush notified Congress of his intention to enter into the U.S.-Colombia Trade Promotion Agreement (CTPA), and both parties subsequently signed the FTA on November 22, 2006. The CTPA implementing legislation, should it be introduced, will likely be considered under expedited procedures as defined in TPA. Changes to bilateral free trade agreements made according to language developed in the "New Trade Policy for America" (see above) would also likely apply to the CTPA, as it would for the FTAs with Panama and Peru. The Colombia agreement, however, presents some additional unique challenges for Congress. The most controversial issue is the ongoing violence against trade unionists in Colombia. Some Members of Congress have voiced strong concern over the lack of action on the part of the Colombian government and want to see stronger measures taken to investigate the murders before agreeing to an FTA. Colombian President Alvaro Uribe has stated that he is willing to take the necessary steps to address these concerns in order to obtain congressional support for the agreement.[4]

A CTPA would likely have a have a small net economic effect on the United States because of the relatively small size of Colombia's economy. Colombia's gross domestic product (GDP) in 2006 was $132 billion, approximately one percent of U.S. GDP ($13.2 trillion in 2006). The United States currently extends duty-free treatment to selected imports from Colombia under the ATPA, a regional trade

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[4] Bureau of National Affairs, "Five Democratic Lawmakers Blast Proposed Colombia FTA Due to Violence," *International Trade Reporter*, June 14, 2007.

preference program that expires at the end of February 2008. In 2006, 52% of all U.S. imports from Colombia received preferential duty treatment under this program. In the absence of a CTPA, and if the ATPA is not renewed, many Colombian products entering the U.S. market will be subject to higher duties. The U.S. trade deficit with Colombia was $3 billion in 2006. The dominant U.S. import from Colombia is crude oil, followed by coal, and coffee, while the leading U.S. export items are corn (maize), automatic data processing machine parts and accessories, and vinyl chloride.

U.S.-Panama Trade Promotion Agreement. On June 28, 2007, representatives of the United States and Panama signed a free trade agreement (FTA) after two and a half years and ten rounds of negotiations. Negotiations were formally concluded on December 16, 2006, with an understanding that further changes to labor, environment, and intellectual property rights (IPR) chapters would be made pursuant to detailed congressional input. These changes were agreed to in late June 2007, clearing the way for the proposed FTA's signing in time to be considered under the expiring TPA.

The proposed U.S.-Panama FTA incorporates changes based on principles outlined in the "New Trade Policy for America," which requires that both countries adopt as fully enforceable commitments the five basic labor rights defined in the United Nations International Labor Organization's (ILO) *Fundamental Principles and Rights at Work and its Follow-up (1998) Declaration*, numerous multilateral environmental agreements (MEAs), and pharmaceutical IPR provisions that potentially may hasten Panama's access to generic drugs. Panama's legislature ratified the FTA 58 to 4 on July 11, 2007. The U.S. Congress may take up implementing legislation as early as September 2007.

The U.S. trade surplus with Panama was $2.3 billion in 2006. Major U.S. exports to Panama include oil and mostly capital- and technology-intensive manufactured goods such as aircraft, pharmaceuticals, machinery, medical equipment, and motor vehicles. U.S. imports from Panama include seafood, repaired goods, gold, sugar, and coffee. Panama, however, is largely a services-based economy, which distinguishes it, and the trade negotiations with the United States, from those of its Central American neighbors. The proposed U.S.-Panama FTA is a comprehensive agreement similar to other bilateral FTAs entered into by the United States. Some 88% of U.S. exports would become duty free right away, with remaining tariffs phased out over a ten-year period. Nearly half of U.S. farm exports to Panama would achieve duty-free status immediately, with many products restricted by tariff-rate quotas. Tariffs on other farm products are phased out over 16 years. The FTA includes provisions for services trade, telecommunications, intellectual property rights, labor, environment, and government procurement, while providing support for trade capacity building. The two countries also signed a detailed bilateral agreement to resolve SPS market access issues.

Free Trade Area of the Americas. The proposed FTAA was originally conceived over 10 years ago as a regional (presumably WTO-plus) trade agreement that would include 34 nations of the Western Hemisphere. Since then, three drafts of an incomplete agreement have been released, but the original January 2005 date for signing it has long since passed. At the center of the delay are deep differences dividing the United States and Brazil, the co-chairs of the Trade Negotiating Committee, which is charged with defining the framework under which the FTAA negotiations can continue. The United States and Brazil agreed at the November 2003 Miami Ministerial to a two-tier approach that would include a set of "common rights and obligations" to which all countries would agree, augmented by optional plurilateral arrangements for countries wishing to make deeper reciprocal commitments. To date, the United States and Brazil have been unable to define how this two-tier concept would work, and the United States has declined Brazil's offer to move ahead with the "4+1" market access talks with the Mercosur (Southern Common Market) countries (Brazil, Argentina, Uruguay, Paraguay, and as of July 1, 2006, Venezuela).

The breadth of an emerging resistence to the FTAA became clearer at the fourth Summit of the Americas held on November 4-5, 2005, in Mar del Plata, Argentina. Amid dramatic and sometimes violent protests against President George W. Bush and the FTAA, which was not scheduled as the major topic of this summit, it became clear that Latin American and Caribbean countries were divided over how to proceed. A total of 29 countries supported restarting negotiations, and the United States pushed to set a specific date in 2006. The Mercosur countries rejected this idea, arguing that the conditions for a balanced and equitable FTAA did not yet exist. Venezuela lobbied independently to end any further effort on the FTAA and called for a unified resistence against U.S. policies and presence in Latin America. On July 4, 2006, Venezuela formally joined Mercosur as its first new full member since its inception in 1991. Although Mercosur has collectively resisted the FTAA, Venezuela is the only country in Latin America to reject the idea unequivocally. With Venezuela's new-found status as a member of Mercosur, the United States may find it even more difficult to isolate its unabashedly negative influence on the FTAA negotiations.

The Summit Declaration called for time to reflect on the problems of the FTAA process while awaiting the outcome of the WTO Doha Round, particularly with respect to agricultural issues. Given that the WTO talks have also bogged down, it seems unlikely that the FTAA will find the support needed to move ahead in the near future, particularly with Venezuela now potentially influencing policy in the Mercosur group. In the meantime, both Brazil and the United States are meeting on an informal bilateral basis and continue to court other Latin American countries to join them in their respective subregional trade pacts, reinforcing the significance of U.S. trade initiatives as a key element of U.S. foreign policy in the region.

CRS Products

CRS Report RL32540, *The U.S.-Panama Free Trade Agreement,* by J. F. Hornbeck.

CRS Report RS22419, *U.S.-Colombia Trade Promotion Agreement,* by Angeles Villarreal.

CRS Report RS22391, *U.S.-Peru Trade Promotion Agreement*, by Angeles Villarreal.

CRS Report RL33951, *U.S. Trade Policy and the Caribbean: From Trade Preferences to Free Trade Agreements*, by J. F. Hornbeck.

CRS Report RL31870, *The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR),* by J. F. Hornbeck.

CRS Report RS20864, *A Free Trade Area of the Americas: Status of Negotiations and Major Policy Issues,* by J. F. Hornbeck.

CRS Report 98-840, *U.S.-Latin America Trade: Recent Trends,* by J. F. Hornbeck.

Migration Issues

Latin America, followed by Asia, is the leading source of both legal and illegal migration to the United States. The overwhelming majority of Latin American immigrants come from Mexico, Central America, and the Caribbean. Factors contributing to Latin American migration to the United States include family ties, poverty, a shortage of good jobs, and proximity to the United States. Latin American governments, most notably Mexico under President Vicente Fox, lobbied for comprehensive immigration reform in the United States and the creation of a guest worker program that would normalize the status of illegal migrant workers and facilitate circular migration patterns so that workers return to their countries of origin. The 109th Congress considered immigration reform, but did not enact any comprehensive reform measures. Latin American nations were disappointed by the failure of immigration reform in the 109th Congress and the approval of a border fence along 700 miles of the U.S.-Mexico border. After President Bush signed the Secure Fence Act of 2006 (P.L. 109-367), Mexico, with the support of 27 other nations, denounced the proposed border fence at the Organization of American States.

In the 110th Congress, immigration reform became stymied in June 2007 when the Senate failed to invoke cloture and limit debate on two comprehensive reform measures, S. 1348 (Reid) and S. 1639 (Kennedy). While the House held several hearings on immigration reform, the Senate's action made it unlikely that the House would take up any comprehensive reform on its own. President Bush had expressed support for comprehensive immigration reform including increased border security, a guest worker program, and the normalization of status of some of the estimated 12 million illegal immigrants.

