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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. Regular free and fair elections have become the norm. So far in 2008, Paraguay and the Caribbean nations of Barbados, Belize, and the Dominican Republic have held national elections, and Grenada is scheduled to have to hold parliamentary elections on July 8, 2008. Although the region overall experienced an economic setback in 2002-2003, it has rebounded since 2004, most recently experiencing an estimated growth rate of 5.6% in 2007. Despite this progress, several nations face considerable challenges that affect U.S. interests and policy in the region. These include poverty, guerrilla conflicts, autocratic leaders, drug trafficking, and high rates of crime and violence.

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, Central America and the Dominican Republic (CAFTA-DR), and most recently with Peru 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 Colombia and Mexico 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.

Legislative action on Latin America and the Caribbean in the second session of the 110th Congress to date has included the extension of several preferential trade programs (for the Andean and Caribbean regions and Haiti) and initial funding of the Administration's proposed Mérida Initiative for Mexico and Central America to support antidrug and anticrime efforts. In other pending business, the House verison of legislation to reauthorize the President's Emergency Plan for AIDS Relief would add 14 Caribbean countries to the list of focus countries under the program. The House Appropriations Committee version of the FY2009 Financial Services and General Government Appropriations bill has provisions that would ease restrictions on family travel to Cuba and U.S. agricultural exports to Cuba. On other trade issues, Congress potentially could consider implementing legislation for free trade agreements with Colombia and Panama.

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, and high rates of crime and violence. In some countries, weaknesses remain in the state's ability to deliver public services, ensure accountability and transparency, and advance the rule of law.

Since 2006, 21 nations in the region have held successful elections. Twelve nations alone held elections for head of state in 2006, and in 2007, five nations held elections: Argentina, Bahamas, Guatemala, Jamaica, and Trinidad and Tobago. This year, the Caribbean nations of Barbados and Belize held parliamentary elections in January and February respectively, in which incumbent parties were defeated. Paraguay held presidential elections in April, which resulted in the victory of opposition candidate Fernando Lugo over the long-ruling Colorado Party, while elections in the Dominican Republic in May saw the re-election of an incumbent President Leonel Fernandez. Looking ahead, Grenada's parliamentary elections have been called for July 8, 2008. (For a listing of recent and forthcoming elections, see CRS Report 98-684, *Latin America and the Caribbean: Fact Sheet on Leaders and Elections*.)

In terms of economic growth, while the Latin America and Caribbean region overall experienced a gross domestic product decline of 0.5% in 2002 and only a modest growth rate of 2.1% in 2003, the region rebounded with an estimated average growth rate of 6.2% in 2004, surpassing even the most optimistic predictions. Countries that had suffered the deepest recessions — Argentina, Uruguay, and

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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.

Venezuela — all experienced significant economic growth in 2004, and even per capita income for the region as a whole increased by almost 5%. Growth continued in subsequent years, with rates of 4.6% growth in 2005, 5.6% in 2006, and an estimated growth rate of 5.6% in 2007. In 2007, countries with the highest growth rates were Panama, with growth over 9%; Argentina, Peru, and Venezuela, with growth rates between 8 and 9%; and Colombia, Costa Rica, the Dominican Republic, and Uruguay, with rates of between 7 and 8%. Countries with the lowest economic growth rates were Dominica, with 1% growth; Jamaica, with 1.5% growth, and Ecuador with 2.7% growth.[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*.)

The Andean region still faces considerable challenges, including the rise of populism in Venezuela, Bolivia, and Ecuador. In Venezuela, President Hugo Chávez won another six-year term decisively in December 2006, but lost a December 2007 constitutional reform referendum that would have removed presidential term limits and allowed him to run again in 2012. The election of Bolivian indigenous leader Evo Morales as President in 2005 complicated U.S. relations given Morales' efforts to decriminalize coca growing. Under the Morales government, Bolivia has become increasingly divided over the issues of constitutional reform and regional autonomy. 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.

Colombia continues to be threatened by drug trafficking organizations and by terrorist groups, but the government of President Alvaro Uribe has overseen the demobilization of more than 31,000 paramilitaries and made significant progress in combating the Revolutionary Armed Forces of Colombia (FARC). This year the FARC has suffered significant setbacks with the deaths of several of its top leaders, including Manuel Marulanda. Colombia's March 1, 2008 bombing and raid of a FARC camp in Ecuador prompted condemnation from Colombia's neighbors, and increased tensions in relations with Ecuador and Venezuela. Captured FARC computer files from the raid also raised questions about potential Ecuadoran and Venezuelan government ties to FARC.

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. In Guatemala, the center-left government of Alvaro Colom took office in mid-January 2008 after elections in 2007 that proved to be the most violent since 1985. The new government's success will depend on its ability to build coalitions since no party in the legislature holds a majority. In Nicaragua, former President and Sandinista party leader Daniel Ortega won the November 2006 presidential election. Ortega has faced an increasingly united opposition in the legislature, which has impeded any

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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 2007.

substantial legislative initiatives or policy changes. Critics have raised questions about the Ortega government's lack of transparency in finances, and increasingly authoritarian actions.

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 economic, political, and security problems. While for many observers, President René Préval's May 2006 inauguration marked the beginning of a new era, a food crisis in April 2008 led to violent protests and the removal of the country's prime minister. Since Fidel Castro stepped down from power in 2006, Cuba's political succession from Fidel to Raúl Castro has been characterized by a remarkable degree of stability. Since Raúl's official assumption of the presidency in February 2008, the government has implemented a number of economic changes that from the outside might not seem substantial, but are significant for a government that has heretofore followed a centralized communist economic model. While additional economic changes under Raúl Castro are likely, few expect there will be any change to the government's tight control over the political system, which is backed up by a strong security apparatus.

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, Central America and the Dominican Republic (CAFTA-DR), and most recently with Peru 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.

Bush Administration officials outline four themes or pillars of U.S. policy in the Americas: consolidating democracy; promoting prosperity, which includes advancing free trade; investing in people; and protecting the democratic state, which includes support for Colombia through the Andean Counterdrug Program and support for Mexico and Central America through the Mérida Initiative.[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 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.

Legislative action on Latin America and the Caribbean in the second session of the 110th Congress has included the extension of several preferential trade programs for the region and initial funding of the Administration's proposed Mérida Initiative for Mexico and Central America to support antidrug and anticrime efforts. In February 2008, Congress extended trade benefits for Andean nations through December 2008 (P.L. 110-191). In June, Congress approved the 2008 farm bill (P.L. 110-246) that included provisions to extend two preferential trade programs: the Haiti HOPE Act was expanded and extended for 10 years; and the Caribbean Basin Trade Partnership Act (CBTPA) was extended for two years until September 30, 2010. In late June 2008, Congress appropriated $465 million in FY2008 and FY2009 supplemental assistance (P.L. 110-252) for the Mérida Initiative, while earlier in the month the House voted to authorize $1.6 billion for the program over three years, FY2008-FY2010 (H.R. 6028).

In other pending business, the House verison of reauthorization legislation for the President's Emergency Plan for AIDS Relief (PEPFAR), H.R. 848, approved in April 2008, would add 14 Caribbean countries to the list of focus countries under PEPAR; the Senate version of the bill does not have such a provision. The House Appropriations Committee version of the FY2009 Financial Services and General Government Appropriations bill has provisions that would ease restrictions on family travel to Cuba and on payment procedures for the sale of U.S. agricultural exports to Cuba. On other trade issues, legislation action on implementing legislation for a free trade agreement with Colombia pursuant to expedited procedures was forestalled by the House in April 2008 (when it approved H.Res. 1092), and it remains uncertain whether and how Congress will consider implementing legislation in the future. Action on a free trade agreement with Panama to date has been tied up because of U.S. concerns over the selection of Pedro Miguel Gonzalez – wanted in the United States for the murder of a U.S. serviceman in 1992 – as president of Panama's legislature for a one-year term that expires at the end of August 2008.

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[3] U.S. Department of State, "The Western Hemisphere: 2007 in Review and Looking Ahead to 2008," Thomas A. Shannon, Assistant Secretary of State for Western Hemisphere Affairs, January 22, 2008.

Additional congressional oversight hearings on Latin America in the second session have focused on a variety of policy issues: the implications of Cuba's political succession on future developments in Cuba and the region; the crisis in the Andean region prompted by Colombia's March 2008 raid on a FARC camp in Ecuador; efforts to strengthen border security, which has been a key issue in relations with Mexico; and China's growing interest in Latin America and the implications for U.S. policy.

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, but more recently is being expanded to Mexico.

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 funded through the International Narcotics Control and Law Enforcement (INCLE) and the Andean Counterdrug Program (ACP, formerly known as the Andean Counterdrug Initiative) accounts 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 largely through Global HIV/AID Initiative (GHAI) funding, but also through some CSH funding. The United States also provides contributions to multilateral efforts, such as the Global Fund to Fight AIDS, Tuberculosis, and Malaria.

The Bush Administration's FY2009 foreign aid request for Latin America is for $2.05 billion, compared to an estimated $1.47 billion in FY2008 and $1.55 billion provided in FY2007 provided in the regular foreign aid appropriations measures. The FY2009 request reflects an increase of almost 40% over that being provided in FY2008 in the regular foreign aid appropriations measure. However, if FY2008 supplemental assistance for the Mérida Initiative ($417 million in FY2008) is included in the comparison, the FY2009 budget request is almost 9% over the $1.88 billion estimated to be provided in FY2008. (See **Table 1**.)

