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DEMOCRACY IN LATIN AMERICA: SUCCESSES, CHALLENGES AND THE FUTURE

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DEMOCRACY IN LATIN AMERICA: SUCCESSES, CHALLENGES AND THE FUTURE

WEDNESDAY, JUNE 21, 2006

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Committee met, pursuant to notice, at 10:33 a.m. in room 2172, Rayburn House Office Building, Hon. Henry J. Hyde (Chairman of the Committee) presiding.

Chairman HYDE. The Committee will come to order.

The late *Newsweek* columnist, Meg Greenfield, once said that everyone is for democracy and principle. It is only in practice that the thing gives rise to stiff opposition.

Democracy is, indeed, a widely-shared hope by people around the world, but its realization often faces enormous obstacles and continuing challenges. In today's hearing, the Committee will explore the current fortunes of democracy in Latin America, examine some of the factors behind its successes and failures in an attempt to divine what the future might hold.

By any measure, the spread of democracy in Latin America over decades has been quite remarkable. Twenty-five years ago, 16 of the 35 nations in our hemisphere were ruled by authoritarian leaders. Under these regimes, millions suffered significant oppression and widespread violations of human and civil rights, with little or no ability to influence the government that ruled over them. Throughout that time, the rights and freedoms that are the hallmarks of democracy were only a part of a distant dream of forlorn hope.

Today, through the diligent efforts of visionary leaders in Latin America and their steadfast supporters in the United States and other democratic nations, worldwide democracy has now taken root in 34 of the 35 nations in our hemisphere. Although political freedom in many of these countries is often precarious, only the regime in Cuba continues to tightly shackle its people.

The spread of freedom has had profound results for the lives of people in the region. In the countries once plagued by civil war and unrest, the advent of democracy has been accomplished and accompanied by a dramatic enhancement of security. Where juntas and violent coups once were the norm, free, fair and transparent elections have become common.

This year, people in 14 countries will go to the polls to choose their leaders, both national and local. Following these elections, peaceful transfers of power within established constitutional frameworks will take place. Although some of our neighbors are still

struggling to resolve lingering issues left over from the old regimes, millions throughout the hemisphere who were once excluded from the political process are now enjoying the basic human and civil rights that democracy guarantees.

While we applaud the great strides that most of our neighbors have taken in developing and protecting their political freedoms, we must acknowledge that democratization is a long and difficult road. In Latin America, a region without a long history of democracy, armed insurgencies, drug trafficking, the presence of foreign terrorist organizations, poverty, corruption, weak political institutions and unwelcome interference from other countries threaten to destabilize societies and governments.

It is not surprising that, given the high hopes of many for democracy and the persistence of economic, social and political problems, disillusionment has set in for many who expected quick and easy solutions to the enormous challenges they and their countrymen face.

To bolster the young democracies, leaders throughout Latin America must focus not only on winning elections and writing Constitutions, they must also commit to building strong democratic institutions and practices within their governmental framework. Only strong democratic institutions can protect the rights and liberties of a nation and insulate them from being taken away by a simple change of government.

It is in this area that the greatest problems lie. While some nations in the hemisphere have developed enduring democratic institutions, many others still struggle. Often, these are weak and unable to meet even the basic demands placed upon them, such as establishing and enforcing a fair tax code, instituting an effective judicial system, providing reliable police services and other needs which we in this country take for granted.

Embracing democratic principles and building democratic institutions are the essential first steps in the establishment of political freedom. But the long-term sustainability of any democracy will depend on the ability of its elected leaders to fight the entrenched corruption, political favoritism and greed that all too often pervades the judiciary, police and other agencies of the government.

There has been considerable progress in these areas in many countries, but much remains to be done, and some problems are starting or worsening. It is, in short, a testing time for democracy in Latin America.

Promoting democracy throughout the world has long been a central element of U.S. foreign policy. Nowhere is this more important than in our own hemisphere, where the spread of political freedom has reinforced stability and enhanced human rights, allowed economies to expand and encouraged cooperation within and between countries on many subjects that once were the source of conflict. That progress is now threatened in many areas, and there have been a number of significant setbacks.

We in this country have little choice but to assist those struggling to preserve their freedoms against the rising challenges. Self-interest alone is a sufficient reason to do so, but an equally powerful motivation is fidelity to our ideals and our historic commitment to promoting liberty around the world.

However, regardless of how great our desire to help, there are limits to what we can do. As Mohandas Gandhi once said, the spirit of democracy cannot be imposed from without, it must come from within. That is the test Latin America now faces. How deeply has democracy sunk its roots? How deeply will the people of the region go to defend their own freedom?

I thank our distinguished panel of witnesses. I certainly look forward to our testimony.

Now I turn to my friend and colleague, Mr. Lantos, for such remarks as he wishes to make.

Mr. LANTOS. Thank you very much, Mr. Chairman. I want to commend you for holding this hearing.

Across Latin America, people at the bottom of the economic and social pyramid have begun to say, basta, enough, to decades of marginalization, discrimination, and exclusion from the limited economic growth of their respective countries. As a result, Latino voters have turned their rage on traditional political systems and traditional political parties.

Let me be clear, Mr. Chairman, I do not mean to suggest that the people of Latin America have turned their backs on democracy. Quite the contrary. Their commitment to democracy is profound. According to the leading public opinion organization in the region, a majority of Latin Americans prefer democracy over any other form of government, and still more assert that they would never support the military government and believe that only through democracy will their countries prosper.

The findings of the human rights group, Freedom House, as you have indicated, suggest that the governments across the region reflect the people's preference for democracy. A quarter century ago, Freedom House ranked 16 Latin American countries as free. This year's ranking shows that 22 are in that category. Freedom House concludes that, aside from Western Europe, the Western Hemisphere is the most democratic part of the entire globe.

Although democracy has spread throughout Latin America, the prospects for consolidating democratic institutions and processes in a handful of these countries, like Bolivia, Ecuador, Nicaragua, are much less certain. And in one case, in Venezuela, democracy's foundations have been systematically undermined by a demagogic leader bent on opposing democratic values and interests.

Democracy in Venezuela today is a Potemkin village that seems convincing to some. The President, members of the National Assembly and other political leaders are elected through regularly scheduled ballots. The Supreme Court and the rest of the judiciary adjudicate matters before them, seemingly free from external interference. Opposition parties and the vocal press criticize the government, and the military yields to elected civilian authorities.

But, to a discerning observer, the facade of democracy that Chavez has erected cannot hide the destruction he has wrought on democratic principles and fundamental freedoms in Venezuela. Let me cite just a few examples.