Mexico is the largest source of legal migrants to the United States and is also believed to be the largest source of illegal immigrants. According to the Pew Hispanic Center, undocumented Mexican migrants accounted for 56% of the estimated 11.5 to 12 million illegal immigrants in the United States in 2005.[5] In February 2006, the Mexican Congress approved a concurrent resolution on migration and border security in which Mexico acknowledges that its workers will continue to emigrate until there are more opportunities in Mexico. The resolution also accepts the need to revisit its migration policies to consider enforcement of its northern and southern borders, enforcement of Mexican immigration laws that respects the human rights of migrants, and the need to combat human trafficking. Perhaps most relevant, the Mexican resolution states that the Mexican government does not promote illegal migration and calls for the development of a guest worker program in the United States under the principle of shared responsibility. The resolution commits Mexico to enforcing legal emigration "if a guest country offers a sufficient number of appropriate visas to cover the biggest possible number of workers and their families, which, until now cross the border without documents because of the impossibility of obtaining them."[6]

Mexico benefits from illegal migration in at least two ways: (1) it is a "safety valve" that dissipates the political discontent that could arise from higher unemployment in Mexico; and (2) it is a source of remittances by workers in the United States to families in Mexico, estimated to be $23 billion in 2006.[7] President Calderón announced the creation of a new jobs program in January 2007 in an effort to boost Mexican development and decrease migration pressures.

In recent years, several Latin American economies have benefitted from remittances received from workers in the United States, motivating diplomats to push for immigration reform that will protect the status of their nationals in the United States and in other receiving countries. In 2006, migrants sent an estimated $60 billion to their home countries, with Mexico, Colombia, and Brazil receiving the largest amounts of remittances. The Inter-American Development Bank (IDB) estimates that remittances from the United States have grown 51% since 2004. Remittances to El Salvador in 2006 were the equivalent of almost 18% of that country's gross domestic product.[8]

In addition to concerns over immigration reform, El Salvador, Honduras, and Nicaragua advocate for extensions of their eligibility for temporary protected status (TPS). TPS is a discretionary, humanitarian benefit granted to eligible nationals after the Secretary of Homeland Security determines that a country has been affected by ongoing armed conflict, natural disaster, or other extraordinary conditions that limit

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[5] Pew Hispanic Center, "The Size and Characteristics of the Unauthorized Migrant Population in the U.S.," by Jeffrey Passel, March 7, 2006.

[6] "Mexico-U.S.: Migration and Border Security," Embassy of Mexico, February 2006.

[7] Dianne Solis and Laurence Iliff, "$23 Billion Sent to Mexico in '06," *Dallas Morning News*, February 1, 2007.

[8] "Cenbank: Remittances Reach US$3.3 bn in 2006," *Business News Americas*, January 22, 2007.

the affected country's ability to accept the return of its nationals from the United States. Honduras and Nicaragua were designated for TPS in January 1999 in response to devastation from Hurricane Mitch. U.S. Citizenship and Immigration Services (USCIS) estimates that 75,000 Hondurans and 4,000 Nicaraguans benefit from TPS. In May 2007, the Secretary of Homeland Security announced an extension of TPS for Honduras and Nicaragua through January 5, 2009. El Salvador was previously designated for TPS from 1990 to 1992 in accordance with Section 303 of the Immigration Act of 1990 which established TPS. It was again designated in March 2001 following a series of earthquakes in January 2001. USCIS estimates that 225,000 Salvadorans benefit from TPS. The Department of Homeland Security recently extended El Salvador's TPS designation through March 9, 2009.

Another issue in U.S. relations with Latin America and the Caribbean is the increase in deportations in recent years. U.S. deportations to the region constitute the overwhelming majority of U.S. deportations worldwide.[9] In FY2006, for example, the Department of Homeland Security deported almost 197,000 aliens worldwide, with almost 188,000 of those, or 95%, going to Latin American and Caribbean countries. Overall in FY2006, some 45% of those deported to Latin America and the Caribbean were removed based on a criminal conviction. For a number of countries, particularly in the Caribbean, a majority of those deported were removed on criminal grounds. In Mexico, one of the major concerns about the increase in deportations is the stress that it has put on border communities, where a majority of the deportees arrive. In the Caribbean and Central America, policymakers have been most concerned about their countries' abilities to absorb the large number of deportees, which pose challenges for social service providers, and the effect of criminal deportees on crime. Officials from the region have called on the United States to provide better information on deportees with criminal records and to provide reintegration assistance to help returning nationals.

CRS Products

CRS Report RL33659, *Border Security: Barriers Along the U.S. International Border*, by Blas Nunez-Neto and Stephen R. Vina.

CRS Report RL32044, *Immigration: Policy Considerations Related to Guest Worker Programs*, by Andorra Bruno.

CRS Report RS20844, *Temporary Protected Status: Current Immigration Policy and Issues*, by Ruth Ellen Wasem and Karma Ester.

CRS Report RL32235, *U.S. Immigration Policy on Permanent Admissions,* by Ruth Ellen Wasem and Karma Ester.

[9] These are formal deportations, consisting of those who are placed in removal proceedings, and do not include voluntary departures. For more information see CRS Report RL33351, *Immigration Enforcement Within the United States*, coordinated by Alison Siskin.

Terrorism Issues

U.S. attention to terrorism in Latin America intensified in the aftermath of the September 2001 terrorist attacks on New York and Washington, with an increase in bilateral and regional cooperation. Latin American nations strongly condemned the attacks, and took action through the Organization of American States (OAS) to strengthen hemispheric cooperation. OAS members signed an Inter-American Convention Against Terrorism in 2002. The Senate agreed to the resolution of advice and consent on the Convention in the 109th Congress and the United States ratified it in November 2005.

In its April 2007 Country Reports on Terrorism, the State Department highlighted threats in Colombia, Peru, and the tri-border area of Argentina, Brazil, and Paraguay. According to the report, there were no known operational cells of Islamic terrorists in the hemisphere, but pockets of ideological supporters in the region lent financial, logistical, and moral support to terrorist groups in the Middle East.

Cuba has remained on the State Department's list of state sponsors of terrorism since 1982, which triggers a number of economic sanctions. In May 2006, the Department of State, pursuant to Arms Export Control Act, added Venezuela to its annual list of countries not cooperating on antiterrorism efforts, which triggered prohibitions on the sale or license of defense articles and services to that country. Cuba also has been on that list for many years.

In early June 2007, the Department of Justice announced that four individuals – two Guyanese nationals, one Trinidadian national, and one U.S. citizen of Guyanese origin – were being charged with conspiring to blow up fuel tanks and a fuel pipeline at JFK International Airport in New York. U.S. officials lauded cooperation from both Guyana and Trinidad and Tobago as instrumental in deterring the plot. Some analysts contend that plot focuses attention to the potential security threat posed by Muslim extremists in the Caribbean, while others maintain that there is little evidence to indicate that Muslims in the region are attracted to radical Islamist ideologies.[10]

The 110th Congress is continuing to monitor potential terrorist threats in Latin America and the region's cooperation with the United States on antiterrorism efforts. The Administration's FY2008 foreign aid request includes $8.1 million in Anti-Terrorism Assistance and $1.4 million in Terrorist Interdiction Program assistance for Western Hemisphere countries. Congress continues to be concerned about progress in Argentina's investigation of the 1994 bombing of the Argentine-Israeli Mutual Association (AMIA) in Buenos Aires that killed 85 people. Allegations have linked Hezbollah to that bombing and to a 1992 bombing of the Israeli Embassy in Argentina. H.Con.Res. 188 (Ros-Lehtinen), approved by the House on July 30,

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[10] "JFK Plot Puts Spotlight on the Caribbean," *Latin American Regional Report: Caribbean and Central America*, June 2007, p. 13; and Chris Zambelis, "Spotlight on Trinidad and Tobago's Jamaat al-Muslimeen," *Terrorism Monitor*, Jamestown Foundation, June 21, 2007.

2007, by voice vote, applauds the current government of Argentina for increasing the pace of the AMIA investigation, and calls upon the General Assembly of Interpol to uphold and issue red notices, supported by the Executive Committee of Interpol, for five Iranians implicated in the AMIA bombing. H.Res. 435 (Klein), introduced May 23, 2007, would express concern about Iran's behavior in Latin America and the threatening activities of terrorist organizations sponsored by Iran in Latin America.