In the FY2009 request for Latin America, four foreign aid funding accounts had significant increases over the estimated amount being provided in regular FY2008 foreign aid funding: Andean Counterdrug Program (ACP) funding, up 27%; Foreign Military Financing, up 40%; Development Assistance (DA), up 48%; and International Narcotics Control and Law Enforcement (INCLE) assistance, up almost 600% because of funding for the Mérida Initiative. Three accounts had significant decreases: Child, Survival, and Health (CSH) assistance, down almost 22%; Economic Support Funds (ESF), down about 31%; and P.L. 480 food aid, down 20%

(although food aid provided can often increase depending on need). A substantial portion of the increase in Development Assistance in the FY2009 request can be explained by shifts from ESF funding that in the past were being used for counternarcotics and other program areas. Comparing FY2008 estimates to the FY2009 request, almost $89 million in ESF was shifted to the Development Assistance account. This occurred in several countries – Bolivia, the Dominican Republic, Ecuador, Guatemala, Mexico, and Peru.

Table 1. U.S. Foreign Assistance to Latin America and the Caribbean, FY2007-FY2009

(U.S. $ millions)

FY2007 (actual)	**FY2008 (estimate)**	**FY2008 Supplemental (estimate)**	**FY2009 Bridge Fund Supplemental (estimate)**	**FY2009 (request)**
1,553	1,467	417	48	2,049

Source: U.S. Department of State, Congressional Budget Justification for Foreign Operations, FY2009; H.R. 2642, Supplemental Appropriations Act (enrolled as agreed to by House and Senate).

As noted above, the large increase in the INCLE account is because of the Mérida Initiative, which would increase security cooperation with Mexico and Central America to combat the threats of drug trafficking, transnational crime, and terrorism. In legislative action in late June 2008 (H.R. 2642/P.L. 110-252), Congress provided $417 million for the Mérida Initiative in FY2008 supplemental assistance and $48 million in FY2009 bridge fund supplemental assistance. In the FY2009 request, the Mérida Initiative would be funded with $550 million from the INCLE account, including $450 for Mexico and $100 million for Central America under the Western Hemisphere Regional Program. (For more, see "Mérida Initiative" below.)

Child Survival and Health (CSH) assistance to the region would decline in the FY2009 request, with cutbacks in CSH for many countries in the region including Bolivia, the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, and Peru. CSH funding for both the Central America Regional Program and the Latin American and Caribbean Regional Program would decline significantly, by over 70%, from that being provided in FY2008.

There was little change in other foreign aid funding accounts in the FY2009 request. The Global HIV/AIDS Initiative (GHAI) account request for $112 million for Haiti and Guyana was identical to that being provided in FY2008. Proposed funding from the International Military Education and Training (IMET) and Non-proliferation, Anti-terrorism, Demining, and Related Programs (NADR) accounts would increase, but these are relatively small programs for the region.

Looking at the top foreign aid recipients in the region, five countries – Colombia, Mexico, Haiti, Peru, and Bolivia – account for the lion's share of U.S. assistance going to Latin America; about 73% of the FY2009 request for the region will go to these five countries. As it has been for the past eight years, Colombia is the single largest aid recipient in the region, and would receive about $543 million or about 26% of assistance going to the region in FY2009. The United States has not traditionally provided large amounts of foreign assistance to Mexico, but the FY2009 request includes almost $501 million, accounting for about 24% of aid to the region, with almost $478 million of that under the Mérida Initiative that would increase security cooperation with Mexico to combat the threats of drug trafficking, transnational crime, and terrorism. Assistance to Haiti has increased significantly over the past several years as the United States has provided support to the Préval government. The FY2009 request for Haiti is for almost $246 million, or about 12% of assistance to the region. Peru and Bolivia have received significant assistance over the past eight years under the Andean Counterdrug Initiative, now known as the Andean Counterdrug Program. In the FY2009 request, Peru would receive $103 million and Bolivia $100 million.

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 RL34299, *U.S. Foreign Assistance to Latin America and the Caribbean: FY2006-FY2008,* coordinated by Connie Veillette.

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

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 Program

The Andean Counterdrug Program (ACP), referred to as the Andean Counterdrug Initiative (ACI) until FY2008, is the primary U.S. foreign assistance program that supports counternarcotics activities in the Andean region of South America. Colombia, the main source country for cocaine entering the United States and a strong U.S. ally in South America, has received the bulk of ACP funding. However, the ACP program is regional in nature because organizations in countries bordering Colombia also produce and traffic in narcotics. The ACP program 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 ACP from FY2000 through FY2008 totaled approximately $6 billion.

For FY2008, the Administration requested $442.8 million for the ACP program, with $367 million requested for programs in Colombia. This request was lower than in previous years due in part to the Administration's decision to transfer alternative development programs from the ACP account to the Economic Support Fund (ESF) account. The FY2008 Consolidated Appropriations Act (P.L. 110-161) provided some $319.8 million for ACP programs, a reduction of $123.1 million from the Administration's request, but transferred some ACP activities to the ESF and International Narcotics Control and Law Enforcement (INCLE) accounts. As in previous years Colombia received the overwhelming majority of ACP funding, totaling roughly $244.6 million for interdiction and eradication programs. Other countries receiving ACP assistance included Bolivia ($30 million), Ecuador ($7 million), Peru ($36.5 million), Brazil ($1 million) and Panama ($1 million). Venezuela no longer receives ACP funding. For FY2008, Congress provided roughly $194 million in ESF funding for alternative development/institution building programs and $41.9 million in INCLE funding for human rights and rule of law programs in Colombia. The Administration had not requested any INCLE funding for Colombia. In total, Congress increased economic and social aid to Colombia by some $84 million in FY2008.

The FY2009 request for the ACP is for $406.8 million, slightly less than what was requested in FY2008. The FY2009 request seeks to increase ACP funding for eradication and interdiction programs in Colombia by 35% over the FY2008 enacted levels. The request includes funding at or slightly above FY2008 enacted levels for Bolivia, Brazil, Ecuador, Peru, and Panama.

The ACP program has helped improve security conditions in Colombia and aided the Uribe government's efforts against the leftist Revolutionary Armed Forces of Colombia (FARC) guerrilla group, but has not reduced drug production in the Andean region. A June 2008 report by the U.N. Office on Drugs and Crime found that although yields were down, the coca acreage planted in the Andean region increased by 16% in 2007. Supporters of U.S. counterdrug policy argue that assistance to Colombia is necessary to help a democratic government confront drug-supported leftist and rightist illegally 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 training and crop eradication rather than alternative development projects that could provide alternative livelihoods for growers who voluntarily give up illicit crops. Critics also assert that U.S. assistance provides inadequate support for the protection of human rights.

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

CRS Products

CRS Report RL32250, *Colombia: Issues for Congress*, by Colleen Cook and Clare Ribando Seelke.

CRS Report RL34543, *International Drug Control Policy,* by Liana Sun Wyler.

Mérida Initiative

Increasing violence perpetrated by drug cartels, youth gangs, and other criminal groups is threatening citizen security and democracy in Mexico and Central America. Some 90% of the drugs entering the United States pass through the Mexico-Central America corridor. On October 22, 2007, the United States and Mexico announced the Mérida Initiative, a multi-year proposal for $1.4 billion in U.S. assistance to Mexico and Central America aimed at combating drug trafficking, gangs, and organized crime in the region.

The Administration requested $500 million for Mexico and $50 million for Central American countries in its FY2008 supplemental appropriations request, and another $450 million for Mexico and $100 million for Central American countries in the FY2009 budget request. The proposed funding for Mexico is largely in the form of equipment and training to help support the Mexican government's anti-drug efforts. The proposed funding for Central America aims to support a regional anti-gang strategy and to bolster the capacity of Central American governments to inspect and interdict drugs, goods, arms and people.

On June 11, 2008, the House approved H.R. 6028 (Berman), the Merida Initiative to Combat Illicit Narcotics and Reduce Organized Crime Authorization Act of 2008 by a vote of 311 to 106. The bill would authorize $1.6 billion over three years, FY2008-FY2010, for both Mexico and Central America, $200 million more than originally proposed by President Bush.

In terms of appropriations legislation, in late June 2008, Congress appropriated $465 million in FY2008 and FY2009 supplemental assistance for Mexico and Central America in the FY2008 Supplemental Appropriations Act, H.R. 2642 (P.L. 110-252). In the act, Mexico receives $352 million in FY2008 supplemental assistance and $48 million in FY2009 bridge fund supplemental assistance, while Central America, Haiti, and the Dominican Republic receive $65 million in FY2008 supplemental assistance. The measure has human rights conditions softer than compared to earlier House and Senate versions, largely because of Mexico's objections that some of the conditions would violate its national sovereignty. The language in the final enacted measure reduced the amount of funding subject to human rights conditions, from 25% to 15%, removed conditions that would have required the Mexican government to try military officials accused of abuses in civilian courts and to enhance the power of its National Human Rights Commission, and softened the language in other conditions.

