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

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Summary

Over the past two decades, the Latin America and Caribbean region has made enormous strides in terms of political and economic development, with regular free and fair elections the norm in most countries. Although the region overall experienced an economic setback in 2002-2003, it rebounded from 2004-2007, with strong economic growth. In 2008, however, the advent of the global financial crisis and U.S. economic recession began to be felt in Latin America. Growth began to slow as commodity prices and the demand for exports and services from the region declined. Several nations also continued to face considerable challenges that affect U.S. interests and policy in the region. These include entrenched poverty, guerrilla conflicts, autocratic leaders or the so-called rise of radical populism in several nations, 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.

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 during the 110th Congress. It will not be updated.

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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 government. Despite this democratic progress, several nations face considerable challenges, 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. In the second half of 2008, the global financial crisis and U.S. economic recession began to have a significant negative impact on Latin American and Caribbean economies.

Five nations held elections for head of government in 2007 – Argentina, Bahamas, Guatemala, Jamaica, and Trinidad and Tobago – and another five head elections in 2008 – Barbados, Belize, the Dominican Republic, Grenada, and Paraguay. The Caribbean nations of Barbados, Belize, and Grenada held parliamentary elections in January, February, and July 2008 respectively, in which incumbent parties were defeated. Paraguay held presidential elections in April 2008, which resulted in the victory of opposition candidate Fernando Lugo over the long-ruling Colorado Party, while elections in the Dominican Republic in May 2008 saw the re-election of an incumbent President Leonel Fernandez. (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 0.4% in 2002 and only a modest growth rate of 2.2% in 2003, the region rebounded with an estimated average growth rate of 6.1% in 2004, surpassing even the most optimistic predictions. Countries that had suffered the deepest recessions—Argentina, Uruguay, and 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 4.9% growth in 2005, and 5.8% in 2006 and 2007. In 2007, countries with the highest growth rates were Panama, with growth of 11.5% and Antigua and Barbuda, with growth of 10%. Several countries had growth rates between 8 and 9%: Argentina, Peru, the Dominican Republic, and Venezuela. Countries with the lowest economic growth rates included Belize, Jamaica, and St. Lucia, with growth just over 1%.[2] (For information on development indicators in the region, see CRS Report RS22657, *Latin America and the Caribbean: Fact Sheet on Economic and Social Indicators*, by (name redacted).)

Despite strong growth economic growth in the region from 2004-2007, the advent of the global financial crisis in 2008 is having a significant negative effect on the economies of Latin America

[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.

[2] U.N. Economic Commission for Latin America and the Caribbean (ECLAC), "Statistical Yearbook for Latin America and the Caribbean 2008," and "Preliminary Overview of the Economies of Latin America and the Caribbean 2008," December 2008.

and the Caribbean. In 2008, economic growth for the region slowed to an estimated 4.6%. The preliminary forecast for 2009 is for 1.9%, with some countries like Mexico that are closely tied to the U.S. economy expecting an economic contraction of between 1-2%. The worldwide recession has led to a drop in demand for exports from Latin America and the Caribbean and services such as tourism, and also has contributed to a drop in commodity prices, which again affects many nations in the region that are dependent on exports for growth. Remittances to the region from the United States and other countries have also begun to decline, and it is likely that the overall tightening of financial conditions worldwide will lead to a decline on foreign direct investment flows to the region.[3]

Politically, 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). In 2008, the FARC 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 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. Critics have raised questions about the Ortega government's lack of transparency in finances, and increasingly authoritarian actions, including municipal elections held in November 2008 that were less than credible.

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

[3] U.N. Economic Commission for Latin America and the Caribbean (ECLAC), "Preliminary Overview of the Economies of Latin America and the Caribbean 2008," December 2008.

and social development in several countries. Caribbean nations remain vulnerable to destruction by hurricanes and tropical storms as demonstrated once again by a series of storms in 2008. 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 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 outlined 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.[4] 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,

[4] 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.

and Ecuador 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 remain key components of U.S. policy in the region.

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 was 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 reflected 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 was just about 9% over the $1.88 billion estimated to be provided in FY2008. (See **Table 1**.)

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

(U.S. $ millions)

FY2007 (actual)	FY2008 (estimate)	FY2008 Supplemental (est.) P.L. 110-252	FY2009 Bridge Fund Supplemental (est.) P.L. 110-252	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/P.L. 110-252, Supplemental Appropriations Act.

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.

In June 2008 legislative action, the 110th Congress appropriated $465 million in FY2008 supplemental assistance for Mexico and Central America under the Mérida Initiative to assist countries in their efforts against drug trafficking and organized crime (H.R. 2642, P.L. 110-252). In September 2008, Congress appropriated $100 million for hurricane relief and reconstruction assistance for Haiti and other Caribbean countries in the FY2009 continuing appropriations resolution (H.R. 2638, P.L. 110-329). That measure also funded most FY2009 foreign aid programs at FY2008 levels until March 6, 2009. Final action on FY2009 foreign operations funding was left to the 111th Congress.

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. As noted below, the Bush Administration suspended $64 million in MCC funding for Nicaragua in December 2008 because of fraudulent municipal elections.

CRS Products

CRS Report RL34299, *U.S. Foreign Assistance to Latin America and the Caribbean: FY2006-FY2008*, by (name redacted) et al.