Before the legislative elections at the end of last year, the vast majority of opposition candidates withdrew from the electoral contest. They rightfully feared that the balance of those who chose to vote against Chavez's allies would have been made public. As a re-

sult, candidates subservient to Chavez secured all 167 seats in the new National Assembly, just like the old Soviet elections.

Chavez has been combing through the ranks of the civil service and firing anyone, from managers to janitors, whose name appears on a list of individuals who voted in a constitutionally authorized referendum to recall Chavez. This same list has reportedly been used to deny government contracts, applications for passports and ID cards, access to government-subsidized foodstuffs and medical attention.

Two years ago, contrary to the requirements of the 1999 Constitution, Chavez and his allies in the National Assembly packed the supreme court with pro-government persons. This blatant use of traditional prerogatives was widely criticized around the globe, but that did not put a stop to Chavez's power grab.

Worldwide condemnation also failed to keep the Government of Chavez from enacting the so-called law of social responsibilities in radio and television, which, of course, is a device to restrict the freedom of media.

Mr. Chairman, through these and other attacks on democracy, Chavez has created a one-party state in Venezuela. With his authoritarian regime consolidated, Chavez turned his attention and the country's considerable oil wealth to increasing his stature at the expense of his Latin American neighbors and our own national interests. In Bolivia, Peru, Mexico and Nicaragua, Chavez openly campaigned for and financed candidates who he believes will join his alliance with Cuban dictator Fidel Castro.

To Chavez, the Caracas-Havana axis is primarily intended to counter United States influence in the region to compromise our security interests, including ending terrorist financing and curbing narcotics trafficking. Chavez also is actively courting Iran and North Korea and expressed his willingness to wine and dine a delegation of Hamas terrorists.

Mr. Chairman, the machinations of Chavez in the elections of other countries have not fooled the voters of at least two Latin American nations. These voters have been able to distinguish between genuine leaders and Chavez's would-be acolytes. We must differentiate between demagogic leaders like Chavez and democratic leaders like Chile's Michelle Bachelet, who just visited us last week, who promised to address the widespread poverty, rising income inequalities and rampant discrimination against the indigenous peoples or the communities of African decent.

These leaders, many of whom are from the political left, cannot overcome the daunting challenges of their respective countries without outside assistance.

Mr. Chairman, to ensure that the recently elected and soon-to-be elected Presidents of Latin America are not pressured into accepting the oil slick promises of dictators' dollars, we must reengage with the region in three concrete ways: First, we must become more engaged in the region. We are now paying the price of a mindless pursuit of laissez-faire policies in Latin America. Most Latinos are fed up with free-trade agreements that primarily benefit giant corporate interests at the expense of struggling workers. They are fed up with forced privatization of utilities, which have often resulted in higher prices for inferior services; and they are

fed up with politicians who are the ideologic descendents of the United Fruit Company.

Latin America yearns for leaders like Franklin Delano Roosevelt, towering figures with vision, integrity and an understanding of the people's needs; and they seek a new deal from us that restores cuts to basic health and education for the region's poor, accepts that trade must be fair to workers and not just free for bosses of big business, and recognizes that the state has a legitimate role to play in the development of their countries.

Second, our Government must show respect for all regional leaders, regardless of whether they are from the political right or left, as long as they defend human rights, strengthen the rule of law and promote democratic governments in their countries. We must demonstrate to these leaders and their people that we view them not as annoyances in our backyard but as neighbors who are as dedicated as we are to building a democratic and prosperous hemispheric community.

Lastly, Mr. Chairman, as voters across the region continue to stream into polling booths, to choose between the policies of the past or a new paradigm for progress, our Nation also has a fundamental choice to make. We can defend or discredit that status quo, which is on its last breath in many countries, or assist the transitions to more just and more equitable societies. Our choice is clear. We should stand for change.

I thank you, Mr. Chairman. I look forward to the remarks of our witnesses.

Chairman HYDE. Thank you, Mr. Lantos.

It is the intention of the Chair to recognize Members for a 1-minute brief opening statement, should they desire to make one, before we get to the witnesses. So I will call them in the order in which they appeared in the Committee room for today's hearing.

Mr. Burton of Indiana.

Mr. BURTON. Thank you, Mr. Chairman.

I don't have any opening comments other than to say I agree with almost everything that you and Mr. Lantos said, and I look forward to hearing from our witnesses. I have a number of questions for them which I think will illuminate the issue better than me making a speech right now.

Thank you, Mr. Chairman. I yield back.

Chairman HYDE. Thank you.

Ms. Lee of California.

Ms. LEE. Thank you, Mr. Chairman.

First, let me just say it is obvious that there are points of disagreement regarding the United States' interpretation of democracy and national sovereignty. History has shown that positive engagement is far more successful than isolation, and American intervention in the affairs of many sovereign nations has only hastened the deterioration of democracy in conflict-ridden countries. We cannot make the cry of undramatic and strategic locations after looking the other way in others.

I do believe that there is much room for improvement in democracy, equal rights and access to the political system for the disenfranchised and the poor, including women, the indigenous people of many countries and Afro descendents in the hemisphere.

But I also believe what we need to do today is hear from those testifying with regard to new, concrete and diplomatic suggestions and your analysis for finding that real, delicate balance of supporting the outcome of democratic fair and free elections, especially maybe when we don't agree with the outcome of those elections.

I think that is the critical question that we need to understand and answer, not only in the Western Hemisphere but throughout the world.

Thank you, and I yield the balance of my time.

Chairman HYDE. Ms. Ros-Lehtinen of Florida.

Ms. ROS-LEHTINEN. Thank you so much, Mr. Chairman. I congratulate you for scheduling this timely hearing on democracy in Latin America.

This Committee has done due diligence in identifying threats and challenges to the consolidation of democratic institutions in the region. These range from corruption to narcoterrorism, to oppressors such as Fidel Castro and his proxies, who seek to foment instability and expand their revolutionary ideologies to other parts of the hemisphere.

Freedom, democracy and free markets threaten their self-serving, repressive agenda, and they will use all of their available resources to undermine the young democracies in Latin America. Given this reality, it is necessary for the United States to implement our own multi-pronged strategy to counter these assaults and ensure that the forward momentum of translating elections into democratic governance continues unabated.