CRS Products

CRS Report RS22837, *Mérida Initiative: Proposed U.S. Anticrime and Counterdrug Program for Mexico and Central America*, by Colleen Cook, Rebecca G. Rush, and Clare Ribando Seelke.

CRS Report RL32724, *Mexico-U.S. Relations: Issues for Congress*, by Colleen Cook, Rebecca Rush, and Mark P. Sullivan.

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

CRS Report RL34543, *International Drug Control Policy*, by Liana Sun Wyler.

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. This concept was also the basis for the Haiti HOPE Act, which was expanded and extended for ten years in June 2008. 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, the U.S.-Peru FTA, and the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) — still not implemented by Costa Rica — countries exchanged their unilateral trade preferences provided under the Generalized System of Preferences (GSP), the Caribbean Basin Initiative (CBI), the Caribbean Basin Trade Partnership Act (CBTPA), and the Andean Trade Preference Act (ATPA) for reciprocal benefits under the FTAs. Currently, newly negotiated FTAs with Panama and Colombia present the same tradeoff with respect to unilateral preferences extended to them under either the CBI or the ATPA. In June 2008, Congress extended unchanged the CBTPA for two years until September 30, 2010 (H.R. 6124/P.L. 110-246, Title XV, Section 15408). Congress has been opting for short-term extensions of the ATPA, which will expire on December 31, 2008.

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 two remaining 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 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, extending trade preferences until December 31, 2006. Since that time, the Congress has favored short-term extensions of ATPA. On February 29, 2008, the 110th Congress enacted legislation to extend ATPA trade preferences until December 31, 2008 (P.L. 110-191).

U.S.-Peru Trade Promotion Agreement. The U.S.-Peru Trade Promotion Agreement (PTPA), a bilateral free trade agreement between the United States and Peru, was signed into law on December 14, 2007 (P.L. 110-138) by President Bush. On November 8, 2007, the House passed (285-132) H.R. 3688 to implement the PTPA and the Senate passed implementing legislation (77-18) on December 4, 2007. President Bush notified the Congress of his intention to enter into a free trade agreement with Peru on January 6, 2006 and the two countries signed the agreement on April 12, 2006. The Peruvian Congress approved the PTPA on June 28, 2006 by a vote of 79 to 14. After the signing of the agreement, 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 called 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.

The PTPA will likely have a small net economic effect on the United States because of the small size of Peru's economy. In 2007, Peru had a nominal GDP of $109 billion, approximately 0.8% the size of the U.S. GDP of $13.8 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 December 2008**.** In 2007, 57% 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 $1.44 billion in 2007. The major U.S. import item from Peru is gold, followed by refined copper, and petroleum light oils, while the leading U.S. export items to Peru are gasoline, transmission apparatus, and office and data processing machinery parts.

U.S.-Colombia Free Trade Agreement. On August 24, 2006, President Bush notified Congress of his intention to enter into the U.S.-Colombia Free Trade Agreement (CFTA), a bilateral free trade agreement between the United States and Colombia. The two countries signed the agreement on November 22, 2006. Implementing legislation for a U.S.-Colombia Free Trade Agreement (CFTA) (H.R. 5724/S. 2830) was introduced in the 110th Congress on April 8, 2008 pursuant to Title XXI (Bipartisan Trade Promotion Authority Act of 2002) of the Trade Act of 2002 (P.L. 107-210). The House leadership, however, considered that the President had submitted the implementing legislation without sufficient coordination with Congress. On April 10, 2008, the House approved H.Res. 1092 by a vote of 224 to 195 to make certain provisions in § 151 of the Trade Act of 1974 (P.L. 93-618) establishing expedited procedures inapplicable to the CFTA implementing legislation.

The CFTA is highly controversial and it is currently unclear whether or how Congress will consider implementing legislation in the future. The most controversial issue is the ongoing violence against trade unionists in Colombia. Some Members of Congress oppose the CFTA because of concerns about the violence against labor union activists and because of the perceived negative effects of trade on the U.S. economy. The Bush Administration and some Members of Congress believe that Colombia has made significant advances to combat violence and instability and views the pending trade agreement as a national security issue in that it would strengthen a key democratic ally in South America. In his response to U.S. congressional concerns, President Uribe has stated on several occasions that he would make every effort to ensure that these concerns were addressed and that the situation in Colombia had improved substantially under his administration. Some Members of Congress have stated they would like to see evidence of progress in this area before supporting the agreement.

A CFTA would likely have a small net economic effect on the United States because of the relatively small size of Colombia as a trading partner when compared to others partners and regions. Colombia's gross domestic product (GDP) in 2007 was $173 billion, approximately 1.2% of U.S. GDP ($13.8 trillion in 2007). The United States currently extends duty-free treatment to selected imports from Colombia under the Andean Trade Preference Act (ATPA), a regional trade preference program that expires on December 31, 2008. Approximately 90% of U.S. imports from Colombia enter the United States duty-free, while U.S. exports to

Colombia face duties up to 20%. Economic studies on the impact of a U.S.-Colombia free trade agreement (FTA) have found that, upon full implementation of an agreement, the impact on the United States would be positive but very small. In the absence of a CFTA, and if the ATPA is not renewed, many Colombian products entering the U.S. market would be subject to higher duties. Since 1996, the U.S. trade balance with Colombia went from a surplus to a deficit of $1.4 billion in 2007. 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 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, but there is one highly sensitive issue that remains to be resolved for the United States. In September 2007, the Panamanian National Assembly elected Pedro Miguel González Pinzón to a one-year term as President of the legislative body. Although a deputy in the National Assembly since 1999, his elevation to President of the Legislature drew the attention of the U.S. Congress because he is also known for his alleged role in the June 10, 1992 murder of a U.S. serviceman in Panama. A Panamanian court acquitted him of the charge in 1997, but the United States does not recognize the verdict and maintains an outstanding warrant for his arrest. His continued presence as National Assembly President has been one factor delaying consideration of the FTA by the U.S. Congress. This situation could change if he is not re-elected to a second term in the September 1, 2008 election.

The U.S. trade surplus with Panama was $3.4 billion in 2007. 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.

Haiti HOPE II Act. To assist Haiti with rebuilding its economy by encouraging investment and job creation in the once vibrant apparel sector, the 109th Congress passed the Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE) Act in December 2006 (P.L. 109-432). The act provided duty-free treatment for select apparel imports from Haiti that are made in part from less expensive third country (e.g. Asian) yarns and fabrics, provided Haiti meets eligibility criteria related to labor, human rights, and anti-terrorism policies. To enhance the effectiveness of these provisions, the 110th Congress expanded them in June 2008 when it passed the Food, Conservation, and Energy Act of 2008 (H.R. 6124/P.L. 110-246) — the 2008 farm bill, Title XV of which includes the Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE) Act of 2008 (HOPE II Act).

The original HOPE Act did not result in the expected growth in apparel exports, Congress expanded the preferences, also making them easier to use. Support for HOPE II was based on the dominant role of the U.S. market as the main destination for Haitian apparel exports and the fact that apparel assembly is Haiti's core export sector and essential for its economic well-being because it generates up to 80% of the country's foreign exchange used to finance Haiti's large food import bill, among other needs. In 2007, apparel constituted over 80% of Haiti's total exports and 93% of exports to the United States (81% knit, 12% woven articles), so the sector provides one potential avenue for employment growth. The preferences also support textile firms in the Dominican Republic, which have an expanding co-production arrangement with Haiti.

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 agreed to join Mercosur as its first new full member since its inception in 1991, although Brazil and Paraguay have yet to ratify the agreement. 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 influence on Mercosur, the United States may find it even more difficult to isolate its unabashedly negative attitude 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 Proposed 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 RS22879, *Haiti: Legislative Responses to the Food Crisis and Related Development Challenges*, by Clare Ribando Seelke and J. F. Hornbeck.

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

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: Major Policy Issues and Status of Negotiations*, 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 has been stymied since 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. Most observers believe that Congress is unlikely to revisit comprehensive immigration reform in the second session of the 110th Congress.

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.[4] 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 respect 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

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

obtaining them."[5] Mexico enacted a new human trafficking law in November 2007, which improves upon existing legal framework to prevent and sanction trafficking in persons, as well as protect victims.[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 almost $24 billion in 2007.[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. The IDB also estimates that remittances to Central America rose to $12.1 billion in 2007.

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 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.[8] In FY2007, for example,

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

[6] Mexican Federal Congress website, *Ley Para Prevenir y Sancionar La Trata De Personas*: [http://www.diputadoes.gob.mx.LeyesBilio/pdf/LPSTP.pdf]

[7] Inter-American Development Bank, "Remittances to Latin America and the Caribbean 2007," 2008.

[8] These are formal deportations, consisting of those who are placed in removal proceedings, (continued...)

the Department of Homeland Security deported almost 238,000 aliens worldwide, with 228,504 of those, or 96%, going to Latin American and Caribbean countries. Overall in FY2007, almost 40% of those deported to Latin America and the Caribbean were removed based on a criminal conviction.[9] 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.