CRS Report RL34552, *State, Foreign Operations, and Related Programs: FY2009 Appropriations*, by (name redacted) and (name redacted)

CRS Report RL34023, *State, Foreign Operations, and Related Programs: FY2008 Appropriations*, by (name redacted) and (name redacted).

CRS Report RS22975, *Haiti: Post-Hurricane Conditions and Assistance*, by (name redacted) and (name redacted).

CRS Report RL32427, *Millennium Challenge Account*, by (name redacted).

CRS Report RL33491, *Restructuring U.S. Foreign Aid: The Role of the Director of Foreign Assistance in Transformational Development*, by (name redacted).

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 was 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 "Colombia" below.

CRS Products

CRS Report RL32250, *Colombia: Issues for Congress*, by (name redacted) and (name redacted),

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.

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.

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 have authorized $1.6 billion over three years, FY2008-FY2010, for both Mexico and Central America, $200 million more than originally proposed by President Bush. The Senate did not take any action on the measure by the end of the 110th Congress.

CRS Products

CRS Report R40135, *Mérida Initiative for Mexico and Central America: Funding and Policy Issues*, by (name redacted).

CRS Report RL32724, *Mexico-U.S. Relations: Issues for Congress*, by (name redacted) and (name redacted),.

CRS Report RL34112, *Gangs in Central America*, by (name redacted)

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 (two-way) 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), 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. 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, the 110th Congress extended unchanged the CBTPA for two years until September 30, 2010 (H.R. 6124/P.L. 110-246, Title XV, Section 15408). In recent years, Congress has been opted for short-term extensions of the ATPA, the most recent extending preferences into 2009, with the exception of Bolivia for which eligibility was suspended in 2008 for non-cooperation in counternarcotics efforts.

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 and appears unlikely to be acted on in the near future. 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 entered into after July 1, 2007. Without a renewed TPA, the United States is 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 October 16, 2008, legislation was enacted to extend ATPA trade preferences until December 31, 2009 for Colombia and Peru, and until June 30, 2009 for Bolivia and Ecuador (P.L. 110-436). Under certain conditions, trade preferences for Bolivia and Ecuador may be extended for an additional six-month period. However, on November 25, 2008 former President Bush signed a proclamation that suspends Bolivia's designation as a beneficiary country under ATPA because of Bolivia's failure to cooperate with the United States on counter-narcotics efforts, a criteria of ATPA and ATPDEA. If Bolivia improves on efforts to work with the United States on counter-narcotics efforts, the President would have the option to issue a proclamation redesignating Bolivia as a beneficiary country.

U.S.-Peru Trade Promotion Agreement

On January 16, 2009, President Bush issued a proclamation to implement the U.S.-Peru Trade Promotion Agreement (PTPA) as of February 1, 2009. The PTPA, a bilateral free trade agreement between the United States and Peru, was signed into law on December 14, 2007 (P.L. 110-138). 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, former 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.

It is currently unclear whether or how Congress will consider implementing legislation on the pending CFTA. 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. Other Members of Congress believe that Colombia has made significant advances to combat violence and instability and view 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, Colombian President Uribe 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 "fast-track" rules in the expiring TPA legislation. Panama's legislature ratified the FTA 58 to 4 on July 11, 2007, but consideration in the U.S. Congress has been delayed for various reasons. 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.

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-poverty 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. The HOPE Act also requires Haiti to create the position of Labor Ombudsman to monitor firms using the tariff preferences to ensure their compliance with internationally recognized labor standards.

Free Trade Area of the Americas

The proposed FTAA was originally conceived nearly 15 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, provisionally Venezuela).

The breadth of an emerging resistance 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 resistance 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. Mercosur has collectively resisted the FTAA, but 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 (name redacted).

CRS Report RL33951, *U.S. Trade Policy and the Caribbean: From Trade Preferences to Free Trade Agreements*, by (name redacted).

CRS Report RL34687, *The Haitian Economy and the HOPE Act*, by (name redacted),

.CRS Report RS22548, *ATPA Renewal: Background and Issues*, by (name redacted), *ATPA Renewal: Background and Issues*, by (name redacted).

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

CRS Report RS20864, *A Free Trade Area of the Americas: Major Policy Issues and Status of Negotiations*, by (name redacted).

CRS Report 98-840, *U.S.-Latin America Trade: Recent Trends*, by (name redacted) and Marisabel Cid.

Migration Issues

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

In the 110th Congress, immigration reform became stymied in June 2007 when the Senate failed to invoke cloture and limit debate on two comprehensive reform measures, S. 1348 (Reid) and S. 1639 (Kennedy). While the House held several hearings on immigration reform, the Senate's action made it unlikely that the House would take up any comprehensive reform on its own. President Bush had expressed support for comprehensive immigration reform including increased border security, a guest worker program, and the normalization of status of some of the estimated 12 million illegal immigrants. Congress did not 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.[5] In February 2006, the Mexican Congress approved a concurrent resolution on migration and border security in which Mexico acknowledged that its workers would continue to emigrate until there are more opportunities in Mexico. The resolution also accepted the need to

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

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 stated that the Mexican government does not promote illegal migration and called for the development of a guest worker program in the United States under the principle of shared responsibility. The resolution committed Mexico to enforcing legal emigration "if a guest country offers a sufficient number of appropriate visas to cover the biggest possible number of workers and their families, which, until now cross the border without documents because of the impossibility of obtaining them."[6] Mexico enacted a new human trafficking law in November 2007, which improved upon existing legal framework to prevent and sanction trafficking in persons, as well as protect victims.[7]

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.[8] 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 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 October 2008, the Secretary of Homeland Security announced an extension of TPS for Honduras and Nicaragua through July 5, 2010. El Salvador was designated for TPS in March 2001 following a series of earthquakes in January 2001. USCIS estimates that 225,000 Salvadorans benefit from TPS. In September 2008, TPS for El Salvador was extended until September 9, 2010.