CRS Products

CRS Report RS21049, *Latin America: Terrorism Issues,* by Mark P. Sullivan.

HIV/AIDS in the Caribbean and Central America

The AIDS epidemic in the Caribbean and Central America has begun to have negative consequences for economic and social development in several countries, and continued increases in HIV infection rates threaten future development prospects. In contrast to other parts of Latin America, the mode of HIV transmission in several Caribbean and Central American countries has been primarily through heterosexual contact, making the disease difficult to contain because it affects the general population. The countries with the highest prevalence or infection rates are Belize, the Bahamas, Guyana, Haiti, and Trinidad and Tobago, with rates between 2% and 4%; and Barbados, the Dominican Republic, Honduras, Jamaica, and Suriname, with rates between 1% and 2%.

The response to the AIDS epidemic in the Caribbean and Central America has involved a mix of support by governments in the region, bilateral donors (such as the United States, Canada, and European nations), regional and multilateral organizations, and nongovernmental organizations (NGOs). Many countries in the region have national HIV/AIDS programs that are supported through these efforts.

U.S. government funding for HIV/AIDS in the Caribbean and Central America has increased significantly in recent years. Aid to the region rose from $11.2 million in FY2000 to $33.8 million in FY2003. Because of the inclusion of Guyana and Haiti as focus countries in the President's Emergency Plan for AIDS Relief (PEPFAR), U.S. assistance to the region for HIV/AIDS increased to $47 million in FY2004, $83 million in FY2005, $93 million in FY2006, and an estimated $118 million in FY2007. For FY2008, the Administration requested almost $132 million in HIV assistance for the Caribbean and Central America, with $83 million for Haiti and $21 million for Guyana.

In the 110th Congress, H.R. 848 (Fortuño), introduced February 6, 2007, would add 14 Caribbean countries to the list of focus countries targeted for increased HIV/AIDS assistance. The additional countries are Antigua & Barbuda, Barbados, the Bahamas, Belize, Dominica, Grenada, Jamaica, Montserrat, St. Kitts & Nevis, St. Vincent and the Grenadines, St. Lucia, Suriname, Trinidad & Tobago, and the Dominican Republic. Another initiative, H.Con.Res. 166 (Lee), introduced June 7, 2007, would support the goals and ideals of National Caribbean American HIV/AIDS Awareness Day.

CRS Products

CRS Report RL32001, *AIDS in the Caribbean and Central America,* by Mark P. Sullivan.

CRS Report RL33485, *U.S. International HIV/AIDS, Tuberculosis, and Malaria Spending: FY2004-FY2007,* by Tiaji Salaam-Blyther.

Gangs in Central America

The 110th Congress maintains a strong interest in the effects of crime and gang violence in Central America, and its spillover effects on the United States. Since February 2005, more than 1,374 members of the violent Mara Salvatrucha (MS-13) gang have been arrested in cities across the United States. These arrests are raising concerns about the transnational activities of Central American gangs. Governments throughout the region are struggling to find the right combination of suppressive and preventive policies to deal with the gangs. Some analysts assert that increasing U.S. deportations of individuals with criminal records to Central American countries may be contributing to the gang problem.

Most experts argue that the repressive anti-gangs laws adopted by El Salvador and Honduras have failed to reduce violence and homicides in those countries, and that law enforcement solutions alone will not solve the gang problem. Analysts also predict that illicit gang activities may accelerate illegal immigration and trafficking in drugs, persons, and weapons to the United States, although a recent United Nations report challenges those assertions. Others maintain that contact between gang members across the regions is increasing, and that this tendency may cause increased gang-related violent crime in the United States.

Several U.S. agencies have been actively engaged on both the law enforcement and preventive side of dealing with Central American gangs. The National Security Council (NSC) created an inter-agency task force to develop a comprehensive, three-year strategy to deal with international gang activity. The strategy, which is now being implemented, states that the U.S. government will pursue coordinated anti-gang activities through five broad areas: diplomacy, repatriation, law enforcement, capacity enhancement, and prevention.

In the 110th Congress, immigration legislation has been introduced – H.R. 1645 (Gutierrez), S. 330 (Isakson), and S. 1348 (Reid) – that includes provisions to increase cooperation among U.S., Mexican, and Central American officials in the tracking of gang activity and in the handling of deported gang members. The House-passed version of the FY2008 State, Foreign Operations, and Related Agencies Appropriations bill (H.R. 2764; H.Rept. 110-197) would provide $8 million to the State Department to combat criminal youth gangs, an increase of $3 million from the Administration's request. In Central America, that funding would support a regional anti-gang initiative aimed at prevention, police training, and judicial reform. On July 31, 2007, the House Committee on Foreign Affairs approved H.Res. 564 (Engel) recognizing that violence poses an increasingly serious threat to peace and stability in Central America and supporting expanded cooperation between the United States and Central America to combat crime and violence.

CRS Products

CRS Report RS22141, *Gangs in Central America,* by Clare Ribando.

Afro-Latinos

The 110th Congress has maintained an interest in the situation of Afro-Latinos in Latin America, particularly the plight of Afro-Colombians affected by the ongoing armed conflict in Colombia. In recent years, people of African descent in the Spanish- and Portuguese-speaking nations of Latin America — also known as "Afro-Latinos" — have been pushing for increased rights and representation. Afro-Latinos comprise some 150 million of the region's 540 million total population, and, along with women and indigenous populations, are among the poorest, most marginalized groups in the region. Afro-Latinos have formed groups that, with the help of international organizations, are seeking political representation, human rights protection, land rights, and greater social and economic rights and benefits. Improvement in the status of Afro-Latinos could be difficult and contentious, however, depending on the size and circumstances of the Afro-descendant populations in each country.

Assisting Afro-Latinos has never been a primary U.S. foreign policy objective, although a number of foreign aid programs benefit Afro-Latino populations. While some foreign aid is specifically targeted towards Afro-Latinos, most is distributed broadly through programs aimed at helping all marginalized populations. Some Members may support increasing U.S. assistance to Afro-Latinos, while others may resist, particularly given the limited amount of development assistance available for Latin America.

In the 110th Congress, the House-passed version of the FY2008 State, Foreign Operations, and Related Agencies Appropriations bill (H.R. 2764; H.Rept. 110-197) would require that $5 million of U.S. funding for aerial fumigation in Colombia be used to protect biodiversity, indigenous reserves, and Afro-Colombian lands subject to spraying, and stipulate that no less than $15 million in U.S. development assistance be provided to Afro-Colombian and indigenous communities. The bill would also require the State Department to certify that the Colombian military is not violating the land and property rights of Afro-Colombians. On July 11, 2007, the House passed H.Res 426 (McGovern), recognizing 2007 as the year of the rights of internally displaced persons (including Afro-Colombians) in Colombia and offering U.S. support to programs that seek to assist and protect them. Another initiative, H.Res. 618 (Payne), introduced on August 3, 2007, would recognize the importance of addressing the plight of Afro-Colombians.

CRS Products

CRS Report RL32713, *Afro-Latinos in Latin America and Considerations for U.S. Policy*, by Clare Ribando.

Trafficking in Persons in Latin America and the Caribbean

Trafficking in persons for sexual exploitation or forced labor, both within a country and across international borders, is a lucrative criminal activity that is of major concern to the United States and the international community. Trafficking in persons affects nearly every country and region in the world. While most trafficking victims still appear to originate from South and Southeast Asia or the former Soviet Union, human trafficking is a growing problem in Latin America and the Caribbean. Countries in Latin America serve as source, transit, and destination countries for trafficking victims. Latin America is also a primary source for the estimated 14,500 to 17,500 people that are trafficked to the United States each year. According to the State Department, trafficking is increasingly tied to organized criminal groups, including Mexican drug cartels, who exploit undocumented migrants, especially in the U.S.- Mexico border region.

Congress has taken a leading role in fighting human trafficking by passing the Victims of Trafficking and Violence Protection Act of 2000 (P.L. 106-386), the Trafficking Victims Protection Reauthorization Act of 2003 (P.L. 108-193), and the Trafficking Victims Protection Reauthorization Act of 2005 (P.L. 109-164). As a result of that legislation, the State Department and other U.S. agencies provided more than $74 million in anti-trafficking assistance to foreign governments in FY2006 (latest available data).