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. In its April 2008 Country Reports on Terrorism, the State Department highlighted threats in Colombia and concerns about support from the region to Middle East terrorist groups. According to the report, "there were no known operational cells of Islamic terrorists" in the region, but it maintained that "pockets of ideological supporters and facilitators in South America and the Caribbean lent financial, logistical, and moral support to terrorist groups in the Middle East." Overall, the report maintained that the threat of a transnational terrorist attack remained low for most countries in the hemisphere. The report also

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[8] (...continued)
and do not include voluntary departures. For more information see CRS Report RL33351, *Immigration Enforcement Within the United States,* coordinated by Alison Siskin.

[9] Deportation statistics provided to CRS by the Department of Homeland Security, Immigration and Customs Enforcement, Office of Detention and Removal.

stated that regional governments "took modest steps to improve their counterterrorism capabilities and tighten border security" but that progress was limited by "corruption, weak government institutions, ineffective or lack of interagency cooperation, weak or non-existent legislation, and reluctance to allocate sufficient resources." It also noted that most hemispheric nations had solid cooperation with the United States on terrorism issues, especially at the operational level, with excellent intelligence, law enforcement, and legal assistance relations.

Cuba has remained on the State Department's list of state sponsors of terrorism since 1982, which triggers a number of economic sanctions. The State Department's April 2008 terrorism report pointed to Cuba's opposition to U.S. counterterrorism policy and its hosting of dozens of U.S. fugitives from justice. Cuba's retention on the terrorism list, however, has been controversial, with critics arguing that domestic political considerations have kept Cuba on the list.

In May 2008, for the third year in a row, the Department of State, pursuant to Arms Export Control Act, included Venezuela on the annual list of countries not cooperating on antiterrorism efforts, which triggers a ban on all U.S. commercial arms sales and re-transfers to Venezuela. (Cuba also has been on that list for many years.) The State Department's terrorism report stated that "it remained unclear to what extent the Venezuelan government provided support to Colombian terrorist organizations," but information on captured computer files from Colombia's March 2008 raid of a Revolutionary Armed Forces of Colombia (FARC) camp in Ecuador has raised questions about alleged support of the FARC by the Venezuelan government of Hugo Chávez. In a turn of events, on June 8, 2008, President Chávez publicly urged the FARC to end its armed struggle, and release all hostages.

The United States provides Anti-Terrorism Assistance (ATA) training and equipment to Latin American countries to help improve their capabilities in such areas as airport security management, hostage negotiations, bomb detection and deactivation, and countering terrorism financing. In recent years, ATA for Western Hemisphere countries amounted to $8.9 million in FY2006, $7.3 million in FY2007, and an estimated $8 million in FY2008. For FY2009, the Administration requested $9.3 million in ATA for Latin America, with $2.8 million for Colombia and $3 million for Mexico, and the balance for other countries. The United States also began providing Terrorist Interdiction Program assistance for several Latin American countries in FY2008. An estimated $1.3 million is being provided to Panama, Brazil, and Nicaragua in FY2008, while the Administration requested $1.2 million for Latin America for FY2009.

In the first session of the 110th Congress, the House approved H.Con.Res. 188, which condemned the 1994 bombing of the Argentine-Israeli Mutual Association in Buenos Aires, and H.Res. 435, which expressed concern over the emerging national security implications of Iran's efforts to expand its influence in Latin America, and emphasized the importance of eliminating Hezbollah's financial network in the tri-border area of Argentina, Brazil, and Paraguay. The Senate approved S.Con.Res. 53 in December 2007, which condemned the hostage-taking of three U.S. citizens – Marc Gonsalves, Thomas Howes, and Keith Stansell – since February 2003 by the FARC while a similar resolution, H.Con.Res. 260, was introduced in the House. Notably, all three U.S. hostages, in addition to Colombian presidential candidate

Ingrid Betancourt and 11 other hostages, were rescued from captivity on July 2, 2008 in a bold operation by the Colombian military.

In the second session, two resolutions related to terrorism in Latin America have been introduced: H.Res. 1049, calls for Venezuela to be designated a state sponsor of terrorism because of its alleged support for the FARC, while H.Res. 965, among other provisions, calls for Venezuela to implement measures to deny the use of Venezuelan territory and weapons from being used by terrorist organizations.

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 from $47 million in FY2004 to an estimated $139 million in FY2008. For FY2009, the Administration requested almost $139 million in HIV assistance for the Caribbean and Central America, with $92 million for Haiti and $20 million for Guyana.

In the first session of the110th Congress, H.R. 848 (Fortuño), introduced February 6, 2007, would add 14 Caribbean countries to the list of focus countries under PEPAR. 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. In the second session, the language of H.R. 848 was included in PEPFAR reauthorization legislation, H.R. 5501 (Berman), approved by the House on April 2, 2008. The Senate version of the PEPFAR reauthorization, S. 2731 (Biden), which was reported by the Senate Committee on Foreign Relations on April 15, 2008, does not have a similar provision expanding the list of Caribbean countries that are focus countries.

CRS Products

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

CRS Report RL33485, *U.S. International HIV/AIDS, Tuberculosis, and Malaria Spending: FY2004-FY2008*, by Tiaji Salaam-Blyther.

Gangs in Central America

The 110th Congress maintains a keen 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 1,758 alleged 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 May 2007 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 created an inter-agency task force to develop a comprehensive 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.

During its second session, the 110th Congress has discussed how to address the gang problem in Central America during its consideration of authorization and appropriations legislation related to the Mérida Initiative, a $1.4 billion multi-year aid package for Mexico and Central America proposed by the Bush Administration in October 2007. On June 11, 2008, the House approved H.R. 6028 (Berman), the Merida Initiative to Combat Illicit Narcotics and Reduce Organized Crime Authorization Act of 2008, which would authorize $405 million for the Central American countries over the next three fiscal years. In late June 2008, Congress appropriated $465 million in FY2008 and FY2009 supplemental assistance for Mexico and Central America in H.R. 2642 (P.L. 110-252), the FY2008 Supplemental Appropriations Act. The measure provides increased funds for the Central America portion of the Mérida Initiative above the Administration's request, including support for anti-gang programs. Congress will continue its consideration of the Initiative and its gang-related components during the FY2009 appropriations process.

During the first session of the 110th Congress, immigration legislation was introduced – H.R. 1645 (Gutierrez), S. 330 (Isakson), and S. 1348 (Reid) – that included provisions to increase regional cooperation in the tracking of gang activity and in the handling of deported gang members. The joint explanatory statement to the Consolidation Appropriations Act, FY2008 (H.R. 2764/P.L. 110-161) recommended providing $8 million to the State Department to combat criminal youth gangs, $3 million more than the Administration's request. On October 2, 2007, the House passed H.Res. 564 (Engel) 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 Seelke.

Afro-Latinos

During its second session, the 110th Congress is maintaining an interest in the situation of Afro-Latinos in Latin America, particularly the plight of Afro-Colombians affected by the 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 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, there are several bills with provisions related to Afro-Latinos. The Consolidated Appropriations Act, FY2008 (H.R. 2764/P.L. 110-161) required the State Department to certify that the Colombian military is not violating the land and property rights of Afro-Colombians or the indigenous. It also prohibited the use of Andean Counterdrug funds for investment in oil palm development if it causes displacement or environmental damage (as it has in many Afro-Colombian communities). In the explanatory statement to the Consolidated Appropriations Act, the conferees stipulate that up to $15 million in alternative development assistance to Colombia may be provided to Afro-Colombian and indigenous communities. 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 resolution, H.Res. 618 (Payne), recognizing the importance of addressing the plight of Afro-Colombians, was introduced on August 3, 2007. In addition to considering legislation with provisions related to Afro-Latinos, the 110th Congress may discuss the situation of Afro-Colombians during its consideration of the U.S.-Colombia Trade Promotion Agreement.

CRS Products

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

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. 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 region for the up to17,500 people that are trafficked to the United States each year. In FY2007, victims from Latin America accounted for 41% of trafficking victims in the United States certified as eligible to receive U.S. assistance.

The State Department issued its eighth congressionally mandated Trafficking in Persons (TIP) Report on June 4, 2008. Each report categorizes countries into four tiers according to the government's efforts to combat trafficking. Those countries that do not cooperate in the fight against trafficking (Tier 3) have been made subject to U.S. sanctions since 2003. The group named in 2008 includes a total of 14 countries. While Cuba is the only Latin American country ranked on Tier 3 in this year's TIP report, seven other countries in the region (Argentina, Costa Rica, Dominican Republic, Guatemala, Guyana, Panama, and Venezuela) are included on the Tier 2 Watch List and, without significant progress, could receive a Tier 3 ranking in the 2009 report.

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).

In the 110th Congress, there are several bills with trafficking-related provisions. The Implementing the 9/11 Commission Recommendations Act of 2007 (P.L. 110-53) directs the Secretary of Homeland Security to provide specified funding and administrative support to strengthen the Human Smuggling and Trafficking Center. H.R. 3887 (Lantos), approved by the House by a vote of 405-2 on December 4, 2007, would, among other provisions, reauthorize anti-trafficking programs through FY2011, and amend the criminal code and immigration law related to trafficking. A Senate re-authorization bill, S. 3061 (Biden), was introduced on May 22, 2008, and is under consideration. Another bill, H.R. 2522 (Lewis), would establish a Commission to evaluate the effectiveness of current U.S. anti-slavery efforts, including anti-TIP programs, and make recommendations. S. 1703 (Durbin), approved by the Senate Judiciary Committee on September 20, 2007, would create additional jurisdiction in U.S. courts for trafficking offenses occurring in other countries.