Another issue in U.S. relations with Latin America and the Caribbean is the increase in deportations in recent years. U.S. deportations to the region constitute the overwhelming majority of U.S. deportations worldwide.[9] In FY2007, for example, 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.[10] 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

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

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

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

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

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

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 (name redacted) and Yule Kim.

CRS Report RL32044, *Immigration: Policy Considerations Related to Guest Worker Programs*, by (name redacted).

CRS Report RS20844, *Temporary Protected Status: Current Immigration Policy and Issues*, by (name redacted) and (name redacted).

CRS Report RL32235, *U.S. Immigration Policy on Permanent Admissions*, by (name redacted).

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 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.

U.S. officials have expressed concerns over the past several years about Venezuela's lack of cooperation on antiterrorism efforts, its relations with Cuba and Iran, and President Chávez's sympathetic statements for Colombian terrorist groups. 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 raised questions about alleged support of the FARC by the Venezuelan government. In a turn of events, on June 8, 2008, President Chávez publicly urged the FARC to end its armed struggle, and release all hostages. In September 2008, the U.S. Treasury Department froze the assets of three Venezuelan officials for allegedly helping the FARC with weapons and drug trafficking.

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 was provided to Panama, Brazil, and Nicaragua in FY2008, while the Administration requested $1.2 million for Latin America for FY2009.

In the110th Congress, the House approved H.Con.Res. 188 and H.Con.Res. 385, both condemning 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.

Two resolutions related to terrorism in Latin America were also introduced, but not acted upon: H.Res. 1049, called 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, called for Venezuela to implement measures to deny the use of Venezuelan territory and weapons from being used by terrorist organizations.

CRS Reports

CRS Report RS21049, *Latin America: Terrorism Issues*, by (name redacted).

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 110th Congress, H.R. 848 (Fortuño), introduced February 6, 2007, would have added 14 Caribbean countries to the list of focus countries under PEPAR. The additional countries were 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, did not have a similar provision expanding the list of Caribbean countries that are focus countries, and ultimately the language of H.R. 848 was not included in the enacted version of H.R. 5501 (P.L. 110-293) signed into law in late July 2008.

CRS Products

CRS Report RL32001, *HIV/AIDS in the Caribbean and Central America*, by (name redacted).

CRS Report RL33485, *U.S. International HIV/AIDS, Tuberculosis, and Malaria Spending: FY2004-FY2008*, by (name redacte d).

Gangs in Central America

The 110th Congress maintained 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 2,000 alleged members of the violent Mara Salvatrucha (MS-13) gang were arrested in cities across the United States. These arrests raised 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 addressed the gang problem in Central America during its consideration of legislation funding the Mérida Initiative, a $1.4 billion multi-year aid package for Mexico and Central America proposed by the Bush Administration in October 2007. 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 provided increased funds for the Central America portion of the Mérida Initiative above the Administration's request, including support for anti-gang programs.

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, but ultimately legislative action was not completed on these measures. 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 RL34112, *Gangs in Central America*, by (name redacted).

Afro-Latinos

During its second session, the 110th Congress maintained 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.

There were several bills in the 110th Congress 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. On September 9, 2008, the House passed H.Res. 1254 (Engel), supporting the values and goals of the "Joint Action Plan Between the Government of the Federative Republic of Brazil and the Government of the United States of America to Eliminate Racial and Ethnic Discrimination and Promote Equality," which was signed by Secretary of State Condoleezza Rice and Brazilian Minister of Racial Integration Edson Santos in March 2008.

CRS Products

CRS Report RL32713, *Afro-Latinos in Latin America and Considerations for U.S. Policy*, by (name redacted) and (name re dacted),

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 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 were 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. The William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008 (P.L. 110-457) reauthorizes anti-trafficking programs through FY2011 and amends the criminal code and immigration law related to trafficking. 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. Another bill, S. 1703 (Durbin), approved by the Senate in October 2008, 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 (name redacted).

CRS Report RL34317, *Trafficking in Persons: U.S. Policy and Issues for Congress*, by (name redacted) and (name r edacted).

Country Issues

Bolivia

Bolivia has experienced a period of political volatility, with the country having had 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. Early in his term, President Morales moved to decriminalize coca cultivation and nationalized the country's natural gas industry. His efforts to reform the Bolivian constitution have, until recently, been stymied by a strong opposition movement led by the leaders (prefects) of Bolivia's wealthy eastern provinces who are seeking greater regional autonomy.

In December 2007, the Constituent Assembly elected in mid-2006 passed a draft constitution without the presence of opposition delegates. In late August 2008, President Morales, buoyed by the strong support he received in a national recall referendum held on August 10, 2008, proposed to convoke a referendum on the draft constitution in December 2008. He later agreed to seek congressional approval for that referendum. Several opposition prefects were angered by Morales' proposal, and launched protests and blockades, which turned violent in mid-September. On October 20, 2008, after multiparty negotiations on the draft constitution's text, the Bolivian Congress approved legislation convoking a constitutional referendum on January 25, 2009. The new constitution was approved by a 61% to 39% vote following a peaceful election. Four eastern provinces, however, all voted against the constitution suggesting a strong possibility of continued opposition and discord.