I am extremely pleased to see three good friends with us today, Adolfo Franco, with whom I have worked on a number of issues, as well as Assistant Secretary of State Shannon. I look forward to their testimony. And I am so pleased to see the participation of Under Secretary Dobriansky—Paula to all of us—who is extremely welcome here, given her expertise on the overall approach to democracy promotion worldwide, programmatic objectives and application to the region that we are focusing on today; and I will have a series of questions for her and the other panelists.

Thank you, Mr. Chairman.

Chairman HYDE. Mr. Engel of New York.

Mr. Engel. Thank you, Mr. Chairman, for convening this very timely hearing on this day of democracy in Latin America.

As Ranking Member of the Western Hemisphere Subcommittee, this is certainly a topic of great interest to me. We are witnessing a historic period in which a staggering seven Latin America countries have elected new Presidents through democratic elections since November 2005, and six more Presidential elections are scheduled for the remainder of 2006. The outcome of these elections has and shall have real consequences for the state of democracy in the region, and I look forward to hearing your views on democratic developments in the Western Hemisphere—I say that to the panel—as well as their impact on United States relations and policy in the region.

I am also particularly interested in the panel's opinion of the proper U.S. role, as I am concerned that we support democratic forces in a way that is not counterproductive. I think we should support democracy, and I am disturbed about the subversion of de-

mocracy in some quarters. But, whatever our concerns, I don't think we should take sides in upcoming elections in other countries. I hope to hear your thoughts on how to maintain neutrality while at the same time protecting U.S. interests.

Thank you again, Mr. Chairman, for convening the hearing. I look forward to hearing from all witnesses.

Chairman HYDE. Mr. Boozman of Arkansas.

Mr. BOOZMAN. No, thank you, Mr. Chairman.

Chairman HYDE. Mr. Meeks of New York.

Mr. MEEKS. Thank you, Mr. Chairman.

You know, we cannot talk about Latin America without talking about the twin issues that link the two. The twin issues are democracy and poverty. Too often, poverty is democracy's parasite. If, in fact, we are going to truly do something from the United States Government, as opposed to taking sides with this leader or that leader or accusing with this finger that this person is more democratic than others, we really need to look at what we can do to eradicate poverty in Latin America. We have not done that, really.

That is the reason why, at times, you have a situation where some individuals are talking about Mr. Chavez one way and President Chavez some other way. The idea is to eradicate poverty, because, unless you do that, democracy will run into a problem.

You have a whole host of individuals, particularly African Latinos throughout Colombia, Brazil, Peru, Venezuela, who have never—who always have been on the bottom, no matter who the leader has been.

Unless we talk and come together—and I do think there is a sense of hope with a number of the leaders and the people coming together, because they understand that the key to their having a better tomorrow is beginning to make sure that there is not a trickle-down but a trickle-up with the people on the bottom who have been stuck on the bottom of the river able to get release from that so that they can truly participate in the country and all that it has to offer.

Thank you, Mr. Chairman.

Chairman HYDE. Mr. Weller of Illinois.

Mr. WELLER. Thank you, Mr. Chairman.

First, let me commend you and Mr. Lantos for conducting this hearing. I agree with much of the statements that the Ranking Members as well as the Chairman expressed.

As we look forward to the testimony from our guests before us today—and I welcome them—I am particularly concerned about the current assault on democracy in Latin America.

We have seen outside funding from foreign sources, funding, various organizations and street protests which were directly involved in the undermining of democratically elected governments in Bolivia and Ecuador. We have seen direct intervention by a foreign government from elsewhere in South America and the Peruvian elections as well as in Mexico.

I want to focus on Nicaragua in my questions today. But, clearly, democracy is under assault in Latin America. I believe that this hearing is extremely important. I want to commend you, Mr. Chairman, for conducting this hearing today.

Chairman HYDE. Thank you.

Mr. Rohrabacher.

Mr. ROHRABACHER. Thank you very much. I appreciate your leadership, and I appreciate all that Ms. Dobriansky has done for the cause of freedom—Dr. Dobriansky has done for the cause of freedom throughout the world in her distinguished career.

Let me note that one country hasn't been mentioned that I believe needs to be mentioned, and that is that China is today playing what I consider to be a malevolent influence in Latin America, with alliances with Chavez, Castro, Panama, and this is doing the cause of democracy a great disservice and is a threat to the United States of America. We need to recognize that.

We need to recognize, also, that the swing to the left, which is helped along by China in these countries, is not going to do anything to improve the lives of the people there because it will undermine their economic growth and their ability to work within the global system.

With that said, I want to congratulate Constantine Menges for the record that he warned us that China was going to have a negative impact on freedom in Latin America. I am very happy we are paying attention to that threat today.

Chairman HYDE. Mr. Tancredo of Colorado.

Mr. TANCREDO. I have no opening statement, Mr. Chairman.

Chairman HYDE. Thank you.

Dr. Paula Dobriansky graciously joins us this morning as our first witness. Dr. Dobriansky became Under Secretary of State for Democracy and Global Affairs in July 2005; and in this capacity she is responsible for a broad range of foreign policy issues, including democracy, human rights, labor and humanitarian relief matters.

We also welcome Mr. Adolfo Franco to the Committee. He is Assistant Administrator of the Bureau for Latin America and the Caribbean at the U.S. Agency for International Development, where he is responsible for the administration of U.S. economic and humanitarian assistance to the region. Prior to his appointment, Mr. Franco famously served as counsel to this Committee.

Dr. Dobriansky, would you please proceed?

STATEMENT OF THE HONORABLE PAULA J. DOBRIANSKY, UNDER SECRETARY OF STATE FOR DEMOCRACY AND GLOBAL AFFAIRS, U.S. DEPARTMENT OF STATE

Ms. DOBRIANSKY. Thank you, Mr. Chairman, Members of the Committee. Thank you for this opportunity to discuss democratic development in Latin America. I will submit my full testimony for the record.

Any assessment of the state of democracy in Latin America has to begin by recognizing the significant progress made by our neighbors in recent years. A region once marked by military governments and armed insurgencies has been transformed to one where democracy has become the rule, not the exception.

The democratic consensus that unites our hemisphere is enshrined in a groundbreaking document, the Inter-American Democratic Charter, which declares that "the peoples of the Americas have a right to democracy and their governments have an obligation to promote and defend it."

United States policy has adapted to this revolutionary new consensus in our hemisphere by continuing to work with responsible leaders from across the political spectrum in a respectful and mutually beneficial way to make democracy a force for inclusion and empowerment.

As Secretary Rice recently said, "We charge no ideological price for our partnership. We will work with all governments from the left, from the right, as long as they are committed in principle and practice to the core conditions of democracy, to govern justly, to advance economic freedom and to invest in their people."