CRS Products

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

CRS Report RL34317, *Trafficking in Persons: U.S. Policy and Issues for Congress*, by Clare Ribando Seelke and Alison Siskin.

Country Issues

Bolivia

Bolivia has experienced a period of political volatility with the country having six presidents since 2001. Evo Morales, an indigenous leader and head of Bolivia's coca growers' union, and his party, the leftist Movement Toward Socialism (MAS), 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. Early in his term, President Morales moved to fulfill his campaign promises to decriminalize coca cultivation, nationalize the country's natural gas industry, and enact land reform. Those policies pleased his supporters, but complicated Bolivia's relations with foreign investors and the United States.

Since President Morales took office, Bolivian has become increasingly divided over the issues of constitutional reform and regional autonomy. A constitutional reform process began in mid-2006 and concluded in late 2007 when the Constituent Assembly (CA) passed a draft constitution without the presence of opposition delegates. Efforts by the Catholic Church, the Organization of American States (OAS), and neighboring governments have failed to ease tensions over the reform process between the MAS government in La Paz and the opposition. Whereas plans for a national referendum on constitutional reforms have stalled, four departmental referendums on autonomy have been held, despite the lack of congressional approval for them to be convened. Tensions could ignite again in the near future as the prefects (departmental governors) have recently come out against convoking a recall referendum on August 10, 2008 on whether they and President Morales should remain in office.

U.S. interest in Bolivia has centered on its role as a major coca-producing country. U.S.-Bolivian relations have been strained by the Morales government's unorthodox drug policy; ties with Venezuela, Cuba, and Iran; and its nationalization measures. Bolivian officials have worked closely with the United States on drug interdiction efforts, but U.S. officials have asserted that excess coca cultivation remains a problem in Bolivia. In 2007, tensions flared when Bolivian authorities (including President Morales) complained that some U.S. assistance was going to support opposition groups trying to undermine the MAS government. The U.S. Ambassador to Bolivia was called back to Washington for consultations on security issues in mid-June 2008 after protesters surrounded the U.S. Embassy in La Paz demanding the extradition of former president Gonzalo Sánchez de Lozada and his ex-defense minister. The two have been charged in Bolivia with responsibility for the civilian deaths that occurred in Bolivia during protests in September and October 2003.

Bolivia received \$122.1 million in U.S. assistance in FY2007, including \$66 million in counternarcotics assistance. In FY2008, Bolivia received an estimated \$99.5 million, including roughly \$47.1 million in counternarcotics assistance. The FY2009 request for Bolivia is for \$100.4 million. In February 2008, 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 the end of December 2008. Prior to the end of its second session, the 110th Congress is likely to consider what level of foreign assistance Bolivia should receive in FY2009, 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 Seelke.

CRS Report RS22548, *ATPA Renewal: Background and Issues,* 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. Lula was re-elected in the second round of voting with fairly broad popular support. His immediate tasks were to boost Brazil's lagging economic growth and address the issues of crime and violence. Despite President Lula's personal popularity, many predicted that intra-party rivalries within his fragile governing coalition would make it hard for him to push his agenda through Brazil's notoriously fractured legislature.

A year and a half into his second term, President Lula still enjoys high approval ratings (69% in April 2008) and is benefitting from a resurgent economy (GDP growth reached 5% again in 2007). Ongoing corruption investigations involving President Lula's PT party have not diminished the strength of his second term in office, and some are urging him to seek a third presidential term, a move that would require a constitutional amendment. Some have criticized President Lula for thus far being unwilling or unable to use his significant political capital to gain legislative approval for a more robust political and economic reform agenda. They maintain that inaction on much-needed structural reforms could dampen Brazil's current economic expansion. Few predict that either President Lula or the Brazilian Congress will take action on any major reform agenda until after the October 2008 municipal elections are held.

During the first Lula term, Brazil's relations with the United States were generally positive, although President Lula prioritized strengthening relations with neighboring countries and expanding ties with nontraditional partners, including India and China. Brazil-U.S. cooperation has increased during President Lula's second term, particularly on energy issues. President Bush visited Brazil on March 9, 2007, and President Lula visited Camp David on March 31. Those presidential visits culminated in the signing of U.S.-Brazil Memorandum of Understanding (MOU) to promote greater ethanol production and use throughout Latin America. Some predict that, given its recent deep-water discoveries, Brazil could eventually become a major oil supplier to the United

During its second session, the 110th Congress is likely to maintain an interest in Brazil's role as an ethanol producer and in the implementation of the U.S.-Brazil biofuels agreement On October 9, 2007, the House passed H.Res. 651 (Engel), recognizing the warm friendship and expanding relationship that exists between the United States and Brazil and the importance of the U.S.-Brazil biofuels cooperation. Congressional interest may also focus on Brazil's role in the Doha round of the World Trade Organization (WTO) negotiations and in the resolution of trade disputes between the two countries. In December 2006, Congress continued trade preferences for Brazil under the Generalized System of Preferences (GSP), but set thresholds that may limit trade preferences for some Brazilian exports compared to previous years. Interest in Brazil also centers on its role as a stabilizing force in Latin America, especially with respect to Venezuela, Bolivia, and Haiti. In addition, Brazil's cooperation may be sought on issues of shared concern that include counternarcotics and counterterrorism efforts, trafficking in persons, protection of the Amazon, and HIV/AIDS prevention.

CRS Products

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

CRS Report RL34191, *Ethanol and Other Biofuels: Potential for U.S.-Brazil Energy Cooperation*, by Clare Ribando Seelke and Brent D. Yacobucci.

Colombia

In the last decade, Colombia – a key U.S. ally in South America – has made significant strides in reasserting government control over much of its territory, combating drug trafficking and terrorist activities by illegally armed groups, and reducing poverty and inequality. Since the development of Plan Colombia in 1999, the Colombian government, with significant U.S. support, has stepped up its counternarcotics and security efforts. Congress has provided more than $6 billion to support Plan Colombia from FY2000 through FY2008. Since 2002, Congress has granted the State Department expanded authority to use counternarcotics funds for a unified campaign to fight both drug trafficking and terrorist organizations in Colombia. The three main armed groups in Colombia are the Revolutionary Armed Forces of Colombia (FARC), the National Liberation Army (ELN), and the United Self-Defense Forces of Colombia (AUC) paramilitaries. All three participate in drug trafficking and have been designated foreign terrorist organizations by the State Department.

President Alvaro Uribe, re-elected in May 2006, is making headway in addressing the 40-year plus conflict with the FARC. Since March 2008, several of the FARC's key leaders have either died or been killed. On July 2, 2008, the FARC was dealt a significant setback when the Colombian military orchestrated an operation to rescue 15 hostages, including three U.S. citizens – Marc Gonsalves, Thomas Howes, and Keith Stansell – held since February 2003 and Colombian presidential candidate Ingrid Betancourt held since February 2002.

President Uribe has also overseen the demobilization and disarmament of more than 31,000 AUC paramilitaries that had been active since the 1980s, although there are credible reports that some paramilitary groups have re-organized. As a result of these accomplishments, Uribe enjoys strong popular support. His popularity has not been affected by the so-called "para-political" scandal concerning government ties to the paramilitaries, in fact, some maintain that the ongoing investigations of those alleged ties show the newfound strength of the Colombian justice system. As of May 2008, five legislators had been convicted and more than 60 others, were either under investigation or awaiting trials for possible paramilitary ties. It remains to be seen how Uribe's recent decision to extradite 15 paramilitary leaders to the United States to stand trial for drug trafficking charges will affect those ongoing investigations, as well as efforts to ensure that victims of paramilitary violence receive compensation for their suffering.

President Uribe's popularity soared after Colombia's March 2008 raid of a FARC camp in Ecuador resulted in the killing of a top guerrilla commander and the seizure of his computer files. The unauthorized incursion caused a major diplomatic crisis between Colombia, Ecuador and Venezuela. Relations remain tense, particularly since Interpol has verified the authenticity of files on the seized computers alleging that both the Venezuelan and Ecuadorian governments had ties to the FARC, charges that both governments have denied. Should Uribe continue to make inroads against the FARC, his supporters may increase their recent calls to convoke a referendum to amend the constitution so that he could run for a third presidential term in May 2010.

U.S. policy in Colombia remains controversial. Proponents of the current policy point to the significant inroads that have been made in improving security conditions in Colombia and in weakening the FARC guerrillas. According to U.S. State Department figures, kidnappings in Colombia have declined by 83%, homicides by 40%, and terrorist attacks by 76% since 2002. Critics argue that, despite these security improvements, U.S. policy does not rigorously promote human rights, provide for sustainable economic alternatives for drug crop farmers, and has not reduced the amount of drugs available in the United States. A June 2008 report by the U.N. Office on Drugs and Crime found that although yields were down, the coca acreage planted in Colombia increased by 27% in 2007.