U.S.-Bolivian relations have been strained by the Morales government's drug policy and its increasing ties with Venezuela. Bilateral relations hit their lowest point in recent memory on September 10, 2008, when President Morales accused the U.S. Ambassador to Bolivia of supporting opposition forces and expelled him from the country. The U.S. government responded by expelling Bolivia's U.S. Ambassador. On September 16, 2008, President Bush designated Bolivia as a country that had failed to live up to its obligations under international narcotics agreements. That decision was closely followed by a Bush Administration proposal to suspend Bolivia's trade preferences under the Andean Trade Preferences Act (ATPA). On November 1, 2008, Bolivian President Morales announced an indefinite suspension of U.S. Drug Enforcement Administration (DEA) operations in Bolivia after accusing some DEA agents of espionage.

Concerns regarding Bolivia in the 110th Congress focused largely on counternarcotics and trade issues. Bolivia received an estimated $99.5 million in U.S. foreign aid in FY2008, including roughly $47 million in counternarcotics assistance, significantly lower than in previous years. An enacted continuing resolution H.R. 2638/P.L. 110-329 will provide funding for U.S. programs in Bolivia at FY2008 levels through March 6, 2009. In October 2008, Congress enacted legislation to extend ATPA trade preferences for Bolivia until June 30, 2009 (P.L. 110-436). However, on November 25, 2008, President Bush announced his decision to suspend Bolivia's ATPA trade preferences effective December 15, 2008, citing Bolivia's failure to cooperate with the United States on counternarcotics efforts.

CRS Products

CRS Report RL32580, *Bolivia: Political and Economic Developments and Relations with the United States*, by (name redacted) and (name redacted).

CRS Report RS22548, *ATPA Renewal: Background and Issues*, by (name redacted).

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.

Two years into his second term, President Lula still enjoys high approval ratings (70% in December 2008) and is benefitting from a resurgent economy (GDP growth estimated to reach 5% again in 2008). 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 action on much-needed structural reforms will be necessary to bolster Brazil's economic growth during the anticipated global economic downturn.

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, 2007. 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 States.

The 110th Congress maintained significant interest in Brazil. 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. On September 9, 2008, the House passed H.Res. 1254 (Engel), supporting the values and goals of the "Joint Action Plan Between the Government of the Federative Republic of Brazil and the Government of the United States of America to Eliminate Racial and Ethnic Discrimination and Promote Equality." The Western Hemisphere Energy Compact Act of 2008 (H.R. 7183, Engel), introduced on September 27, 2008, would direct the Secretary of State to work with the Government of Brazil and other governments in the Western Hemisphere to strengthen energy security by accelerating the development of biofuels production, research, and infrastructure. Congressional interest in Brazil during the 110th Congress also focused on the Doha round of the World Trade Organization (WTO) negotiations, Brazil's role as a stabilizing force in Latin America, and a number of other issues including, 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 (name redacted) and (name redacted), Brazil-U.S. Relations.

CRS Report RL34191, *Ethanol and Other Biofuels: Potential for U.S.-Brazil Energy Cooperation*, by (name redacted) and (name redacted).

Colombia

In the last decade, Colombia—a key U.S. ally in South America—has made significant progress in reasserting government control over much of its territory, combating drug trafficking and terrorist activities by illegally armed groups, and reducing poverty. Since the development of Plan Colombia in 1999, the Colombian government, with substantial U.S. support, has stepped up its counternarcotics and security efforts. Congress has provided more than $6 billion to support Colombia from FY2000 through FY2008. Proponents of the current U.S. policy towards Colombia point to the inroads that have been made in improving security conditions and in weakening the Revolutionary Armed Forces of Colombia (FARC). Critics argue that, despite these security improvements, U.S. policy has not rigorously promoted human rights, provided for sustainable economic alternatives for drug crop farmers, or reduced the amount of drugs available in the United States.

President Alvaro Uribe, re-elected in May 2006, has made headway in addressing Colombia's 40-year plus conflict with the country's leftist guerrillas, as well as the rightist paramilitary groups that have been active since the 1980s. Uribe enjoys wide popular support, which has not been significantly affected by an ongoing scandal concerning past government ties to illegal paramilitary groups. 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. It spiked again following the Colombian military's successful July 2, 2008 rescue of 15 hostages long held by the FARC. Those hostages included three U.S. defense contractors and a former Colombian presidential candidate. While some Colombians are calling for President Uribe to seek a third presidential term, others have been disillusioned by his handling of a series of illegal investment schemes exposed in late 2008 or have concerns about his attempt to remain in power.

The 110th Congress considered a number of issues addressing U.S. policy towards Colombia that focused on funding levels for Plan Colombia, U.S. hostages, trade, and human rights. The FY2008 Consolidated Appropriations Act (P.L. 110-161) raised the level of U.S. funding provided for economic and social aid closer to that provided for security-related programs. In July 2008, both the House and Senate passed resolutions expressing gratitude to the Colombian government for successfully rescuing the three U.S. hostages being held by the FARC (H.Con.Res. 389/ S.Res. 627). The House also passed an amendment (H.Amdt. 112 to H.R. 5959) expressing the importance of continuing to provide U.S. assistance to Colombia. An enacted continuing resolution (P.L. 110-329) provides funding at FY2008 levels through March 6, 2009.