U.S. policy offers a positive vision based on the benefits of representative democracy, free markets, economic integration and faith in the transformative power of freedom in individual lives.

This is part of our broader goal and broader global effort as well. The U.S. has been a key supporter of the Community of Democracies, which has become an important venue for democracies, including smaller and developing nations, to share their experiences and develop best practices that can help build capacity.

In April 2005, I accompanied Secretary Rice to Santiago, which played host to the CD Ministerial. Prior to that meeting, we organized a "Democracy Dialogue," where some of our hemispheric partners, along with several African countries, produced a series of recommendations and best practices related to regional action to protect and promote democracy.

Building on both the 2003 Dialogue and the Santiago CD Ministerial, we are working with the Organization of American States (OAS) and the African Union (AU) to establish a bridge between the democratic countries in the AU and the OAS to collaborate on institution building, to share best practices and to counter threats to democracy, among other goals.

Still, while the region has come far, we all must understand the journey continues. As Secretary Rice has said, democratization is a process, not an event. So we do continue to confront many challenges in strengthening democracy in the region.

The unprecedented political mobilizations we have witnessed of late have not always been accompanied by commensurate development of the liberal institutions that are at the core of successful democratic governance. Democratization has demonstrated pressures for positive change, and it is being channeled into institutions that aren't always capable of delivering that change. Where the gap is largest, populations are most susceptible to the appeals of populists.

In short, the task of strengthening institutions has become a key priority of governments throughout the region, so that democracy results in more social justice, more effective governance, more inclusion, greater development and greater stability. In short, that it transforms people's lives for the better.

To be an effective partner in the region, our policy seeks to highlight the link between democracy and development; and to do that we have based it on four key pillars: Strengthening democratic institutions, which includes targeting programs to marginalized peoples in Bolivia, Ecuador, Brazil, for example, to promote more inclusive democracy.

In Nicaragua, we have trained over some 700 trainers who, in turn, trained electoral officials preparing for the November national elections.

In Peru, our programs have strengthened local governments and regional governments and trained nearly 650 nongovernmental organizations, including women's and indigenous organizations, on participation in local decision-making.

In Haiti, we helped to bring about successful Presidential and parliamentary elections by working on strengthening political parties, reinforcing the Electoral Council, supporting electoral observers, training journalists and supporting civic education campaigns.

Mr. Chairman, these are just a few of the ways that State Department funds are being used to help our neighbors strengthen those institutions without which democratic governance is impossible.

The second pillar of our strategy is promoting prosperity. We are accomplishing this through a robust trade agenda and developing a basket of debt relief, poverty reduction, trade capacity building, competitiveness and private-public partner activities to complement free trade.

President Bush has nearly doubled our annual foreign assistance to the region since 2001.

Also, last year, we signed the Millennium Challenge Account compact with Honduras for some $215 million and one with Nicaragua for $175 million, both of which will improve rural road networks to help farmers transport their goods to market, as well as answer other rural development needs. We are now negotiating a compact with El Salvador, and we are devoting some $35 million to help Paraguay fight corruption and its business climate and move closer to qualifying for a compact of its own.

Third, bolstering security. We are confronting non-traditional, multi-dimensional threats such as organized crime, terrorism, gangs, natural disasters and pandemics. By protecting the people of the Americas from those who operate outside the law, we strengthen democracy, promote social justice and make prosperity more likely.

The fourth pillar of our policy is investing in people, because sustaining democratic development is not just about working to get the economies and politics of prosperity right. For citizens to realize their full potential and freedom requires deepening investments in health care and education.

The President's vision for this hemisphere is rooted in partnership. We will advance our common agenda as equals, with leaders who practice democracy, social justice and social inclusion.

An important aspect of our democracy promotion strategy also calls for building strategic partnerships not only within the region, engaging regional partners such as Colombia, Mexico, Chile, but also with cooperative nations and organizations from outside hemisphere, like the European Union. We will also do this through the Organization of American States and the Inter-American Development Bank.

Mr. Chairman, in conclusion, we are at a key juncture in our relations with our hemisphere partners. Because, ultimately, if this great democratic transformation we are witnessing in the Americas

is successful, we are able to show that democracy can provide solutions to issues of inequality, social exclusion and poverty, then it is only going to enhance our efforts to achieve democratization elsewhere in the world.

Thank you. Mr. Chairman, I will be happy to answer any questions that you and the Committee may have.

[The prepared statement of Ms. Dobriansky follows:]

PREPARED STATEMENT OF THE HONORABLE PAULA J. DOBRIANSKY, UNDER SECRETARY OF STATE FOR DEMOCRACY AND GLOBAL AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. Chairman, members of the Committee, I thank you for this opportunity to discuss democratic development in Latin America. I appreciate and value your and the Committee's interest in this important issue.

Any assessment of the state of democracy in Latin America has to begin by recognizing the significant progress made by our neighbors in recent years. A region once marked by military governments and armed insurgencies has been transformed to one where democracy has become the rule, not the exception.

When the 34 democratic members of the Organization of American States gathered in Santo Domingo on June 4 for their annual General Assembly, there was only one empty seat at the table, a seat that will one day be filled by a representative of the free people of a democratic Cuba.

The democratic consensus that unites our hemisphere is enshrined in a unique and groundbreaking document: The Inter-American Democratic Charter, which declares that "the peoples of the Americas have a right to democracy and their governments have an obligation to promote and defend it." The Charter is much more than a grand statement, it provides a recipe for what are the essential elements of a democratic system, and emphasizes as well that "democracy is essential for the social, political, and economic development of the peoples of the Americas."

United States policy has adapted to this revolutionary new consensus in our hemisphere by continuing to work with responsible leaders from across the political spectrum in a respectful and mutually beneficial way to make democracy a force for inclusion and empowerment.

As Secretary Rice recently said in remarks before the Council of the Americas, "We charge no ideological price for our partnership. We will work with all governments from the left, from the right, as long as they are committed in principle and practice to the core conditions of democracy, to govern justly, to advance economic freedom and to invest in their people."

Indeed, to help sustain the region's democratic transformation, U.S. policy offers a positive vision based on the benefits of representative democracy, free markets, economic integration, and faith in the transformative power of freedom in individual lives.