Congress has expressed concern about a number of Colombia-related policy issues including the aerial eradication of illicit drug crops, interdiction programs, funding levels for Plan Colombia, U.S. hostages, and human rights. The FY2008 Consolidated Appropriations Act (P.L. 110-161) cut overall assistance to Colombia by some 8% from the requested level, providing an estimated $541 million in assistance. The law reduced interdiction, eradication, and military aid by roughly $104 million to about $305 million and increased funds for alternative development, human rights, and institution building programs by some $84 million to $236 million. In December 2007, the Senate approved S.Con.Res. 53, condemning the hostage -taking of three U.S. citizens for over four years by the FARC, while a similar resolution, H.Con.Res. 260, was introduced in the House. As noted above, the hostages were rescued by the Colombian military on July 2, 2008.

Congress has also been concerned about labor activist killings, an issue that came to the fore during consideration of the U.S.-Colombia Free Trade Agreement (CFTA). Critics of the free trade agreement have been concerned about the status of labor rights in Colombia, as well as the ongoing para-political scandal. The Bush Administration believes that Colombia has made significant advances to combat violence and instability and views the pending trade agreement as a national security issue in that it would strengthen a key democratic ally in South America. On April 8, 2008, President Bush submitted implementing legislation to Congress for the CFTA. The 2002 Trade Promotion Authority procedures stipulated that Congress must vote on that implementing legislation within 90 legislative days of its introduction. However, on April 10, 2008, the House, citing insufficient communication between the President and Congress, voted 224-195 in favor of changing those procedures, effectively putting congressional consideration of the CFTA on hold indefinitely.

Also see sections above on "Andean Counterdrug Program" and "U.S.-Colombia Trade Promotion Agreement."

CRS Products

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

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

Cuba

Since the early 1960s, U.S. policy toward Cuba 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 has been how to best support political and economic change in one of the world's remaining communist nations. Unlike past years, however, Congress is examining policy toward Cuba in the context of Fidel Castro's departure from heading the government because of poor health.

Raúl Castro, who had served as provision head of government since July 2006, was selected on February 24, 2008 by Cuba's legislature to continue in that role officially. Since Fidel stepped down from power in 2006, Cuba's political succession from Fidel to Raúl Castro has been characterized by a remarkable degree of stability. Since March 2008, the government has implemented a number of economic changes that from the outside might not seem significant, but are substantial policy changes for a government that has heretofore followed a centralized communist economic model. These have included lifting restrictions on the sales of consumer products such as computers, microwaves, and DVD and video players; lifting restrictions on the sale and use of cell phones; de-centralizing the agriculture sector in order to boost productivity; and revamping salary structures in order to award workers who work hard with more compensation. In addition, in March 2008, the government lifted a ban on Cubans staying at tourist hotels. Few Cubans will be able to afford the cost of staying in such hotels, but the move is symbolically significant and ends the practice of what critics had dubbed "tourism apartheid." While additional economic changes under Raúl Castro are likely over the next year, few expect there will be any change to the government's tight control over the political system, which is backed up by a strong security apparatus.

In the first session of the 110th Congress, Congress fully funded the Administration's FY2008 request for $45.7 million for Cuba democracy programs in the Consolidated Appropriations Act for FY2008 (P.L. 110-161). The act did not include provisions easing restrictions on U.S. agricultural exports to Cuba that had been included in H.R. 2829, the FY2008 Financial Services and General Government appropriations bill, or S. 1859, the Senate version of the FY2008 agriculture appropriations bill. In other action, 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.

In the second session, the Senate approved S.Res. 573 on May 21, 2008, which recognized Cuba Solidarity Day and the struggle of the Cuban people. On June 25, 2008, the House Appropriations Committee approved the FY2009 Financial Services and General Government Appropriations bill with provisions easing restrictions on family travel and U.S. agricultural exports to Cuba.

Several other legislative initiatives introduced in the 110th Congress would ease 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 and H.R. 3182 (development of Cuba's offshore oil). S. 554 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 and S. 2503 (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; five initiatives – H.R. 217, H.R. 624, H.R. 2819, S. 1673, and S. 1806 – would repeal the trademark sanction. H.R. 5627 and S. 2777 would give the congressional gold medal to Cuban political prisoner Dr. Oscar Elias Biscet. H.Res. 935 would commemorate the anniversary of the 1996 shootdown of two U.S. civilian planes by Cuba.

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 Remittances*, by Mark P. Sullivan.

CRS Report RS22742, *Cuba's Political Succession: From Fidel to Raul Castro*, by Mark P. Sullivan.

CRS Report RL33622, *Cuba's Future Political 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.

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, 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 has fulfilled his campaign pledge to call a constituent assembly to reform the country's constitution. Convened on November 29, 2007, the assembly immediately closed the Ecuadorian Congress and has since assumed its legislative functions. The assembly, which is controlled by representatives from Correa's party, has until the end of July 2008 to draft a new constitution. Critics contend that Correa appears to be using the constituent assembly as a pretense to strengthen his power base.

Ecuador's relations with the United States have traditionally been close, although recent events 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. 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 December 31, 2008.

Another major focus of U.S. interest in Ecuador is on counternarcotics cooperation. President Correa has 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, including Colombia's unauthorized March 2008 raid of a Revolutionary Armed Forces of Colombia (FARC) camp in Ecuador. The United States provided $32.0 million in assistance to Ecuador in FY2007 and an estimated $25.2 million in assistance in FY2008. The FY2009 request for Ecuador was for $32.5 million.

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

President Alvaro Colom, of the center-left National Union of Hope (UNE) party, was sworn in for a four-year term on January 14, 2008. He defeated the right-wing candidate, Otto Pérez Molina of the Patriot Party (PP), in run-off elections held

November 4, 2007 after no single candidate secured a majority of votes in the first round held on September 9. The election was deemed free and fair, with a significant increase in voting in rural areas, although the election campaigns were the most violent since 1985. Colom will need to build coalitions to support his agenda since no party holds a majority in the 158-member National Assembly. Reforms are being delayed because of corruption investigations on both sides of the aisle. The legislative leader stepped aside and was suspended from UNE after being implicated in the transfer of legislature funds to a private firm. The banking regulatory commission has accused opposition leader Pérez Molina of involvement in siphoning of state funds. Pérez had already declared his intention to run for President in 2011.

Reporting on his first 100 days in office in late April 2008, Colom cited as achievements a $79.8 million rural development council for projects in the country's poorest 44 municipalities; reduction in the murder rate from 17 to 11 a day; and a major drug interception and arrest of 36 alleged traffickers. He also implemented a $200 million investment program supporting producers of basic grains, rural infrastructure, land reform, and housing projects. In terms of problems, the attorney general noted an "alarming increase" in kidnappings. Critics voiced concern over the lack of a comprehensive policy to address gang-related issues and lack of progress in purging police of corrupt officers.

Addressing concerns that his economic policy was weak, in May 2008, Colom announced a 10-point program addressing the economic crisis generated by rising food prices. The program's goals are to negotiate with the private sector to address inflation; boost production by providing cooperatives and small producers with access to credit, and achieve economic stability. Given Guatemala's widespread poverty, the food crisis has hit the country particularly hard. According to the UN World Food Program, poverty increased from 2006 to 2007, a three point rise resulting in 54% of the population living in poverty, and a five point rise resulting in 20.2% living in extreme poverty. Although spending pressures for social programs may lead to a 2009 tax reform, some believe that Colom will continue the fiscally conservative and pro-business stance of his predecessor, Oscar Berger, at least at the outset. Given the importance of trade relations and the mutual fight against narcotrafficking - nearly 90% of cocaine heading for the United States passes through Central America - U.S.-Guatemalan relations will likely remain close.

Under President Oscar Berger's leadership (2004 - 2008), the Guatemalan economy experienced the highest growth rates since 1998, up to an estimated 5.6% in 2007. This growth is attributed to increased remittances, high prices for Guatemalan exports such as sugar and cardamon, and increased trade and investment stemming from the U.S.-Dominican Republic- Central America Free Trade Agreement (CAFTA-DR). The Berger government secured passage of a law against organized crime and legislative approval for the United Nations International Commission Against Impunity in Guatemala (CICIG) to be established. It also took a significant step in the implementation of reforms agreed upon in the 1996 peace accords by expanding voting to rural areas, thus incorporating millions of indigenous people into the political decision-making process. Drug trafficking and organized crime continued to overwhelm the country's weak institutions, however, and violent crime rates remained high.

International adoption from Guatemala has been a source of concern in bilateral relations. Guatemala implemented a new adoption law to comply with the Hague Convention on the Protection of Children and Cooperation in Respect of Inter-country Adoption, intended to prevent human trafficking. Effective January 1, 2008, the law transfers responsibility for adoptions from private agencies and attorneys to the usually slow Guatemalan courts and a newly created National Adoptions Council, bringing U.S. adoptions almost to a standstill. The new law permits the completion of adoption cases pending as of December 31, 2007; they are being reviewed to ensure they are legal, a process that may take months. Prior to the new process, Guatemala was the biggest source for U.S. adoptions after China; as of mid-June 2008 no new adoptions had begun. It is unclear whether the United States will permit adoptions from Guatemala after U.S. implementation of the Hague Convention in April 2008, due to concerns that the Guatemalan system will not yet comply with all of the Convention's requirements.