While acknowledging the progress that the Uribe government has made in improving security conditions in Colombia, some Members of Congress have expressed concerns about labor activist killings and the parapolitical scandal. These issues received increased attention as the Bush Administration called for Congress to approve implementing legislation for the Colombia Free Trade Agreement (CFTA). As noted in the earlier section on the CFTA, on April 10, 2008, the House, citing insufficient communication between the President and Congress, voted to change the trade promotion authority procedures putting consideration of the agreement on hold. As a candidate, President Barack Obama raised questions about the CFTA.

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

CRS Products

CRS Report RL32250, *Colombia: Issues for Congress*, by (name redacted) and (name redacted),

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 was how to best support political and economic change in one of the world's remaining communist nations. Unlike past years, however, Congress examined 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). In other first session 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 the second session, the Senate approved S.Res. 573 on May 21, 2008, which recognized the struggle of the Cuban people. In both sessions, there were Cuba provisions in several House and Senate appropriations measures (H.R. 2829, H.R. 3161, S. 1859, H.R. 7323, and S. 3260) that would have eased restrictions on travel and on U.S. agricultural sales to Cuba, but none of these provisions were included in enacted measures.

Numerous other legislative initiatives on Cuba were introduced in the 110th Congress, but were not considered. Several of these initiatives would have eased 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, S. 2953, H.R. 3182, and H.R. 3435 (development of Cuba's offshore oil). S. 554 would have terminated U.S.-government sponsored television broadcasting to Cuba. Several initiatives would have tightened 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 have amended 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 have repealed the trademark sanction. H.R. 5627 and S. 2777 would have awarded the congressional gold medal to Cuban political prisoner Dr. Oscar Elias Biscet. H.Res. 995 would have commemorated the 1996 shootdown of two U.S. civilian planes by Cuba. S. 3288 had a provision that would have funded U.S. work to establish anti-drug cooperation with Cuba. In the aftermath of Hurricanes Gustav and Ike, several initiatives would have temporarily eased some U.S. economic sanctions on Cuba: H.R. 6913, H.R. 6962, and S.Amdt. 5581 to S. 3001.

CRS Products

CRS Report RL33819, *Cuba: Issues for the 110th Congress*, by (name redacted).

CRS Report RL31139, *Cuba: U.S. Restrictions on Travel and Remittances*, by (name redacted).

CRS Report RS22742, *Cuba's Political Succession: From Fidel to Raul Castro*, by (name redacted).

CRS Report RL33622, *Cuba's Future Political Scenarios and U.S. Policy Approaches*, by (name redacted).

CRS Report RL32251, *Cuba and the State Sponsors of Terrorism List*, by (name redacted).

CRS Report RS20468, *Cuban Migration Policy and Issues*, by (name redacted).

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. The Assembly, which had a majority of delegates elected from Correa's party, drafted a new constitution that was approved by 64% of voters in a referendum held in late September 2008. New presidential, legislative, and municipal elections are scheduled for April 26, 2009. Some observers are concerned that the new constitution concentrates too much power in the Ecuadorian presidency.

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

U.S. officials also have expressed concerns about President Correa's populist tendencies, ties with Hugo Chávez of Venezuela, and trade and energy policies. Despite those concerns, Congress enacted legislation in October 2008 (P.L. 110-436) to extend U.S. trade preferences for Ecuador under the Andean Trade Preferences Act (ATPA) through June 2009.

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 Ecuador with some $32 million in assistance to Ecuador in FY2008, while 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 (name redacted).

CRS Report RS22548, *ATPA Renewal: Background and Issues*, by (name redacted).

Guatemala

President Alvaro Colóm, 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. No party won a majority in the 158-member National Assembly. In his first year in office, Colóm successfully built coalitions to support his agenda, most notably passing a budget on the first reading that increased social development spending by an historic 32.6 %. Corruption investigations on both sides of the aisle sent the legislature into a serious crisis. The legislative leader resigned, was suspended from UNE, and is now being prosecuted after being implicated in the transfer of legislature funds to a private firm. The banking regulatory commission has accused opposition leader and former General Pérez Molina of involvement in siphoning of state funds. Pérez had already declared his intention to run for President in 2011.

During his first year in office, Colóm cited as achievements a $79.8 million rural development council for projects in the country's poorest 44 municipalities; 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. Perhaps the largest problem was a worsening of violence, much of it attributed to increased drug trafficking by Mexican cartels through Guatemala. Despite a reduction in the murder rate in Colóm's first few months in office, by year's end the rate had increased by 8.3 %, and the attorney general noted an "alarming increase" in kidnappings. In December 2008 and early January 2009, Colóm renewed efforts to address the violence, completely overhauling the military leadership and shuffling security-related positions in his cabinet. Critics voiced concern over the lack of a comprehensive policy to address gang-related issues and lack of progress in purging the police of corrupt officers.