This is part of our broader global effort, as well. The U.S. has been a key supporter of the Community of Democracies, which has become an important venue for democracies, including smaller and developing nations, to share their experiences and develop best practices that can help build capacity. In April 2005, I accompanied Secretary Rice to Santiago, which played host to the CD Ministerial, where Chilean leadership was critical to getting agreement on key issues, such as promoting a democracy practitioners database for the OAS. Prior to that, we organized what we called a "Democracy Dialogue," where some of our hemispheric partners, such as Chile, Dominican Republic, El Salvador, Jamaica, Nicaragua, and Peru, along with seven African countries, produced a series of recommendations and best practices related to regional action to protect and promote democracy.

Building on both the 2003 Dialogue and the Santiago CD Ministerial, we are working with the OAS and the African Union (AU), to establish a bridge between the democratic countries in the AU and the OAS to collaborate on institution building, to share best practices and to counter threats to democracy, among other goals.

Still, while the region has come far, we all understand the journey continues. The fact is that the hard work of democracy is never done. As the Secretary has said, democratization is a process—not an event.

And so we do continue to confront many challenges in consolidating and strengthening democracy in the region. Not surprisingly, the success of democracy in the Hemisphere has paradoxically helped define the biggest challenge it now faces in many countries. It has produced what President Bush has called a "revolution in expectations."

The unprecedented political mobilizations we have witnessed in the region have not always been accompanied by commensurate development of the liberal institutions that are at the core of successful democratic governance. Democratization has generated pressures for positive change, and it is being channeled into institutions that aren't always capable of delivering that change. Where the gap is largest, populations are most susceptible to the siren songs of populists and the backward momentum they represent.

In short, this task of strengthening institutions has become a key priority of governments throughout the region—so that democracy results in more social justice, more effective governance, more inclusion, greater development, and greater stability. It is an enormous task, but I can think of no more legitimate or worthy one in the region. Supporting our neighbors in this quest is among the highest priorities of our policy in the Western Hemisphere.

Four Pillars

To be an effective partner, our policy seeks to highlight the link between democracy and development, and to do that we have based it on four key pillars: strengthening democratic institutions, promoting prosperity, investing in people, and bolstering security.

United States assistance programs to shore up democratic institutions in the Hemisphere range from legal code reform and judicial training to anti-corruption projects, conflict resolution, and support for free and fair elections. They are helping governments promote reforms that will enable elected officials to be more responsive to their constituents and give people a greater sense of direct participation in the political system.

A key aspect in this area is helping to reach out to marginalized peoples to promote more inclusive democracy. In Bolivia, for example, U.S.-supported programs have trained over 300,000 indigenous, especially women and youth, on civic education and leadership and produced democracy-oriented radio programs in widely understood indigenous languages. In Ecuador, we have provided political leadership training to Afro-Ecuadorians to increase their participation in elections. Additionally, we have funded visits to the United States by several Afro-Brazilians to study the African-American experience and the importance of political participation in the democratic process.

In Nicaragua, we have trained 686 trainers who in turn trained 17,140 electoral officials preparing for the November national elections; in Peru, our programs have strengthened 340 local governments and six regional governments, and trained nearly 650 nongovernmental organizations, including women's and indigenous organizations, on participation in local decision-making.

In Paraguay and the Dominican Republic, we've worked with our partners to improve the legal environment for anti-corruption reform and the administration of justice. We have procured and shipped thousands of democracy, human rights, and free enterprise books and pamphlets to support Cuba's growing independent library network.

In Haiti, perhaps our biggest challenge, we helped to bring about successful presidential and parliamentary elections by strengthening political parties; reinforcing the Electoral Council; supporting electoral observers; training journalists; and supporting civic education campaigns.

Promoting economic prosperity is fundamental to our agenda because the inequality of income and wealth and social exclusion that characterize much of the region make it difficult for democracy to thrive. Sustainable economic growth and political stability are only possible if governments consciously provide access to the political system, economic opportunity, and social justice to all citizens, especially the poor and marginalized who possess tremendous talents and capabilities that are largely underutilized.

President Bush has nearly doubled our annual foreign assistance to the region since 2001. Through the Millennium Challenge Account initiative, we are directing that new assistance to countries that have proven their commitment to democracy and ruling justly, but that need help in attacking poverty and sustaining economic growth. MCC assistance is a tangible demonstration of how we view the linkage between development and democracy. Last year, we signed a compact—a five-year commitment—with Honduras for $215 million and one with Nicaragua for $175 million, both of which will help improve rural road networks to help farmers transport their goods to market, as well as answer other rural development needs. We are now negotiating a compact with El Salvador and we are devoting $35 million to help Paraguay fight corruption, improve its business climate, and move closer to qualifying for a compact of its own.

President Bush also believes that one of the surest ways to make opportunity real for all our citizens is by opening our doors to free and fair trade. Openness to other people and other ways of doing business has always been a path to development, while isolation means stagnation. Free Trade Agreements have also been critical tools to help leaders to improve and reform their economies.

Thus, we will press forward with a robust trade agenda to prime the pump of prosperity. We have already signed, and the Congress approved, free trade agreements with Chile, Mexico, Canada, Central America, and the Dominican Republic. Most recently we signed new free trade agreements with Colombia and Peru, and we are still negotiating yet another with Panama. Our vision remains a free trade area of the Americas; the union of 800 million men and women from Northern Canada to Southern Chile, in the world's largest free trade community.

In addition, we have developed a "basket" of poverty reduction, trade capacity building, competitiveness, and private-public partner activities to complement free trade. Our new CAFTA–DR partners are benefiting from our trade capacity building assistance in labor and the environment. We will work with our neighbors to help enhance their energy security and to develop new sources of energy. We will continue to lead hemispheric efforts to catalyze private sector investment, reduce the cost of doing business, and expand access to micro-credit.

We have also worked tirelessly to win debt relief agreements for the most disadvantaged countries in our hemisphere, and we are working with our partners to improve the effectiveness of the Inter-American Development Bank. President Bush is keenly interested in strengthening the bank's role in private sector development—especially of small businesses, which are the backbone of a healthy and growing economy.

Democracy must also provide security, so citizens can exercise their basic rights. In recent years, the United States and our regional partners have fundamentally transformed the security agenda of the Americas and forged a consensus on the vital link between security and prosperity. Today's challenge is confronting nontraditional, multidimensional threats such as organized crime, terrorism, gangs, natural disasters, and pandemics. By protecting the people of the Americas from those who operate outside the law, we strengthen democracy, promote social justice, and make prosperity more likely.