On June 12, 2007, the State Department released its seventh annual *Trafficking in Persons Report* (TIP), which divides countries into four groups according to the efforts they are making to combat trafficking. Tier 3 countries are those that have not made an adequate effort to combat trafficking and are subject to sanctions. In the 2007 TIP report, Cuba and Venezuela are the only countries identified as Tier 3 in the region, but six others — including Argentina, Dominican Republic, Guatemala, Guyana, Honduras, and Mexico — are on the Tier 2 Watch List. The President must make a determination within 90 days from the release of the TIP report on whether to impose sanctions on any or all of the Tier 3 countries.

In the 110th Congress, both chambers are continuing to address human trafficking as part of their authorization, appropriations, and oversight activities. The Implementing the 9/11 Commission Recommendations Act of 2007 (H.R. 1/P.L. 110-53), which President Bush signed into law on August 3, 2007, increases funding and equipment to strengthen the Human Smuggling and Trafficking Center within the Department of Homeland Security. The Trafficking Victims Protection Reauthorization Act of 2007, H.R. 270 (Smith), introduced on January 5, 2007, would authorize funds for anti-trafficking programs for FY2008 through FY2010.

CRS Products

CRS Report RL33200, *Trafficking in Persons in Latin America and the Caribbean*, by Clare Ribando.

CRS Report RL30545, *Trafficking in Persons: The U.S. and the International Response*, by Clare Ribando.

Country Issues

Bolivia

In the past few years, Bolivia has experienced extreme political unrest resulting in the country having six presidents since 2001. Evo Morales, an indigenous leader of the leftist Movement Toward Socialism (MAS) party, won a convincing victory in the December 18, 2005, presidential election with 54% of the votes. He was inaugurated to a five-year term on January 22, 2006.

President Morales has moved to fulfill his campaign promises to decriminalize coca cultivation, nationalize the country's natural gas industry, and enact land reform. These policies have pleased some of his supporters, but leftist social movements and other actors are pressuring him to adopt even more radical proposals. Morales' policies have deeply divided Bolivians, particularly concerning issues of land tenure and Hugo Chávez's influence in the country. His policies have also complicated Bolivia's relations with some of its neighboring countries (namely Brazil), foreign investors, and the United States.

A central goal of the Morales government, enacting constitutional reforms, has faced serious obstacles. In August 2006, many Bolivians hoped that the constituent assembly (CA) elected in July of that year would be able to carry out meaningful reforms and respond to the eastern province's demands for regional autonomy. A year into its mandate, the CA has produced 700 proposed articles for the new constitution, but has yet to approve any of them. Most observers doubt that CA delegates will be able to reach a consensus on a draft constitution by December 14, 2007, the new deadline for the assembly's completion, particularly after its deliberations were suspended in mid-August 2007 amidst popular protests.

U.S. interest in Bolivia has traditionally centered on its role as a coca producer and its relationship to Colombia and Peru, the two other major coca- and cocaine-producing countries in the Andes. U.S.-Bolivian relations have been strained by the Morales government's unorthodox drug policy, increasing ties with Venezuela and Cuba, and its nationalization measure. Some U.S. officials have stated that democracy in Bolivia could be at risk because of measures taken by President Morales to eliminate checks on his authority.

In FY2006, Bolivia received $136.7 million in U.S. foreign assistance, including some $79.2 million in counternarcotics funds. In FY2007, Bolivia received an estimated $125.23 million, including $66 million in counternarcotics funds. The FY2008 request for Bolivia is for some $114.57 million, including $30 million in counternarcotics funds. In June 2007, Congress voted to extend trade preferences for Bolivia, along with Colombia, Ecuador, and Peru, under the Andean Trade Preferences and Drug Eradication Act (ATPDEA) through February 2008. The 110th Congress is considering what level of foreign assistance Bolivia should receive, and whether its existing trade preferences should be extended.

CRS Products

CRS Report RL32580, *Bolivia: Political and Economic Developments and Implications for U.S. Policy,* by Clare Ribando.

CRS Report RL32770, *Andean-U.S. Free Trade Agreement Negotiations,* by M. Angeles Villarreal.

Brazil

On January 1, 2007, Luis Inácio "Lula" da Silva, of the leftist Workers' Party (PT), was inaugurated for a second four-year term as President of Brazil after defeating Geraldo Alckmin, former governor of the state of São Paulo, of the Brazilian Social Democratic Party (PSDB), in a run-off presidential election held in late October 2006. Lula captured 61% of the votes as compared to Alckmin's 39%, winning handily in the poorer, north and northeastern regions of the country, but failing to carry the more prosperous southern and western states or São Paulo, the country's industrial and financial hub. In the second round, Brazilians voted in favor of continuing macroeconomic stability under a second Lula Administration despite the corruption scandals that had involved Lula's party, including many of his closest advisers, during the first term.

President Lula has formed a broad governing coalition that he hopes will be capable of pushing his agenda through Brazil's notoriously fractured legislature. Although he continues to enjoy high personal approval ratings, President Lula's governing coalition has already been weakened by several corruption scandals, including one that resulted in the May 2007 resignation of the Minister of Mines and Energy. The Lula government has launched a plan aimed at accelerating the country's lagging growth rates by increasing public and private investment in energy, logistics, housing, and water sanitation. His other immediate tasks include addressing issues of crime and violence and improving the country's infrastructure, including its airline industry.

Relations with the United States have been generally positive, although President Lula has made relations with neighboring countries in Latin America his first priority, and has sought to strengthen ties with nontraditional partners, including India and China. Brazil-U.S. cooperation has increased in recent months, particularly on energy issues. President Bush visited Brazil on March 9, 2007, which was followed by a visit from President Lula to Camp David on March 31. During those visits, the leaders launched a new energy partnership to encourage ethanol production and use throughout the Western Hemisphere. Some analysts predict that promoting ethanol may help Brazil reassert regional leadership relative toHugo Chávez of oil-rich Venezuela.

In recent years, congressional interest in Brazil has centered on the U.S.-Brazilian bilateral trade relationship, as well as Brazil's role in sub-regional, regional, and global trade talks in the Doha round of the World Trade Organization (WTO) negotiations. In December 2006, Congress extended trade preferences for Brazil under the Generalized System of Preferences (GSP), but set thresholds that may limit trade preferences for some Brazilian exports. Interest in Brazil also focuses on its role as a stabilizing force in Latin America, especially with respect to Venezuela and Bolivia. There is increasing congressional interest in Brazil's role as an ethanol producer. S. 1007 (Lugar), the United States-Brazil Energy Cooperation Pact of 2007, would direct the Secretary of State to work with Brazil and other Western Hemisphere countries to develop partnerships to accelerate the development of biofuels production, research, and infrastructure. Brazil is also a key U.S. ally whose cooperation is sought on issues that include counternarcotics efforts; human rights concerns; the environment, including protection of the Amazon; and HIV/AIDS prevention.

CRS Products

CRS Report RL33456, *Brazil-U.S. Relations*, by Clare M. Ribando.

Colombia

Colombian President Alvaro Uribe was reelected on May 28, 2006, with 62% of the vote. Parties loyal to President Uribe also won a majority of both houses of congress in the March 2006 congressional elections. Uribe's second term has thus far been marred by scandals, including a Supreme Court investigation into the alleged paramilitary ties of several pro-Uribe congressmen. President Uribe has been a strong ally of the United States and a supporter of U.S. counternarcotics efforts in the region and, through the Andean Counterdrug Initiative (ACI), Colombia is the largest U.S. foreign aid recipient in Latin America.

U.S. policy toward Colombia has come under scrutiny in the 110th Congress as Members are concerned about the effectiveness of U.S. counternarcotics efforts in reducing the supply of cocaine; alleged Colombian government ties to paramilitaries; and human rights conditions. The House-passed FY2008 State, Foreign Operations, and Related Programs Appropriations bill, H.R. 2764, would cut the Administration's request of some $590 million by almost $60 million; significantly, the House approved a shift in the proportion of U.S. assistance for alternative development from 25% to 45% of U.S. aid to Colombia. Colombia has been lobbying Congress to continue current assistance levels and to approve the U.S.-Colombia Trade Promotion Agreement (CTPA), which was approved by the Colombian Congress on June14, 2007. Supporters of the agreement maintain that the trade agreement will enhance Colombia's ability to reduce poverty in the country, but critics are concerned about the targeting of labor activists in Colombia. Other matters of congressional interest in Colombia relate to the level of risk to U.S. personnel in Colombia, including the continued captivity of three American hostages by the Revolutionary Armed Forces of Colombia (FARC); Afro-Colombians; and the paramilitary demobilization process.