Addressing concerns that his economic policy was weak, Colóm announced in May 2008 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 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. Spending pressures for social programs helped Colóm got a minor tax reform through Congress in 2008. But further efforts to increase taxes in 2009 are expected to face opposition from the private sector and in Congress. Under former 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 was attributed to increased remittances, high prices for Guatemalan exports such as sugar and cardamom, and increased trade and investment.

Guatemala's economic growth, remittances, and exports are all expected to diminish in 2009 as a result of the U.S. financial crisis.

In 2007, 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. Amnesty International praised Colóm's commitments to improve respect for human rights in Guatemala, including ordering the opening of military archives related to past human rights violations, and his administration for cooperating with CICIG. The organization added that the human rights situation remains grave, however, as the country's weak judicial institutions prosecute only 2% of all crimes committed, human rights defenders continue to be attacked, and indigenous people continue to be marginalized economically and in other ways.

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. The mutual fight against narcotrafficking and the importance of trade relations are top bilateral issues. Congressional concerns regarding Guatemala also focus on human rights, democracy, and U.S. immigration policy. Guatemala received $51.3 million of U.S. assistance in FY2007, and received an estimated $62.9 million in FY2008. The Consolidated Appropriations Act for FY2008 (H.R. 2764/P.L. 110-161) stipulated 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 had been met. This was the first time Guatemala had been eligible to receive FMF funding since 1990. Requested funding for FY2009 is $62.3 million. The FY2009 continuing resolution signed into law in September 2008 (P.L. 110-329) continues funding at FY2008 levels through March 6, 2009.

International adoptions from Guatemala have 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 transferred 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. Prior to the new process, Guatemala was the biggest source for U.S. adoptions after China. U.S. implementation of the Hague Convention began in April 2008. The United States is not processing new adoptions from Guatemala because it still lacks the regulations and infrastructure needed to comply with all of the Convention's requirements. The new law permits the completion of adoption cases pending as of December 31, 2007, subject to an often lengthy review to ensure they are legal.

In other bilateral relations, Guatemala and Belize agreed in December 2008 to refer their border disputes for arbitration to the International Court of Justice, whose findings, however, will be dependent on a referendum in both countries.

CRS Products

CRS Report RS22727, *Guatemala: 2007 Elections and Issues for Congress*, by (name redacted) and (name redac ted).

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

CRS Report RL34112, *Gangs in Central America*, by (name redacted).

Haiti

President René Préval began his five-year term in May 2006. In his first year and a half, Préval began 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.

Haiti's fragile stability is repeatedly shaken, however, if not by political problems, then by climatic ones. In April 2008, a worsening food crisis led to violent protests and the removal of Haiti's Prime Minister. 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 could not sign certain agreements with foreign donors or implement programs to address the crisis for over four months. Parliament, having rejected Préval's first two choices for prime minister, finally confirmed Michele Pierre-Louis, a highly-regarded educator and economist who has worked on behalf of Haitian poor and youths, in September. They were spurred to act in part so that the government could respond to natural disasters: in late August and September, four major storms directly hit or passed close to Haiti, causing widespread devastation.

The main priorities for U.S. policy regarding Haiti during the 110th Congress were how to strengthen fragile democratic processes, continue to improve security, and promote economic development. Other concerns – likely to continue in the 111th Congress -- included the cost and effectiveness of U.S. aid; protecting human rights; combating narcotics, arms, and human trafficking; addressing Haitian migration; and alleviating poverty. Some Members expressed concern about the Bush Administration's October 2006 decision to lift partially the 15-year-old arms embargo against Haiti in order to allow arms and equipment to be provided to Haitian security units. 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 is always made more daunting by developments such as rising food and gasoline prices world-wide, political crises, and natural disasters.

U.S. assistance for Haiti in FY2007 totaled $225 million, and the estimated foreign assistance in FY2008, not including emergency food and humanitarian aid, is $234.2 million. Among other provisions affecting aid to Haiti, the FY2008 Consolidated Appropriations Act (H.R. 2764/P.L. 110-161) stipulated that not less than $201.5 million in economic and military assistance be provided. The Administration's FY2008 request for Haiti included $83 million to combat HIV/AIDS and $25.5 million for an integrated conflict mitigation program to target urban crime. The Bush Administration contributed $45 million in emergency food aid in response to the April food crisis Humanitarian assistance in response to the 2008 hurricanes was just under $31 million in FY2008 funds, and another $2.7 million in FY2009 funds. The request for FY2009 is $245.9 million, including $92 million for HIV/AIDS; $84 million in Economic Support Funds; $35.5 million in P.L. 480 food aid; $17.4 million for Child Survival and Health; $15 million for International Narcotics Control and Law Enforcement; and $0.22 million for International Military Education and Training.

There was bipartisan support in the 110th 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.

CRS Products

CRS Report RL32294, *Haiti: Developments and U.S. Policy Since 1991 and Current Congressional Concerns*, by (name re dacted) and (name redacted).

CRS Report RS22879, *Haiti: Legislative Responses to the Food Crisis and Related Development Challenges*, by (name redacted) and (name redacted).

CRS Report RL34029, *Haiti's Development Needs and a Statistical Overview of Conditions of Poverty*, by (name redacte d) and (name redacted).

CRS Report RS22975, *Haiti: Post-Hurricane Conditions and Assistance*, by (name redacted) and (name redacted).

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 thousands of 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.