Lastly, sustaining democratic development is not just about working to get the economics and politics of prosperity right. Democracies must respect human dignity, which will flourish when citizens have the power to make decisions concerning their own lives, and when they know that they have the opportunity to improve their way of life. For citizens to realize their full potential in freedom requires deepening investments in health care and education. Through our programs to fight HIV/AIDS, tuberculosis, and malaria, we are saving lives throughout the Hemisphere, particularly among the poorest. We are helping governments develop preparedness plans for natural disasters such as Avian Flu and hurricanes. Our Centers for Excellence in Education (CETTs) have already trained some 12,500 teachers and improved the literacy skills of over 450,000 students.

Mr. Chairman, by targeting our efforts on these four pillars we seek to help countries live up to their democratic commitments and demonstrate to their citizens that government institutions can operate transparently and impartially, address the profound social issues that the Americas face today, and give people a voice in their national destiny. And through economic openness and opportunity, we can give people the belief and the hope that they can actually be agents of their own destiny and have some degree of control over their lives and the lives of their children.

Strategic Partnerships

The President's vision for this Hemisphere is rooted in partnership. We will advance our common agenda, as equals, with leaders who practice democracy, social justice, and social inclusion. As Secretary Rice has said, "The United States has no desire to do things for our democratic partners; we want to do things with our democratic partners."

Indeed, an important aspect of our democracy promotion strategy calls for building strategic partnerships not only within the region—engaging regional partners like Canada, Colombia, Mexico and Chile—but also with cooperative nations and organizations from outside the Hemisphere, like the European Union, to ensure the greatest possible impact.

We will also do this through our hemisphere's premiere multilateral institutions: the Organization of American States—which is a principal vehicle in strengthening democracy through its members' common allegiance to the Inter-American Democratic Charter—and, the Inter-American Development Bank. We are actively engaged with other parts of the inter-American system that work with governments,

political parties, labor and business associations, and civil society organizations in order to develop the capacity to evolve, to change, and to become responsive to the demands that are being placed on them.

The bottom line, Mr. Chairman, is that we recognize that we are at a key juncture in our relations with our hemispheric partners where no one can afford to sit on the sidelines, because ultimately if this great democratic transition and transformation we are witnessing in the Americas is successful, if we are able to show that democracy works, that it can provide solutions to issues of inequality, social exclusion, and poverty, then we have a chance to do so in the rest of the world.

If we are not successful here—with our shared values and strong consensus about what actions democracies must take to create lasting development for their people—it is going to be that much harder to achieve democratization elsewhere in the world where this common base of understanding and values does not exist.

By making the blessings of freedom real in our hemisphere, we hope to set a shining example for the entire world.

Thank you, Mr. Chairman, and I will be happy to answer any questions you and the Committee may have.

Mr. BURTON [presiding]. Thank you, Dr. Dobriansky. We appreciate your comments. We will have a lot of questions for you in a moment.

Mr. Franco.

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

Mr. FRANCO. Thank you, Mr. Chairman, Members of the Committee. I am pleased to have the opportunity to voice the concerns of USAID throughout our development agenda for Latin America and the Caribbean and to continue to work on strengthening democratic institutions in the region.

With your permission, Mr. Chairman, I am submitting my full statement for the record. Secretary Dobriansky has outlined the Bush Administration's policies very clearly. I would like to draw your attention to a couple of the hot spots in the region, as well as to what USAID is doing to address them.

Last September, I testified before this Committee's Subcommittee on the Western Hemisphere and expressed some of our concerns, discussed our successes in the region and some of the challenges that remain ahead. Since that time, we have had peaceful elections in a number of countries, including Colombia, Bolivia, Chile and Peru, and two rounds of elections in Haiti.

Before this year is over, as Chairman Hyde noted, we will also witness Presidential elections in Ecuador, Brazil, Mexico, Nicaragua and Venezuela. So we can really celebrate that democracy is taking hold in the Western Hemisphere when we compare where we were just 20 years ago.

However, as has been noted in the opening statements, the successes that we have had are still being challenged. There is still much to be done. The United States Government believes that democracy continues to be threatened by corruption, poor working government institutions, weak rule of law, ineffective governance policies, rising crime and increasing gang violence. This is all being compounded with, as Mr. Meeks has noted, the endemic poverty and inequality that plagues the region.

The fact is that the newly democratic or the democratic-elected governments throughout the region are still unable to meet citi-

zens' demands for services, economic opportunities and security. That is a fact. Our funded surveys on the regional attitudes have found that citizens in many countries, especially in the Andean Region, are deeply skeptical about their governments' inability to deliver on basic services. This is in part due to high levels of past corruption, inequality and exclusion and, increasingly, because of crime.

The most discredited institutions are also, unfortunately, the most important ones to democracy. These are political parties, legislators, the judiciary and law enforcement.

President Bush's commitment to the region is, however, as strong as ever. I would like to focus on two areas where the Administration of this President and Secretary Rice are working to reinforce and continue to strengthen and build democratic institutions, as noted by Secretary Dobriansky.

I would like to focus on two areas where our USAID programs are increasingly being focused. They have to do with elections and crime. Without success in these areas, democracy in Latin America cannot continue to advance as we have seen it advance for the past two decades.

We have noted a majority of the Western Hemisphere countries have elected civilian governments, peaceful Presidential transitions and relatively free and independent medium in all but one country in the region. Of course, that is Cuba, where we do not have a democratically elected government.

In Haiti, the United States Government has been working to help the newly-elected Preval Administration succeed. In the months leading up to the Haitian elections, the USAID, in conjunction with the USAID Mission in Haiti, coordinated and provided $31 million for election support and provided assistance to a variety of political parties to ensure inclusion and debate and the participation of civil society organizations. Election activities included voter registration efforts, observation and monitoring to ensure good and fair elections in Haiti.

In the current post-election environment, USAID continues to support the gains we have made and is working with the newly-elected Haitian parliament to strengthen international capacity and encourage democracy and now, increasingly, focus on municipalities and local organizations.

USAID is also working to strengthen democracy in Nicaragua. The November 5 elections will be historic ones for the Nicaraguan people as it will elect a new President, Vice President, National Assembly, as well as delegates to the Central American Parliament.

Democracy in Nicaragua has been under assault, Mr. Chairman, because of the country's two main political parties. The Sandinistas and the Liberals maintain control of the legislature, judiciary and elections commission in an effort to try to manipulate the electoral policy.

As Secretary Dobriansky has noted, our efforts are to ensure free and fair elections and work with whomever is elected. Our work in Nicaragua is focused on ensuring that the electoral policies that are in place in that country provide those free and fair elections for the people of that country. As a result, we are investing in election monitoring, electoral law reform, voter registration, voter list up-

date and civic education campaigns as well as coordination with other governments of the region.