Relations between the United States and Guatemala traditionally have been close, but there has been friction at times over human rights and civil/military issues. Congressional concerns regarding Guatemala focus on human rights, democracy, counternarcotics, and U.S. immigration policy. Guatemala received $51.3 million of U.S. assistance in FY2007, and is receiving an estimated $62.9 million in FY2008. The Consolidated Appropriations Act for FY2008 (H.R. 2764/P.L. 110-161) stipulates that funding from the Development Assistance and Global Health and Child Survival accounts be made available for Guatemala at no less than the amount allocated in FY2007. Significantly, the act's joint explanatory statement recommended providing $500,000 in Foreign Military Financing (FMF) pending Department of State certification that certain human rights conditions have been met. This is the first time Guatemala has been eligible to receive FMF funding since 1990. Requested funding for FY2009 is $62.3 million.

CRS Products

CRS Report RS22727, *Guatemala: 2007 Elections and Issues for Congress,* by Miranda Louise Jasper and Colleen W. Cook.

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

Haiti's fragile stability has been shaken yet again by a worsening food crisis, which led to violent protests and the removal of the Prime Minister in April 2008. UN officials said political opponents and armed gangs infiltrated the protests and fired at UN peacekeepers in an effort to weaken the government. Without a Prime Minister, Haiti cannot sign certain agreements with foreign donors or implement programs to address the crisis. President René Préval, who began his five-year term in May 2006, named a new candidate for prime minister on June 23, 2008: Michele

Pierre-Louis, a highly-regarded educator and economist who has worked on behalf of the Haitian poor and youths. Parliament, including members of Préval's own party, rejected his previous two choices.

In the previous year and a half, Preval had begun to establish some stability. He outlined the two main missions for his government as being to build institutions and to establish favorable conditions for private investment in order to create jobs. In November 2007, his Administration published its Poverty Reduction Strategy, a key step in meeting IMF requirements for debt relief. International donors pledged more than $1.5 billion in economic assistance to Haiti. With the support of the United Nations Stabilization Mission in Haiti (MINUSTAH), security conditions had improved and reform of the country's police force had begun. President Bush praised Préval for his efforts to improve economic conditions and establish the rule of law in Haiti. Préval pledged to cooperate with U.S. counternarcotics efforts.

The main priorities for U.S. policy regarding Haiti during the 110th Congress have been how to strengthen fragile democratic processes, continue to improve security, and promote economic development. Other concerns include the cost and effectiveness of U.S. aid; protecting human rights; combating narcotics, arms, and human trafficking; addressing Haitian migration; and alleviating poverty. Since Haiti's priorities are many, and deeply intertwined, the Haitian government and the international donor community are implementing an assistance strategy that attempts to address these 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. The challenge has been made more daunting in the face of rising food and gasoline prices world-wide. In May 2008, the Bush Administration announced an additional $25 million in emergency food aid to Haiti, making its total emergency contribution $45 million.

U.S. assistance for Haiti in FY2007 totaled an estimated $214.5 million, and the estimated for regular foreign assistance in FY2008, not including the emergency food aid, is $234.2 million. The Administration's FY2008 request was for $223 million, including $83 million to combat HIV/AIDS and $25.5 million for an integrated conflict mitigation program to target urban crime. Among other provisions affecting aid to Haiti, the FY2008 Consolidated Appropriations Act (H.R. 2764/P.L. 110-161) stipulates that not less than $201.5 million in economic and military assistance be provided. The request for FY2009 is $245.9 million, including $35.5 million in P.L. 480 food aid.

There is bipartisan support in Congress for support to Haiti under the Préval government. Responding to the food crisis and Préval's earlier calls for increased U.S. investment in Haiti, Congress passed the second Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE) Act as part of the 2008 farm bill in June 2008 (Title XV, P.L. 110-246). The law expands trade preferences for U.S. imports of Haitian apparel first provided in the 2006 version of the HOPE Act (P.L.109-432, Title V). In April 2008, the House unanimously passed an amendment to the Jubilee Act (H.Amdt. 993 to H.R. 2634) recommending immediate cancellation of Haiti's outstanding debts to multilateral institutions, which constitute much of Haiti's $1.7 billion foreign debt.

Congress is also likely to consider what levels of support to provide for security enhancing measures in Haiti, counternarcotics programs, development assistance, and police and judicial reform. Another issue of interest to Congress is likely to be ensuring that free and fair elections are held this spring for the Haitian Senate. Some Members are likely to remain concerned about the Bush Administration's October 2006 decision to partially lift the 15-year-old arms embargo against Haiti in order to allow arms and equipment to be provided to Haitian security units.

CRS Products

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

CRS Report RS22879, *Haiti: Legislative Responses to the Food Crisis and Related Development Challenges*, by Clare Ribando Seelke and J. F. Hornbeck.

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

Mexico

The United States and Mexico have a close and complex bilateral relationship, with extensive economic linkages as neighbors and partners under the North American Free Trade Agreement (NAFTA). Bilateral relations are generally friendly, although the U.S. enactment of border fence legislation in 2006 caused some tension in the relationship.

Drug trafficking issues are prominent in relations since Mexico is the leading transit country for cocaine, a leading supplier of methamphetamine and heroin, and the leading foreign supplier of marijuana to the United States. Shortly after taking office in December 2006, President Felipe Calderón of the conservative National Action Party (PAN) launched operations against drug cartels in nine Mexican states. Since early 2008, he has sent more than 25,000 soldiers and federal police to drug trafficking "hot-spots." Calderón has increased extraditions to the United States, and has demonstrated an unprecedented willingness to reach out for counternarcotics assistance from the United States while also calling for increased U.S. efforts on arms trafficking and a reduction in the U.S. demand for illicit drugs. The rivalries and turf wars among Mexico's drug cartels fueled an increase in violence within the country, particularly along the Southwest border region that the United States shares with Mexico. In an effort to control the most lucrative drug smuggling routes in Mexico, rival drug cartels are launching attacks on each other, the Mexican military, and police personnel. This heightened violence is posing a serious challenge to Mexico's security forces.

In October 2007, the United States and Mexico announced the Mérida Initiative to combat drug trafficking, gangs, and organized crime in Mexico and Central America. The Administration subsequently requested $500 million in FY2008 supplemental assistance and $450 million in its regular FY2009 budget request for Mexico as part of a $1.4 billion multi-year aid package for the Initiative.

In late June 2008 legislative action on Mérida Initiative in H.R. 2642 (P.L. 110-252), Congress provided $400 million supplemental assistance in FY2008 and FY2009 for Mexico, with not less than $73.5 million for judicial reform, institution-building, anti-corruption, and rule of law activities. The measure provides $352 million in FY2008 supplemental assistance within the International Narcotics Control and Law Enforcement (INCLE), Foreign Military Financing (FMF), and Economic Support Funds (ESF) accounts, and $48 million in FY2009 supplemental assistance within the INCLE account. The measure has human rights conditions softer than compared to earlier House and Senate versions, in large part because of Mexico's objections that some of the conditions would violate its national sovereignty. In the final version, human rights conditions require that 15% of INCLE and FMF assistance be withheld until the Secretary of State reports in writing that Mexico is taking action in four human rights areas. The Secretary of State, after consultation with Mexican authorities, is required to submit a report on procedures in place to implement Section 620J of the Foreign Assistance Act of 1961 with regard to vetting to ensure that those receiving assistance have not been involved in human rights violations.

In other action, on June 10, 2008, the House approved authorization legislation for the Mérida Initiative, H.R. 6028, that would authorize $1.6 billion over three years, FY2008-FY2010, for both Mexico and Central America, $200 million more than originally proposed by President Bush. Of that amount, $1.1 billion would be authorized for Mexico, and $73.5 million for activities of the U.S. Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF) to reduce the flow of illegal weapons from the United States to Mexico. Among the bill's various conditions on providing the assistance, the measure requires that vetting procedures are in place to ensure that members or units of military or law enforcement agencies that may receive assistance have not been involved in human rights violations.

Migration, border security, and trade issues also have dominated the bilateral relationship in recent years. Comprehensive immigration reform was debated early in the 110th Congress, but the issue was put aside following a failed cloture motion in the Senate on the Comprehensive Immigration Reform Act of 2007 (S. 1348). In September 2006, Congress approved the Secure Fence Act of 2006 (P.L. 109-367) to authorize the construction of a border fence and other barriers along 700 miles of the U.S.-Mexico border. Since 1994, NAFTA institutions have been functioning, trade between the countries has tripled, and allegations of violations of labor and environmental laws have been considered by the trilateral institutions. The Bush Administration argues that NAFTA has had modest positive impacts on all three member countries, but Mexican farmers have strongly criticized the effects of NAFTA. Notable bilateral trade disputes relate to trucking, tuna, sweeteners and anti-dumping measures.

CRS Products

CRS Report RL32724, *Mexico-U.S. Relations: Issues for Congress*, by Colleen Cook, Rebecca G. Rush, and Mark P. Sullivan.

CRS Report RL34215, *Mexico's Drug Cartels*, by Colleen W. Cook.

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

CRS Report RL34204, *Immigration Legislation and Issues in the 110th Congress*, coordinated by Andorra Bruno.