In his first two years in office, President Calderón secured approval of several major reforms, including fiscal and pension reforms in 2007, and judicial and energy reforms in 2008. An unexpected challenge for Calderón is the effect of the recent global financial crisis on the

Mexican economy, which already has led to a decline in the stock market and the value of the peso.

CRS Products

CRS Report RL32724, *Mexico-U.S. Relations: Issues for Congress*, by (name redacted) and (name redacted),

CRS Report RL34215, *Mexico's Drug Cartels*, by (name redacted).

CRS Report RL32934, *U.S.-Mexico Economic Relations: Trends, Issues, and Implications*, by (name redacted).

CRS Report RL34204, *Immigration Legislation and Issues in the 110th Congress*, coordinated by (name redacted),

CRS Report RL32044, *Immigration: Policy Considerations Related to Guest Worker Programs*, by (name redacted).

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. Charges of widespread fraud in November 2008 municipal elections have led to the suspension of significant international assistance. 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).

The United States, the European Union, and the International Monetary Fund (IMF) have suspended international financial support 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, which had been expected to do well in November 2008 municipal elections. The opposition claims the Sandinistas won 44 of their 105 municipalities fraudulently. The government has refused to conduct a recount and swore in the new officials. The CSE's postponement of local elections on the Atlantic Coast, and further charges of fraud when they were held in January 2009, 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 a lack of transparency and authoritarian practices. It appears the Sandinistas have renewed a governing pact with the Liberal Constitutional Party (PLC). On January 16, 2009, the Supreme Court overturned the money laundering conviction of PLC leader and former President Arnoldo Aleman, who Transparency International calls one of the ten most corrupt leaders of all time. Within two hours the National Assembly – which had been paralyzed by the electoral conflict for over two months – reconvened and reelected a Sandinista legislator as president of the Assembly for another two years. This effectively gives the Sandinistas control over all four branches (executive, legislative, judicial, and electoral) of government.

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 (MCA) to promote rural development. At first, Ortega 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. In December 2008, however, the Millennium Challenge Corporation (MCC) suspended $64 million in new MCA funds in response to the Ortega administration's actions surrounding municipal elections, which the MCC board said "were not consistent with MCC requirements...that promote political freedom and respect for civil liberties and the rule of law." The board will consider whether Nicaragua has implemented measures to address those concerns when it determines its next steps in March 2009.

Similarly, Ortega's administration signed a poverty reduction strategy with the 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.

U.S. aid to Nicaragua has fluctuated over the last several years, 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 FY2009 continuing resolution signed into law in September 2008 (P.L. 110-329) continues funding at FY2008 levels through March 6, 2009.

There are areas of disagreement between the two countries. U.S. officials have expressed concern over increasing ties between Iran and Nicaragua. Iran has pledged to invest in Nicaragua's ports, agricultural sector, and energy network, as well as constructing houses for low-income Nicaraguans, with Venezuela co-financing many of these infrastructure projects. Nicaragua has joined Mexico and other Central American countries in criticizing U.S. inaction on comprehensive immigration reform. 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 (name redacted).

CRS Report RL33983, *Nicaragua: The Election of Daniel Ortega and Issues in U.S. Relations*, by (name redacted).

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 is 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 began in early 2008 for the May 2009 presidential election. Leading candidates include former government minister Ricardo Martinelli of the centrist Democratic Change (CD) party and former housing minister Balbina Herrera of the ruling PRD.

The United States has close relations with Panama, stemming in large part from the extensive linkages developed when the canal was under U.S. control and Panama hosted major U.S. military installations. The current 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 is providing an estimated $7.7 million in foreign aid FY2008, and Panama is expected to receive at least $2.9 million in FY2008 supplemental assistance under the Mérida Initiative. For FY2009, the Administration requested $11.6 million in bilateral foreign aid, and Panama would also receive a portion of Mérida Initiative for Central America in FY2009.

In June 2007, the United States and Panama signed a bilateral FTA, which included enforceable labor and environmental provisions that had been agreed upon in a bipartisan deal between U.S. congressional leaders and the Bush Administration in May 2007. Panama's Legislative Assembly overwhelmingly approved the agreement in July 2007. The U.S. Congress had been likely to consider implementing legislation 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. González is wanted in the United States for his alleged role in the murder of a U.S. serviceman in Panama in 1992. His term expired September 1, 2008, and González did not stand for re-election. The Bush Administration had wanted Congress to consider FTAs in the order that they were negotiated, which put the controversial FTA with Colombia ahead of Panama. The Administration did not submitted implementing legislation to Congress for the Panama FTA, and the 110th Congress did not taken up implementing legislation on its own, leaving any potential action for the next Administration and the 111th Congress (Also see "U.S.-Panama Trade Promotion Agreement" above.)

CRS Products

CRS Report RL30981, *Panama: Political and Economic Conditions and U.S. Relations*, by (name redacted).

CRS Report RL32540, *The Proposed U.S.-Panama Free Trade Agreement*, by (name redacted).

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. Rising inflation and reduced demand for Peruvian products will temper economic growth to what the Economic Intelligence Unit calls a "still robust 4.6%" in 2009, adding that Peru's sound public finances and cushion of foreign reserves can help offset damage from the global financial crisis.

García is seeking to use trade to reduce poverty in Peru, which is concentrated in rural and jungle areas and among the indigenous population. Seven years of fast economic growth has reduced the percentage of Peruvians living in poverty by about 3%. Weak institutional capacity hinders the implementation of poverty reduction programs, however, so that the economic growth has not improved living conditions for the half of the population still living in poverty. The resulting popular frustration has led to growing 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." Local and international groups have also charged that Garcia's trade agenda threatens the environment and the livelihoods of indigenous people, especially in the Amazon region.