I would like to draw your attention to an issue that is rapidly growing in our region and could seriously undermine the democratic process of the last decade. I know, Chairman Burton, this is of great concern to you. That is the violence and crime, particularly of gangs, in the region. The issue of gangs, organized gangs, especially youth gangs is now a transnational issue affecting the United States.

As sophisticated communications technology and have facilitated the expansion of gang activity across national borders throughout the United States, Central America and Mexico, the insecurity that is resulting from gang violence undermines the work of already fragile democracies and weakens the hemisphere's governments.

In addition, crime slows the wheels of economic growth. Corruption and weak rule of law contribute to high crime rates and have further reduced the annual growth by as much as 15 percent in the region attributable only to gang violence. Therefore, USAID and other government agencies are proactively addressing the issue.

USAID is working in conjunction with the Department of State and the Department of Justice to coordinate an interagency strategy for combating youth gang in the hemisphere and create a holistic and balanced approach to the problem that has to do with prevention as well as law enforcement.

A comprehensive gangs program is now being put together at USAID and the State Department to address the problem in El Salvador, Guatemala, Honduras, Nicaragua and Mexico to provide that combination of prevention, intervention and law enforcement approaches to combat the problem.

I believe that we are uniquely positioned to address prevention and intervention aspects, and we are looking to by supporting policies in community-based programs that address the root causes of violence in gangs, which have to do with opportunities for young people, to give them an alternative to joining a gang. We are supporting community-based policing peripherals in El Salvador to create confidence in the marginalized populations in the police, and supporting an innovative community crime prevention program in Guatemala, which I would be happy to work on with the Committee. I pledge, Mr. Chairman, to redouble our efforts in this area.

We are helping to strengthen the judicial systems and increase the effectiveness and the accountability of the police and improve community-based relations between the police and the communities they serve.

Despite the rising threat of violence and the fragile state of democracy in the region, USAID remains committed to strengthening these democratic institutions in the hemisphere. We have increased our total assistance to the region over the last 6 years, and we are also pressing regional leaders to meet the needs of the people by, as President Bush said, ruling justly and ensuring human rights and being good stewards of the people's faith and resources. Only then will democracy flourish in the region and our shared goals and vision be achieved.

Secretary Rice reinforced this when she stated that democracy is fundamental to securing all of our national interests in Latin

America, not just economic interest. USAID and our partners will continue to support stable democracies in all sections of the hemisphere and provide hope and opportunity to the people of the region, but we cannot do it alone. We need the international community, the OAS and the commitment of the regional leaders themselves.

Mr. Chairman and Members of the Committee, thank you for the opportunity to appear before you today. I welcome any questions you have for me. Thank you.

[The prepared statement of Mr. Franco follows:]

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

Introduction

Mr. Chairman, Members of the Committee, I am pleased to have this opportunity to voice USAID's concerns for Latin America and Caribbean (LAC) democratic progress and draw your attention to the successes, challenges and future of our region. In September of last year, I was able to speak before this very same committee on "Hot Spots" in Latin America and the United States Agency for International Development's (USAID) democracy assistance programs. I greatly appreciate the opportunity to appear before you again today to update you on these critical issues.

In May 2006, while speaking to Uruguay's President Tabare Vazquez, President Bush reiterated the United States' commitment to promoting justice and prosperity in Latin America. The strong economic, cultural, and geographic ties between the United States and the countries of the Western Hemisphere make their political and economic stability of vital interest to the United States and underscore why USAID remains committed to promoting strong and prosperous democracies in Latin America. As Secretary of State Rice has emphasized, democracy is fundamental to securing all of our national interests in Latin America. It is a vital precedent for generating broad-based, sustainable economic growth; improving livelihoods through investments in health and education; and preventing crime, terrorism, and conflict.

Latin America's democratic transition has strengthened public institutions and brought economic stability to what was once a war-torn and crisis-prone region. Now in a majority of Western Hemisphere countries there are elected civilian governments, peaceful presidential transitions, and relatively free and independent media; and all but one country in the region, Cuba, have democratically elected governments. Latin America is undergoing a wave of electoral cycles, and will witness over ten presidential elections this year alone.

Nevertheless, USAID believes that democratic rule in Latin America is not yet consolidated and continues to be threatened by corruption, weak rule of law, ineffective governance, rising crime and gang violence, and endemic poverty and inequality. Democratically elected governments throughout the region are still unable to meet citizens' demands for improved services, economic opportunities and security.

USAID-funded surveys on regional attitudes toward democracy have found that citizens in many countries, especially the Andes, are deeply skeptical of their governments' legitimacy, in part due to high levels of corruption and in part due to high levels of crime; and they are rightfully questioning their government's inability to deliver on their demands. The most discredited institutions are also among the most important ones in a democracy—political parties, legislatures, judicial entities and law enforcement. Moreover, in some of the region's most poverty-stricken countries, citizens seeking radical change are supporting populist leaders whose policies may threaten the democratic institutions and practices that took the region so long to attain. Already in several countries economic nationalism is hindering private investment and free markets, and more centralized power is threatening the continuation of representative democracy.

Challenges to democracy come as no surprise given the vast levels of inequality and poverty in Latin America. The region is the most unequal in the world in terms of income disparity and is also one of the most impoverished, despite increases in per capita income over the last decade. According to a 2006 World Bank study, close to 25 percent of the population lives on less than two dollars a day.

We at USAID believe that our work is critical to meeting the aforementioned challenges and consolidating democratic gains in the hemisphere. Some of the complex

challenges ahead are surfacing in Bolivia, Cuba, Haiti, Nicaragua, Venezuela, Ecuador and Peru.

Bolivia

In Bolivia, Evo Morales and his Movement toward Socialism (MAS) party have continued to waver on economic policy, democracy, and counternarctoics. Morales and his MAS party not only won the presidency and a majority of seats in both houses of Congress, they also won a third of the state governorships (prefectures). Overall, the electoral process was a victory for democracy. However, preserving balanced power in a democratic system of government will be Bolivia's greatest challenge.

The new Bolivian government has, on several occasions, demonstrated inclinations to consolidate executive power and promote potentially anti-democratic reforms through the Constituent Assembly and other means.

On May 1, President Morales moved to nationalize the nation's natural resources, including its energy sector. In addition, there is serious concern about the executive branch meddling in judicial and electoral affairs. The upcoming Constituent Assembly, which is scheduled to begin in August of this year, will test the strength and robustness of the country's democratic practices.