Colombia produces 70% of the world's supply of cocaine, according to the U.N. Office on Drugs and Crime, and a significant amount of the heroin entering the United States.[11] Illegally armed groups of both the left and right are believed to participate in the drug trade. In March 2006, the United States indicted fifty commanders of the FARC for drug trafficking. The United States has also requested the extradition of 23 paramilitary leaders on drug trafficking charges. In 2004, Congress raised the cap on military personnel allowed to be deployed in Colombia from 400 to 800 for military personnel and from 400 to 600 for civilian contractors (FY2005 Ronald W. Reagan National Defense Authorization Act, P.L. 108-375). In 2006, Congress extended the increased cap on military personnel and civilian contractors through 2008 (John Warner National Defense Authorization Act for Fiscal Year 2007, P.L. 109-364).

A scandal involving alleged paramilitary ties to politicians, including current members of the Colombian Congress, erupted in November 2006. Since the so-called para-political scandal broke several Colombian politicians, including over a dozen current members of the Colombian Congress, have been charged with ties to paramilitary groups. Members of Congress from several parties have been implicated in the scandal, though the majority are from pro-Uribe parties. Several governors and former members of Congress have also been caught up in the scandal. Foreign Minister Maria Consuelo Araujo was forced to resign due to the investigation into her brother's and father's connections to the paramilitaries and their involvement in the kidnaping of Alvaro Araujo's opponent in a Senate election.

On July 15, 2003, the Uribe Administration announced an agreement with leaders of the paramilitary United Self-Defense Forces of Colombia (AUC) that led to the demobilization of nearly 31,000 paramilitaries as of July 2006. An estimated 2,000 paramilitaries remain outside of the disarmament process, and there are credible reports that paramilitary groups are re-organizing in several regions of Colombia.[12] The demobilization process has been controversial. Critics maintain that there is no mechanism to ensure that demobilizing leaders fully disclose their crimes in exchange for reduced sentence and likely protection from extradition to the United States. Critics also are concerned that the demobilization process does not address the criminal enterprises, such as narcotics trafficking, that financed the AUC's political operations and that the paramilitaries are re-organizing, not demobilizing. Further concern has focused on the ability of the government to re-

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[11] U.S. Department of State, International Narcotics Control Strategy Report, March 2006, p. 101.

[12] Organization of American States, Seventh Quarterly Report of the Secretary General to the Permanent Council on the Mission to Support the Peace Process in Colombia (MAPP/OEA), August 30, 2006.

incorporate ex-fighters into civilian life and to provide some type of restitution to their victims.

Colombia has the second largest population of internally displaced persons (IDPs) in the world, behind Sudan. The U.S. Committee for Refugees and the Colombian government report that there are 3 million IDPs in Colombia. The United Nations High Commissioner on Refugees reports that some 200,000 Colombians were newly displaced in 2006, and over 200,000 Colombian refugees and asylum seekers outside of Colombia. U.S. efforts to resettle Colombian refugees, begun in 2002, have been limited due to provisions of the REAL ID Act of 2005 (included in P.L. 109-13), which bars admission to the United States of persons who have provided material support to terrorist groups. In 2005, the United Nations High Commissioner for Refugees (UNHCR) stopped referring Colombians for resettlement to the United States because of this issue. (Also see sections above on "Andean Counterdrug Initiative" and "U.S.-Colombia Trade Promotion Agreement.")

CRS Products

CRS Report RL32250, *Colombia: Issues for Congress*, by Colleen Cook.

CRS Report RL33370, *Andean Counterdrug Initiative (ACI) and Related Funding Programs: FY2007 Assistance,* by Connie Veillette.

CRS Report RS22419, *U.S.-Colombia Trade Promotion Agreement,* by Angeles Villarreal.

Cuba

Since the early 1960s, U.S. policy toward Cuba under Fidel Castro has consisted largely of isolating the communist nation through economic sanctions, which the Bush Administration has tightened significantly. A second policy component has consisted of support measures for the Cuban people, including private humanitarian donations and U.S.-sponsored radio and television broadcasting to Cuba. As in past years, the main issue for U.S. policy toward Cuba in the 110th Congress is how to best support political and economic change in one of the world's remaining communist nations. Unlike past years, however, Congress is now examining policy toward Cuba in the context of Fidel Castro's temporary, and potentially permanent, departure from the political scene because of health conditions. Over the past several years, one or both houses have at times approved legislative provisions that would ease U.S. sanctions on Cuba, but ultimately these provisions have been stripped out of the final enacted measures, in part because of presidential veto threats.

In the 110th Congress, both the House-passed and Senate Appropriations Committee-reported versions of the FY2008 Financial Services and General Government appropriations bill, H.R. 2829, have provisions that would prevent funds from being used to require the payment of cash in advance prior to the shipment of

U.S. agricultural goods to Cuba; the Senate version also would ease restrictions on travel to Cuba for the marketing and sale of agricultural and medical goods. S. 1859, the Senate Appropriations Committee version of the FY2008 agriculture appropriations bill, also has a provision that would ease travel restrictions for the marketing and sale of agricultural and medical goods. On July 27, 2007, the House rejected H.Amdt. 707 to H.R. 2419, the 2007 farm bill, that would have facilitated the export of U.S. agricultural exports to Cuba in several ways.

Several other initiatives would ease Cuba sanctions: H.R. 177 (educational travel), H.R. 216 (Cuban baseball players), H.R. 217 and H.R. 624 (overall sanctions), H.R. 654, S. 554, and S. 721 (travel), H.R. 757 (family travel and remittances), H.R. 1026 (sale of U.S. agricultural products), H.R. 2819/S. 1673 (sale of U.S. agricultural and medical products and travel), and S. 1268 (development of Cuba's offshore oil). S. 554 also would terminate U.S.-government sponsored television broadcasting to Cuba. Several initiatives would tighten sanctions: H.R. 525 (related to U.S. fugitives in Cuba), and H.R. 1679/S. 876 (related to Cuba's offshore oil development). Two initiatives, H.R. 1306 and S. 749, would amend a provision of law restricting the registration or enforcement of certain Cuban trademarks; H.R. 217, H.R. 624, H.R. 2819, and S. 1673 would repeal the trademark sanction.

The House-passed version of the FY2008 foreign aid appropriations measure, H.R. 2764, would fully fund the Administration's request for $45.7 million for Cuba democracy programs, while the Senate Appropriations Committee report to the bill recommends $15 million. The House version would prohibit funding for counternarcotics cooperation with Cuba, while the Senate version would provide $1 million. Both versions would provide $33.681 million for Cuba broadcasting, $5 million less than the request, but the same provided for FY2007.

CRS Products

CRS Report RL33819, *Cuba: Issues for the 110th Congress*, by Mark P. Sullivan.

CRS Report RL31139, *Cuba: U.S. Restrictions on Travel and Legislative Initiatives*, by Mark P. Sullivan.

CRS Report RL33622, *Cuba's Political Future Scenarios and U.S. Policy Approaches*, by Mark P. Sullivan.

CRS Report RL32251, *Cuba and the State Sponsors of Terrorism List*, by Mark P. Sullivan.

CRS Report RS20468, *Cuban Migration Policy and Issues*, by Ruth Ellen Wasem.

CRS Report RL33499, *Exempting Food and Agriculture Products from U.S. Economic Sanctions: Status and Implementation*, by Remy Jurenas.

Ecuador

Ecuador, a small, oil-producing country in the Andean region of South America, has experienced a decade of severe political and economic instability. On January 15, 2007, Rafael Correa, a left-leaning, U.S.-trained economist, was inaugurated to a four-year term as President of Ecuador, becoming the country's eighth president in ten years. Correa defeated Alvaro Noboa, a wealthy banana magnate, in a run-off election held in late November 2006, with 57% of the vote as compared to Noboa's 43%.

President Correa is fulfilling his campaign pledge to call a constituent assembly to reform Ecuador's constitution. However, he has yet to enact his other campaign promises, which included renegotiating Ecuador's foreign debt and further increasing state control over foreign oil companies. On April 15, 2007, 82% of eligible Ecuadorians voted in favor of convoking a constituent assembly with the power to rewrite the country's constitution and to dismiss its current elected officials, despite vehement protests from the opposition-led Ecuadorian Congress. Ecuador's constitutional court is still considering the legality of the events that led up to the referendum. In the meantime, elections for constituent assembly delegates are scheduled for September 30, 2007. Critics contend that Correa appears to be using the constituent assembly as a pretense to strengthen his power base.