Peru's government maintains that it is committed to holding government officials accountable for past abuses of power. Human rights lawyers have questioned the independence of the recently appointed heads of the Supreme Court and Lima High Court, however, noting that they have expressed views or taken action favorable to Former President Alberto Fujimori (1990-2000) or his associates. Fujimori 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. That could cause García to 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 further eroded public confidence in the government. In October 2008, Garcia dismissed 7 of the 17 members of his cabinet in the wake of a bribery scandal.

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, ratified by both legislatures, and signed into U.S. law in December 2007 (P.L. 110-138). Garcia created an environment ministry in May 2008 to carry out environmental impact assessments of the agreement. In October 2008 Congress extended the Andean Trade Promotion and Drug Eradication Act (P.L. 109-432), continuing Peru's trade preferences until December 31, 2009, while Peru worked on intellectual property and environmental legislation needed before the superseding PTPA could go into effect. On January 16, 2008, former President George W. Bush issued a proclamation to implement the PTPA as of February 1, 2009. The chairmen of the House Ways and Means Committee and Trade Subcommittee expressed disappointment, saying that Peru's legislation included "provisions inconsistent with their commitments," and that the U.S. Trade Representative should have resolved those issues prior to certification. They added that they expect that the Obama administration "will improve enforcement of trade agreements, including the use of the dispute settlement mechanism in the Peru and other FTAs."

In June 2008, Peru and the United States signed a two-year, $35.6 million Millennium Challenge Threshold program that supports Peru's efforts to reduce corruption in public administration and improve immunization coverage. In October 2008, Peru and the United States signed a debt-for-nature swap that reduces Peru's debt to the United States by more than $25 million over the next seven years. In exchange, Peru promises to use those funds to support grants to protect its tropical forests.

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; the $13 million increase is mostly for increased alternative development programs, and support for the Peru trade promotion agreement. The FY2009 continuing resolution signed into law in September 2008 (P.L. 110-329) continues funding at FY2008 levels through March 6, 2009.

CRS Products

CRS Report RS22715, *Peru: Political Situation, Economic Conditions and U.S. Relations*, by (name redacted) and (name redacted).

CRS Report RL34108, *U.S.-Peru Economic Relations and the U.S.-Peru Trade Promotion Agreement*, by (name redac ted).

CRS Report RS22548, *ATPA Renewal: Background and Issues*, by (name redacted).

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.

State and local elections held in November 2008 were a mixed picture of support for the government. While Chávez supporters won the governorships of 17 out of 22 contested states, the opposition won contests in three of the most populous states as well as mayoral races in the largest cities of Caracas and Maracaibo. A controversial constitutional referendum scheduled for February 15, 2009 would abolish term limits.

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 concern. From, 2005-2008, President Bush annually designated Venezuela as a country that had 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. On September 11, 2008, bilateral relations worsened when President Chávez expelled the U.S. Ambassador to Venezuela.

In the 110th Congress, congressional concerns regarding Venezuela focused on the state of democracy and human rights, energy issues, terrorism issues, and the overall status of bilateral relations and U.S. policy. The House Subcommittee on the Western Hemisphere held an oversight hearing on Venezuela on July 17, 2008 focusing on U.S. policy and developments in Venezuela.

In terms of legislative action in the 110th Congress, the Senate and House approved resolutions on Venezuela. The Senate approved S.Res. 211 (Lugar) on May 24, 2007, which expressed profound concerns regarding freedom of expression and Venezuela's decision not to renew the license of RCTV. The House approved by voice vote H.Res. 435 (Klein) on November 5, 2007, which expressed "concern over the emerging national security implications of the Iranian regime's efforts to expand its influence in Latin America." Among other provisions, the resolution noted Venezuela's support for Iran in the International Atomic Energy Agency, plans for a $2 million Iranian-Venezuelan fund for investments in third countries, and the establishment of direct civilian airline flights from Iran to Venezuela.

Also in the 110th Congress, the House approved two measures related to Venezuela that ultimately were not enacted into law. First, on June 21, 2007, the House approved by voice vote H.Amdt. 358 (Mack) to H.R. 2764, the FY2008 State Department and Foreign Operations appropriations bill, which would have directed $10 million in international broadcasting operations funding for targeted broadcasting for Venezuela. The House subsequently approved H.R. 2764 on June 22, 2007. The Senate version of the bill, approved September 6, 2007, did not include such a provision. The final enacted measure, the Consolidated Appropriations Act for FY2008 (P.L. 110-161, Division J), did not specify such funding, but the joint explanatory statement on the bill expresses support for restoring shortwave and medium wave transmission to Venezuela.

Second, on July 23, 2008, the House passed H.R. 6545 (Cazayouz) by a vote of 414-0, 2 present, which would have required a national intelligence assessment on national and energy security issues. This would have included an assessment of "the implications of the potential use of energy resources as leverage against the United States by Venezuela, Iran, or other potential adversaries of the United States as a result of increased energy prices." The Senate did not take action on the measure.

CRS Products

CRS Report RL32488, *Venezuela: Political Conditions and U.S. Policy*, by (name redacted).

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