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

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

Nicaragua

The credibility of President Daniel Ortega, inaugurated in January 2007, is diminishing both within Nicaragua and abroad, as questions arise about the lack of transparency in government finances, and actions that critics view as increasingly authoritarian. The Sandinista leader'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 a Nicaraguan law - which Ortega helped spearhead through the congress - allowed him to avoid a run-off vote because he was more than 5% ahead of the next closest candidate, Eduardo Montealegre, then-head of the Nicaraguan Liberal Alliance (ALN). Until now, Ortega has walked a fine line, balancing strong anti-U.S. rhetoric with cooperation on issues of concern to the United States, such as the pursuit of free-trade policies (including participation in CAFTA-DR), counter-narcotics efforts, and resolution of property claims. His administration signed a poverty reduction strategy with the International Monetary Fund (IMF), providing for a three-year loan program.

Now, however, the IMF is withholding $39 million from Nicaragua because the government failed to approve an "anti-fraud" energy law to regulate aid from Venezuela, including funds generated by the re-sale of Venezuelan oil bought on preferential terms, which amounts to hundreds of millions of dollars a year. The IMF said it will not sign a new agreement with Nicaragua until the legislature passes legislation recognizing the debts owed to Venezuela and regulating the use of the funds. Otherwise, donors and critics say, the Venezuelan aid is basically a slush fund outside the national budget which the Sandinistas can use for patronage, and which could leave future governments with an enormous debt. The IMF also expressed concern over the government's making loans to companies using government social security funds.

The top U.S. foreign policy priorities in Nicaragua are to strengthen democracy and governance, promote economic growth, and improve security. In 2005, the Bush Administration signed a five-year, $175 million agreement with Nicaragua under the Millennium Challenge Account to promote rural development. Other U.S. aid to Nicaragua has fluctuated, from $50 million in FY2006, to $36.9 million in FY2007, an estimated $28.6 million for FY2008, and a requested $38 million for FY2009. The U.S. ambassador to Nicaragua and the European Union representative have both said international financial support could be in jeopardy because of the Ortega government's "closure of democratic space." The Sandinista-dominated electoral council (CSE) revoked the legal status of two major opposition parties, the dissident Sandinista Reformist Movement (MRS) and the center-right Conservative Party. The two parties were expected to do well in next November's municipal elections. The CSE's postponement of local elections on the Atlantic Coast led to riots. Ortega also established Citizens Power Councils, despite the National Assembly having voted against them. The councils administer government anti-poverty programs, but are overseen by Ortega's wife, Rosario Murillo and controlled by the Sandinista party. Critics say they are another example of lack of transparency and authoritarian practices.

U.S. officials have also 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 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. Other points of tension may occur if Ortega continues to strengthen relations with Venezuela or follow through with recent threats to re-nationalize components of the economy.

CRS Products

CRS Report RS22836, *Nicaragua: Political Situation and U.S. Relations,* by Clare Ribando Seelke.

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. Torrijos' electoral alliance also won a majority of seats in the unicameral 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, which officially began in September 2007. The new set of locks are estimated to be completed by 2014. 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. Because Panama's Constitution does not allow for presidential re-election, jockeying has already begun for the May 2009 presidential elections. Primary elections for various parties will be held later this year.

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. The current bilateral relationship is 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 $12.2 million in foreign aid in FY2007 and an estimated $7.7 million in FY2008, while the FY2009 request is for $11.6 million.

After 10 rounds of negotiations, the United States and Panama announced the conclusion of an FTA in December 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 in May 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 had been likely to consider implementing legislation for the agreement in the fall of 2007, but the September 1, 2007 election of Pedro Miguel González to head Panama's legislature for one year delayed consideration of the FTA. González is wanted in the United States for his alleged role in the murder of a U.S. serviceman in Panama in June 1992. His term is up on August 31, 2008, a step that may increase the likelihood of the agreement's ratification. (Also see "U.S.-Panama Free Trade Promotion Agreement" above.)

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

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

Peru

President Alan García was elected to a second, non-consecutive presidential term in June 2006, defeating populist Ollanta Humala 53% to 47%. Since taking office for his five-year term, 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. Peru's economy grew about 8% in 2007. Economic growth is expected to remain strong but be tempered by rising inflation.

García says he seeks to use trade to reduce poverty in Peru, which is concentrated in rural and jungle areas and among the indigenous population. Local and international groups have charged that Garcia's trade agenda threaten the environment and the livelihoods of indigenous people, especially in the Amazon region. Popular frustration that economic growth has not resulted in improved living conditions has led to periodic social unrest. Human rights groups charge that the government is violating civil liberties by prohibiting legitimate protests. Garcia's administration pushed laws through congress that imposed strict regulations on non-governmental organizations' work in Peru; criminalized social protests; and classified strikes as "extortion."

Peru's government maintains that it is committed to holding government officials accountable for past abuses of power. Former President Alberto Fujimori (1990-2000) was extradited from Chile on charges of corruption and human rights violations and his trial began in December 2007. If convicted, he faces 30 years in prison and a fine of $33 million. As the trial continues, García may lose the support of the Fujimorista bloc in the Peruvian Congress, which he relies on to pass legislation. Fujimori's daughter Keiko, who won a Congressional seat in 2006 with more votes than any other candidate, launched a new party assumed to be a vehicle for a 2011 presidential bid and the release of her father. Corruption scandals have involved members of Garcia's party.

Issues in U.S.-Peruvian relations include democracy, human rights, environmental protection, and counternarcotics cooperation. Trade is currently at the forefront of the bilateral agenda. A U.S.-Peru Trade Promotion Agreement (PTPA) was signed in April 2006, and approved by the Peruvian legislature that June. PTPA implementing legislation (H.R. 3668) passed the House on November 8, 2007, by a vote of 285 to 132; the Senate on December 4, 2007, by a vote of 77 to 18; and was signed by President Bush on December 14, 2007 (P.L. 110-138). Peru also benefits from the Andean Trade Promotion and Drug Eradication Act (P.L.109-432). Congress extended that act on its expiration date, February 29, 2008, until December 31, 2008, by which time it is expected that the superseding PTPA will be implemented. Garcia created an environment ministry in May 2008 to carry out environmental impact assessments.

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. The United States provided $136.2 million in foreign assistance to Peru in FY2007 and an estimated $90.3 million in FY2008. The FY2008 request for Peru was for $93.2 million, including $66.8 million in counternarcotics and economic support funds, with the most significant cuts occurring in counternarcotics funds traditionally provided through the Andean Counterdrug Initiative (ACI). The joint explanatory statement to the Consolidated Appropriations Act for FY2008 (H.R. 2764/P.L. 110-161) recommended providing counternarcotics funds at the level of the President 's request. The request for FY2009 (not including Peace Corps funds) is $103 million, including $37 million for the Andean Counterdrug Program, and $53 million for Development Assistance.

CRS Products

CRS Report RS22715, *Peru: Political Situation, Economic Conditions, and U.S. Relations*, by Miranda Louise Jasper and Clare Ribando Seelke.

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.

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 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 remove 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. After he was reelected, Chávez announced new measures to move the country toward socialism. His May 2007 closure of a popular Venezuelan television station (RCTV) that was critical of the government sparked protests. President Chávez was dealt a setback in December 2007 when his proposed constitutional amendment package, which included the removal of presidential term limits, was defeated by a close margin in a national referendum.

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 with the Chávez government. U.S. officials have expressed concerns about human rights, Venezuela's military arms purchases, its relations with Cuba and Iran, and its efforts to export its brand of populism to other Latin American countries. Declining cooperation on anti-drug and anti-terrorism efforts has also been a U.S. concern. Since 2005, President Bush has annually designated Venezuela as a country that has failed demonstrably to adhere to its obligations under international narcotics agreements, and since 2006, the Department of State has prohibited the sale of defense articles and services to Venezuela because of lack of cooperation on anti-terrorism efforts. In the aftermath of Colombia's March 1, 2008 bombing of a FARC camp in Ecuador that killed the terrorist group's second in command Raúl Reyes, captured laptops contained files potentially linking the Venezuelan government with efforts to secure arms and support the FARC. In a turn of events, on June 8, 2008, President Chávez publicly urged the FARC to end its armed struggle, and release all hostages.

Concerns regarding Venezuela in the 110th Congress have focused on human rights, energy, and terrorism issues. On May 24, 2007, the Senate approved S.Res. 211, expressing profound concerns regarding freedom of expression and Venezuela's decision not to renew the license of RCTV. The House version of H.R. 2764, the FY2008 State Department and Foreign Operations appropriations bill approved in June 2007, would have directed $10 million for targeted international broadcasting to Venezuela. The final enacted measure (P.L. 110-161, Division J) did not earmark such funding, but the explanatory statement to the bill expressed support for restoring shortwave and medium wave transmission to Venezuela. On November 5, 2007, the House approved H.Res. 435, expressing concern about Iran's efforts to expand its influence in Latin America, and noting Venezuela's increasing cooperation with Iran. Additional House initiatives that have been introduced include two human rights resolutions, H.Con.Res. 50 and H.Con.Res. 77; H.Res. 560, expressing concern about Venezuela's actions in the oil sector; H.Res. 965, calling upon the Chávez government to take action to deny Venezuelan territory and weapons from being used by terrorist organizations; and H.Res. 1049, calling for Venezuela to be designated a state sponsor of terrorism. Two Senate bills, S. 193 and S. 1007, would increase hemispheric cooperation on energy issues.

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