Ecuador has traditionally had close relations with the United States, although recent trade disputes have strained bilateral relations. Negotiations for a bilateral free trade agreement were suspended indefinitely in May 2006 following Ecuador's decision to expel a U.S. oil company, Occidental, from the country without compensation for an alleged breach of contract.

U.S. officials have pledged to cooperate with the Correa government, but have also expressed concerns about Correa's ties with Hugo Chávez of Venezuela and his policies on trade and counternarcotics matters. President Correa opposes completing negotiations of a free trade agreement with the United States, and is not willing to restart negotiations as a condition to continue receiving U.S. trade preferences under the Andean Trade Preferences and Drug Eradication Act (ATPDEA), which are due to expire on February 29, 2008. President Correa has recently confirmed that his government will not renew the lease on the U.S. air base at Manta, which is used for U.S. aerial counter-drug monitoring operations, when it expires in 2009. He has expressed reservations about any Ecuadorian involvement in Plan Colombia and publicly opposed the Colombian army's incursions into Ecuadorian territory and its recent resumption of aerial fumigation along the Ecuador-Colombian border. In May 2007, the Correa government announced the end of a deal that guaranteed U.S. investments in Ecuador. The United States allocated $29.6 million to Ecuador in FY2006 and provided an estimated $32.1 million in assistance in FY2007. The FY2008 request for Ecuador is for $20.6 million, with the most significant cuts from FY2006 levels occurring in counternarcotics funds.

CRS Products

CRS Report RS21687, *Ecuador: Political and Economic Situation and U.S. Relations,* by Clare Ribando.

CRS Report RS22548, *ATPA Renewal: Background and Issues,* by M. Angeles Villarreal.

Guatemala

Since the 1980s, Guatemala has been in transition from autocratic rule to representative government. Guatemala's 36-year civil war, one of the longest and bloodiest in Central America, ended in 1996 with the signing of the Peace Accords. Since then, Guatemala has sought to consolidate democracy, cut institutional ties to organized crime, and combat increasing violent crime and drug trafficking.

President Oscar Berger, inaugurated in January 2004, is scheduled to leave office in January 2008 after elections this fall. During Berger's presidency, the Guatemalan economy has expanded, but drug trafficking and organized crime have overwhelmed the country's weak institutions. Guatemala's economy grew 4.6% in 2006, the highest rate since 1998. Growth was due to increased remittances, high prices for Guatemalan exports, such as sugar and cardamon, and increased trade and investment that has occurred as a result of the U.S.-Dominican Republic-Central America Free Trade Agreement (DR-CAFTA). The Berger government secured passage of a law against organized crime and legislative approval of the creation of the United Nations International Commission Against Impunity in Guatemala (CICIG). It has struggled, however, to secure timely passage of budget measures or to make significant progress on implementation of reforms agreed upon in the 1996 peace accords.

Guatemala has seen a continued increase in murders, with 6,033 reported in 2006, a higher rate than during the civil war. A majority of violence is attributed to organized crime and drug trafficking, with nearly 90% of cocaine headed for the United States passing through Central America. The link between organized crime and Guatemalan security forces was highlighted earlier this year after the murder of three Salvadoran deputies and their driver, and the subsequent murder of the four accused police officers while in prison. This resulted in the resignation of several high-ranking security officials and, most recently, the arrest of a former legislator in connection with the murders. Organized crime has also infiltrated the political system. The 2007 electoral campaign has become one of the bloodiest in Guatemala's history, with over 40 deaths.

Guatemala is set to hold presidential and legislative elections on September 9, 2007. The leading candidates are Alvaro Colom of the center-left National Unity for Hope (UNE) party and Otto Perez Molina, a retired general representing the right-wing Patriot Party (PP). Many observers predict that the presidential election will go to a second round.

Issues in U.S.-Guatemalan relations include democracy, human rights, counternarctoics and U.S. immigration policy. In FY2006, Guatemala received $54.2 million in U.S. assistance. For FY2007, Congress appropriated an estimated $49.6 million for Guatemala. The Administration requested $53.4 million for FY2008, with the majority of funds being allocated to maternal and child health and the promotion of rural development, as well as programs to fight organized crime and enhance the judicial system and security forces. Significantly, the House approved $250,000 in Foreign Military Financing (FMF) for Guatemala in FY2008 pending Department of State certification that certain human rights conditions have been met. The Senate Appropriations Committee also recommended $500,000 in FMF funding for Guatemala in FY2008. If enacted, this would be the first time Guatemala could be eligible to receive FMF funding since 1990.

CRS Products

CRS Report RL31870, *The Dominican Republic-Central American Free Trade Agreement (CAFTA-DR)*, by J. F. Hornbeck.

CRS Report RL34112, *Gangs in Central America*, by Clare M. Ribando.

Haiti

The main priorities for U.S. policy regarding Haiti during the 110th Congress are how to continue to improve security, promote economic development, and strengthen fragile democratic processes now that an elected government is in place. Haiti's priorities are many, and deeply intertwined; the Haitian government and the international donor community are implementing an interim assistance strategy that attempts to addresses its many needs simultaneously. The challenge is to accomplish short-term projects that will boost public and investor confidence, while also pursuing long-term development plans to improve living conditions for Haiti's vast poor population.

President René Préval, who was inaugurated on May 14, 2006 to a five-year term, has outlined two main missions for his government: to build institutions and to establish conditions for private investment in order to create jobs. Building on drafts created by the interim government (2004-2006), the Préval Administration has established an Interim Poverty Reduction Strategy for 2007-2009 to meet IMF requirements for debt relief. International donors have pledged more than $1.5 billion in economic assistance to Haiti, and President Préval enjoys broad support from the donor community. His efforts to improve security conditions and reform the country's dysfunctional police force received a boost in February 2007 when the mandate of the United Nations Stabilization Mission in Haiti (MINUSTAH) was extended for eight months.

The Bush Administration has expressed its support for the Préval government. On May 7, 2007, President Préval launched his first official visit to the United States.

President Bush praised Préval for his efforts to improve economic conditions and establish the rule of law in Haiti, and Préval responded by saying that his government seeks increased U.S. investment in Haiti. Préval has also pledged to cooperate with U.S. counternarcotics efforts. The United States provided $205.5 million for Haiti in FY2006, including $47.3 million to combat HIV/AIDS. In FY2007, U.S. assistance totaled an estimated $214.5 million. The Administration's FY2008 request is for $223 million, including $83 million to combat HIV/AIDS and $25.5 million for an integrated conflict mitigation program to target urban crime. The House-passed FY2008 State, Foreign Operations and Related Programs Appropriations bill, H.R. 2764, approved June 22, 2007, fully funded most categories of assistance for Haiti, and provided an additional $10 million in Development Assistance and an additional $2 million in Child Survival and Health assistance than requested.

There is also bipartisan support in Congress for President Préval. On December 9, 2006, the 109th Congress passed a special trade preferences bill for Haiti (the Haitian Hemispheric Opportunity through Partnership Encouragement/HOPE Act of 2006, Title V, P.L.109-432). Supporters said the bill could generate 40,000 jobs in Haiti. Some U.S. textile interests opposed the bill because it would provide preferences to some garments with components originating in China and other parts of Asia. The 110th Congress is considering what levels of support to provide for security enhancing measures in Haiti such as MINUSTAH's disarmament, demobilization, and reintegration program, the Haitian government's Social Reconciliation Plan, and police and judicial reform. In October 2006, the Administration partially lifted the 15-year-old arms embargo against Haiti to allow arms and equipment to Haitian security units. Some Members have expressed concern about doing so before the Haitian police force has been adequately vetted for those accused of human rights violations or other crimes. An Administration goal of limiting illegal immigration has been challenged by some Members as not affording adequate protection for Haitian asylum-seekers.

CRS Products

CRS Report RL32294, *Haiti: Developments and U.S. Policy Since 1991 and Current Congressional Concerns*, by Maureen Taft-Morales.

CRS Report RL34029, *Haiti's Development Needs and a Statistical Overview of Conditions of Poverty*, by Maureen Taft-Morales and Demond Alexander Drummer.

CRS Report RS21349, *U.S. Immigration Policy on Haitian Migrants*, by Ruth Ellen Wasem.

Mexico

Immigration and border security matters continue to dominate congressional interest in Mexico. In September 2006, Congress approved the Secure Fence Act of 2006 (P.L. 109-367) to authorize the construction of a border fence along 700 miles of the U.S.-Mexico border, as well as $1.2 billion to fund fence construction through the FY2007 Department of Homeland Security Appropriations Act. In the 110th Congress, immigration reform legislation has been introduced in both houses, but despite Bush administration efforts on behalf of comprehensive reform, the legislation became stymied in June 2007 when the Senate failed to invoke cloture and limit debate on two bills, S. 1348 and S. 1639. While the House held several immigration reform hearings, the Senate's action made it unlikely that the House would take up comprehensive reform on its own. Mexican President Felipe Calderón, like his predecessor President Vicente Fox, is critical of the border fence, and has charged that economic development would be a more effective means to reducing illegal Mexican migration to the United States.

Increasing U.S.-Mexico cooperation on counternarcotics matters and reducing drug cartel violence in Mexico are also of concern to the 110th Congress. Upon taking office in January 2007, President Calderón launched aggressive anti-cartel efforts involving significant numbers of Mexican soldiers and federal police. Bush Administration officials have praised those efforts, but critics worry about the militarization of the anti-cartel effort, citing alleged rights violations during the operations. The pace of extraditions from Mexico to the United States continued to increase rapidly in 2006 with a record 63 extraditions, including accused drug kingpin Francisco Rafael Arellano Felix of the Tijuana cartel. President Calderón has indicated that he will use extradition as a major tool in combating drug traffickers, and Mexico has extradited 64 individuals to the United States as of August 2007, including the alleged head of the Gulf cartel, Osiel Cárdenas Guillén, and three other senior drug traffickers. At an August 2007 summit with President Calderón and Canadian Prime Minister Stephen Harper in Canada, President Bush pledged to develop a large aid package to help Mexico combat drug cartels. The aid package, which is currently being negotiated, is likely to include the provision of new equipment to Mexico and increased U.S.-Mexico enforcement cooperation, but not a U.S. military presence in Mexico.

Trade issues continue to be a major component of U.S.-Mexico relations. Mexico is the United States' second largest trading partner, and is a party to the NAFTA along with Canada and the United States. The three countries are currently seeking to maintain competitiveness with other regions through the Security and Prosperity Partnership of North America (SPP). On August 21, 2007, leaders from the three countries approved a regional action plan to increase cooperation on intellectual property rights enforcement and business regulation. Resolution of trade disputes will continue to be a concern. Current trade disputes relate to U.S. market access for Mexican tuna and avocados. An ongoing dispute involves granting Mexican trucks access to U.S. highways. A long running dispute related to sugar and high-fructose corn syrup imports was recently resolved and Mexico repealed its 20% tax on soft drinks made with high-fructose corn syrup (HFCS).

CRS Products

CRS Report RL33125, *Immigration Legislation and Issues in the 109th Congress,* coordinated by Andorra Bruno.

CRS Report RL32044, *Immigration: Policy Considerations Related to Guest Worker Programs*, by Andorra Bruno.

CRS Report RL32724, *Mexico-U.S. Relations: Issues for Congress, by Colleen Cook.*

CRS Report RL32934, *U.S.-Mexico Economic Relations: Trends, Issues, and Implications,* by M. Angeles Villarreal.

Nicaragua

Sandinista leader and former President Daniel Ortega was inaugurated President of Nicaragua on January 10, 2007. Ortega's previous presidency (1985-1991) was marked by a civil conflict with U.S.-backed "contras," authoritarian tendencies, and charges of corruption. Ortega, who had lost the last three presidential elections, won only 37.9% of the vote in the 2006 elections but Nicaraguan law allowed him to avoid a run-off vote because he was 9.6% ahead of the next closest candidate, Eduardo Montealegre of the Nicaraguan Liberal Alliance (ALN). President Ortega has not provided specific policy plans in many areas, vacillating between anti-U.S. rhetoric and reassurances that his second administration will respect private property and pursue free-trade policies. Reported conversations between Ortega and U.S. officials, including President Bush, indicate both sides are seeking a cooperative relationship. Ortega's interest in cooperating with the United States is reflected in his recent offer to hand over 651 Soviet-made surface-to-air missiles in exchange for military helicopters and medical equipment.

In the November 2006 elections, no party won an outright majority in the 90-member National Assembly. The Sandinista National Liberation Front (FSLN) has 38 seats, the Constitutionalist Liberal Party (PLC) 25, the ALN 22, and the Sandinista Renewal Movement (MRS) 5. In order to pass legislation, the FSLN relies on an informal alliance with the PLC, dominated by jailed former President Arnoldo Aleman. The previous legislature, in which Ortega was opposition leader of the FSLN, passed and then postponed the implementation of constitutional amendments at the root of political tensions towards the end of former President Enrique Bolaños' term (2002-2007). These amendments were to transfer significant executive powers to the legislature in February 2007. In January 2007, however, the new legislature passed a bill proposed by President Ortega concentrating political power in the executive branch. The FSLN favors a constitutional reform that will allow presidential reelection for consecutive terms.

The top U.S. priority in Nicaragua, according to the Administration's FY2008 budget request is strengthening and consolidating democracy. The United States also seeks to foster economic development and trade. In 2005, the Bush Administration signed a five-year, $175 million agreement with Nicaragua under the Millennium

Challenge Account to promote rural development. The Administration has reduced other foreign aid to Nicaragua by $14 million, from $50 million in FY2006 to a requested $36 million for FY2008. The Nicaraguan National Assembly approved the U.S.-Dominican Republic-Central America Free Trade Agreement (CAFTA-DR) in October 2005 and passed related intellectual property and other reforms in March 2006. It went into effect on April 1, 2006. CAFTA-DR supporters say the agreement will promote economic growth, create jobs, and increase exports to the United States. The Nicaraguan government has resumed talks with the International Monetary Fund regarding a new three year Poverty Reduction and Growth Facility plan, with Ortega expressing his desire that a new plan prioritize the fight against poverty.

Resolution of property claims by U.S. citizens, Ortega's foreign policy, and immigration are contentious areas in U.S.-Nicaraguan relations. Nicaragua passed a law creating a new Property Institute that could lead to the dismissal of property claim lawsuits arising from expropriations carried out by the Sandinista government in the 1980s. Its implementation has been delayed along with the other reforms. U.S. officials have expressed concern over increasing ties between Iran and Nicaragua. Iran has pledged to invest in Nicaragua's ports, agricultural sector, and energy network, as well as constructing houses for low-income Nicaraguans, with Venezuela co-financing many of these infrastructure projects. Nicaragua has joined Mexico and other Central American countries in criticizing U.S. inaction on comprehensive immigration reform. In May 2007, the Department of Homeland Security extended Temporary Protected Status (TPS) to about 4,000 eligible Nicaraguans living in the United States until January 5, 2009.

CRS Products

CRS Report RL33983, *Nicaragua: The Election of Daniel Ortega and Issues in U.S. Relations,* by Maureen Taft-Morales.

Panama

With four successive elected civilian governments, the Central American nation of Panama has made notable political and economic progress since the 1989 U.S. military intervention that ousted the regime of General Manuel Noriega from power. The current President, Martín Torrijos of the Democratic Revolutionary Party (PRD), was elected in May 2004 and inaugurated to a five-year term in September 2004. Torrijos, the son of former populist leader General Omar Torrijos, won a decisive electoral victory with almost 48% of the vote in a four-man race. He succeeded President Mireya Moscoso of the Arnulfist Party, elected in 1999, whose administration was tainted by several high-profile corruption scandals. Torrijos' electoral alliance also won a majority of seats in the Legislative Assembly.

The most significant challenges facing the Torrijos government have included dealing with the funding deficits of the country's social security fund; developing plans for the expansion of the Panama Canal; and combating unemployment and poverty. In April 2006, the government unveiled its ambitious plans to build a third lane and new set of locks that will double the Canal's capacity. In an October 2006 referendum on the issue, 78% of voters supported the expansion project. Panama's service-based economy has been booming in recent years, but income distribution remains highly skewed with large disparities between the rich and poor.

The United States has close relations with Panama, stemming in large part from the extensive linkages developed when the Panama Canal was under U.S. control and Panama hosted major U.S. military installations. Current bilateral relations have been characterized by extensive counternarcotics cooperation, assistance to help Panama assure the security of the Canal, and negotiations for a bilateral free trade agreement (FTA). The United States provided Panama with $9.4 million in foreign aid in FY2006 and an estimated $12.2 million in FY2007. The FY2008 request is for $5.1 million.

After 10 rounds of negotiations, the United States and Panama announced the conclusion of an FTA on December 19, 2006, although U.S. officials stated the agreement was subject to additional discussions on labor and that the Administration would work with Congress to ensure strong bipartisan support. Subsequently, congressional leaders and the Bush Administration announced a bipartisan deal on May 10, 2007, whereby pending FTAs, including that with Panama, would include enforceable key labor and environmental standards. On June 28, 2007, the United States and Panama signed the FTA, which included the enforceable labor and environmental provisions. Panama's Legislative Assembly overwhelmingly approved the agreement on July 11, 2007 by vote of 58 to 3, with 1 abstention. The U.S. Congress could consider implementing legislation as early as September 2007. (Also see "U.S.-Panama Free Trade Agreement" above.)

Former Panamanian military ruler Manuel Noriega is scheduled to be released from federal prison in Miami on September 9, 2007, after being imprisoned for nearly 18 years on drug trafficking charges. France is seeking Noriega's extradition, where he was convicted in absentia on money laundering charges and would face a new trial. In support of the extradition request, U.S. Federal prosecutors filed a request in Federal court in Miami to have the former Panamanian ruler extradited to France upon his release from U.S. prison, and on August 28, 2007, a federal judge ruled that the extradition may proceed. The decision could be appealed. Noriega wants to be returned to Panama, where he faces 20 years for conviction on a variety of charges, and his lawyers are petitioning to repatriate him to his native country. While Panamanian officials have called for Noriega's extradition to Panama, they have not opposed the possibility of Noriega being extradited to France and have stated that the government would respect the decision of the U.S. courts on the matter. Some observers maintain that Panama is reluctant to have Noriega back since some members of the ruling PRD worked with Noriega when he controlled the government. Other observers contend that Panamanian officials are reluctant to have Noriega return because of recent changes to the penal code that could allow Noriega to serve little, if any, of his sentence.

CRS Products

CRS Report RL30981, *Panama: Political and Economic Conditions and U.S. Relations*, by Mark P. Sullivan and Nelson Olhero.

CRS Report RL32540, *The Proposed U.S.-Panama Free Trade Agreement,* by J. F. Hornbeck.

Peru

President Alan García was elected to a second presidential term in June 2006, defeating populist Ollanta Humala 53% to 47%. Since taking office, García has embraced a free trade agreement with the United States, appointed a fiscally conservative finance minister, and assured the international financial community that he is running the country as a moderate rather than as the leftist he had been in his early career. García's earlier presidency (1985-1990) was marked by hyper-inflation and a violent guerrilla insurgency. President García has continued the pro-market economic policies of his predecessor, Alejandro Toledo, who presided over one of the highest economic growth rates in Latin America throughout his term, with 6.7% growth in 2006. He is also seeking to use trade to reduce poverty in Peru, which is concentrated in rural and jungle areas, and among the indigenous population. Due to popular frustration that economic growth has not resulted in improved living conditions, President García has faced periodic social unrest. His government is mobilizing domestic and international resources to respond to a recent earthquake that killed over 500 people and destroyed nearly 17,000 homes.

The Peruvian government maintains that it is committed to holding government officials accountable for past abuses of power. It has requested the extradition of former President Alberto Fujimori (1990-2000) from Chile on charges of corruption and human rights violations. In July 2007, the Chilean Supreme Court denied his extradition and the case is currently awaiting a ruling by the high court on an appeal. Fujimori's return could have political consequences for García's government since his party relies on the 15-seat Fujimorista bloc in the Peruvian congress to pass legislation. Another former president, Alejandro Toledo (2001 - 2006), is accused of forging signatures on documents that allowed his party to be eligible to run in the 2000 elections, which culminated in his victory.

Issues in U.S.-Peruvian relations include democracy, human rights, and counternarcotics cooperation, with trade currently at the forefront of the bilateral agenda. The United States and Peru signed a U.S.-Peru Trade Promotion Agreement (PTPA) in April 2006, which was approved by the Peruvian legislature in June 2006. After Members of Congress indicated that some of the provisions in the trade agreement would have to be strengthened, the Bush Administration and Congress reached an agreement on May 10, 2007 on a new trade framework that included labor and environmental standards. On June 27, 2007, Peru's Congress approved the amendments to the PTPA. After a recent trip to Peru, congressional leaders indicated that the action on the PTPA would be a "priority" for this fall and that the agreement may be considered by October 2007. In June 2007, Congress passed an extension of the Andean Trade Promotion and Drug Eradication Act (P.L.109-432) for eight months. That extension will run out on February 29, 2007.

Peru is a major illicit drug-producing and transit country. In April 2007, President García announced a tough anti-drug policy, reaffirming his government's commitment to coca eradication, despite protests by coca growers. Congress approved an estimated $103.2 million in FY2007 Andean Counterdrug Initiative (ACI) funds for Peru, less than one-fourth of the funding slated for Colombia. The FY2008 ACI request for Peru is a reduction of almost two-thirds from FY2006 funding levels, from $107 million to $37 million.

CRS Products

CRS Report RL34108, *U.S.-Peru Economic Relations and the U.S.-Peru Trade Promotion Agreement,* by M. Angeles Villarreal.

CRS Report RS22548, ATPA Renewal: Background and Issues for Congress, by M. Angeles Villarreal.

CRS Report RL33370, *Andean Counterdrug Initiative (ACI) and Related Funding Programs: FY2007 Assistance,* by Connie Veillette.

Venezuela

Under the populist rule of President Hugo Chávez, first elected in 1998 and most recently reelected to a six-year term in December 2006, Venezuela has undergone enormous political changes, with a new constitution and unicameral legislature, and even a new name for the country, the Bolivarian Republic of Venezuela. U.S. officials and human rights organizations have expressed concerns about the deterioration of democratic institutions and threats to freedom of expression under President Chávez, who has survived several attempts to oust him from power. The government has benefitted from the rise in world oil prices, which has sparked an economic boom and allowed Chávez to increase expenditures on social programs associated with his populist agenda.

Since he was reelected, President Chávez has announced new measures to move the country toward socialism. His closure of a popular Venezuelan television station (RCTV) that was critical of the government in late May 2007 sparked student-led protests and international condemnation. In August 2007, President Chávez announced a series of proposed constitutional changes, including the elimination of presidential term limits, which many observers view as an attempt to further concentrate power.

The United States traditionally has had close relations with Venezuela, the fourth major supplier of foreign oil to the United States, but there has been friction in relations with the Chávez government. U.S. officials have expressed concerns about President Chávez's military arms purchases, his relations with such countries as Cuba and Iran, his efforts to export his brand of populism to other Latin American countries, and concerns about the state of democracy. A dilemma for U.S. policymakers has been how to press the Chávez government to adhere to democratic principles without taking sides in Venezuela's polarized political conflict. Declining cooperation on anti-drug and anti-terrorism efforts has also been a U.S. concern. In 2005 and 2006, President Bush designated Venezuela as a country that has failed demonstrably to adhere to its obligations under international narcotics agreements, and in 2006, the Department of State prohibited the sale of defense articles and services to Venezuela because of its lack of cooperation on anti-terrorism efforts.

Congressional concerns regarding Venezuela focus on human rights, energy issues, and the overall status of bilateral relations and U.S. policy. On May 24, 2007, the Senate approved S.Res. 211 (Lugar), expressing profound concerns regarding freedom of expression and Venezuela's decision not to renew the license of RCTV. On June 22, 2007, the House approved H.R. 2764, the FY2008 State Department and Foreign Operations appropriations bill, with a provision that would direct $10 million of international broadcasting operations funding for targeted broadcasting to Venezuela. Additional legislative initiatives in the House include two human rights resolutions, H.Con.Res. 50 (Fortuño) and H.Con.Res. 77 (Weller); H.Res. 435 (Klein), which would express concern about the relationships between the leaders of Iran and Western Hemisphere countries such as Venezuela; and H.Res. 560 (Barton), which would express concern about Venezuela's recent actions in the oil sector. Two Senate bills, S. 193, the Energy Diplomacy and Security Act of 2007 (Lugar), and S. 1007 (Lugar), the United States-Brazil Energy Cooperation Pact of 2007, would increase hemispheric cooperation on energy issues.

CRS Products

CRS Report RL32488, *Venezuela: Political Conditions and U.S. Policy*, by Mark P. Sullivan and Nelson Olhero.