USAID is focusing assistance to Bolivia on programs that strengthen vibrant and effective democracies, including the support of counterweights to one-party control such as judicial and media independence, a strong civil society, and educated local and state level leaders. In Bolivia, each of these groups contributes to the oversight of all democratic institutions, including the Constituent Assembly. USAID is also promoting good governance by helping newly elected state leaders to manage their budgets transparently, increase their accountability and engage their constituents effectively. This will help raise their national profiles and strengthen democratic institutions.

Cuba

President Bush, again on May 20, 2006, reaffirmed U.S. government support to the Cuban people to help promote a rapid, peaceful transition to democracy in Cuba. The Castro regime continues to deny Cuban citizens the most fundamental human rights of freedom of speech, freedom of assembly, freedom to organize independent labor unions and political parties, freedom of religion, and other freedoms contained in the United Nations Declaration on Human Rights. Amnesty International, in its May 2006 Annual Report, cites the Castro regime's harassment and intimidation of Cuban human rights activists, especially through violent attacks by the government's "rapid-response brigades," in collusion with members of State security. Similarly, Freedom House lists Cuba among the eight most repressive regimes with failing scores in political rights and civil liberties.

The USAID Cuba program works closely with the Department of State's Cuba Transition Coordinator and the Bureau for Western Hemisphere Affairs to help strengthen Cuba's independent civil society by increasing the flow of accurate information on democracy, human rights, and free enterprise to, from, and within Cuba. Since 1996, USAID has granted more than $48 million to U.S. universities and nongovernmental organizations to build solidarity with Cuba's human rights activists, give voice to Cuba's independent journalists, defend the rights of Cuban workers, strengthen independent Cuban nongovernmental organizations, and help the Cuban people plan for a transition to democracy.

Haiti

Historically plagued by endemic poverty and political instability, Haiti is now at a crossroads. The installation of Rene Preval's administration marks the resumption of constitutional governance in Haiti. After numerous obstacles and postponements, free and fair presidential and parliamentary elections took place on February 7, 2006, with a high turnout. In May, Preval was sworn in as Haiti's first democratically elected president since the ousting of former president Jean Bertrand Aristide in 2004, and on May 22 Preval nominated Jacques Edouard Alexis to be Haiti's Prime Minister. Haiti's newly-elected Parliament will also be convening for the first time since 2004. USAID worked closely with the United Nations Stabilization Mission in Haiti to coordinate $31 million in direct elections support, electoral administration, registration, observation and monitoring, as well as assistance to legitimate political parties and civil society organizations.

USAID is committed to working with the new government of Haiti to help build a stable and well-governed state that is responsive to the needs of its people. Mindful of the need for economic development, USAID is supporting the provision of short-term emergency jobs while helping create the conditions for longer term growth and improved health and education services. USAID will work with the

newly elected Haitian Parliament to strengthen institutional capacity and encourage participatory democracy as a counterbalance to centralized patronage politics. In the critical rule of law sector, USAID is working to reform the justice system and improve access to justice.

Nicaragua

Elections in Nicaragua will be held on November 5, 2006 for president, vice president, members of the National Assembly and delegates to the Central American Parliament. The country's two main political parties, the Sandinistas and the Liberals, maintain control of the legislature, judiciary, and the Supreme Electoral Council (CSE), and continue to manipulate electoral processes. Daniel Ortega, Nicaragua's former President and now both Presidential hopeful and Sandinista party leader, retains an anti-U.S. worldview and has worked to undermine the executive branch and democratic processes. Ortega also has made a deal with Venezuela for supplies of oil to Sandinista-controlled municipalities at preferential financing rates. Former President Arnoldo Alemán maintains control as the leader of the Liberal party.

Considering the Sandinistas and Liberals control the CSE, there is a lack of public confidence in that institution's handling of the electoral process and in whether or not presidential elections will be handled impartially. However, it is important to note that these concerns are not new. Based on a review of previous electoral assistance and international observation missions from Nicaragua's 1990 elections onwards, it is clear that a lack of public confidence in the electoral framework, mistrust in political party processes, inaccurate voter registration lists, weak election monitoring, and limited organizational capacity are all recurring problems.

USAID is working to address these challenges through a multifaceted approach. We coordinate with a variety of international donors and organizations—including the Government of Nicaragua, the Organization of American States (OAS), and local nongovernmental organizations—to support voter education activities, update voter registries, deliver voter identification cards, and provide mediation and citizen assistance centers, in addition to domestic and international election observers. Programs are designed to reduce the opportunities and incentives for electoral fraud, identify and address problems with electoral processes, and legitimize a peaceful transfer of power.

USAID also continues to support anticorruption initiatives and justice sector reform in Nicaragua, efforts that will help strengthen democratic institutions and ensure that democratic principles prevail in the post-electoral environment. With USAID's help, Nicaragua now has one of the best Criminal Procedure Codes in the region. USAID is also helping establish mediation centers nationwide to help alleviate congestion in the court system, improve access to justice, and enhance public confidence in the justice system.

Venezuela

President Hugo Chavez's strident anti-American posture has left Venezuela bitterly divided. Moreover, increased control by the Venezuelan executive branch over the country's five branches of government threatens the continuation of representative democracy. While Chavez's supporters praise his expansion of social programs bolstered by oil revenue surplus, his opponents argue that his authoritarian tactics reflect those of communist Cuba. Presidential elections will take place in December 2006, and opposition groups have not managed to unite behind a strong candidate. Meanwhile, the projection of Chavez's interests and his brand of populism are undermining many of the region's fragile democracies.

USAID's work in Venezuela is handled through our Office of Transition Initiatives. Our objectives are to provide assistance to maintain democratic stability and strengthen the country's fragile democratic institutions by enhancing civil society dialogue, supporting constitutional processes, and strengthening democratic institutions. USAID supports existing civil society organizations that work on a variety of issues, including human rights, freedom of the press, freedom of speech, and legislative and judicial system monitoring. Nongovernmental organizations are key institutions in a vibrant democratic society and are central to a healthy exchange of ideas. The institutional support provided will help these civil society groups play this essential role in Venezuela.

USAID's social impact programs demonstrate our government's solidarity with the global fight against poverty and reinforce the favorable impression most Venezuelans have of the American people. Specifically, these projects support inner-city day-care centers; cancer hospices for children of low-income families; and centers for street children.

USAID's election-related activities in Venezuela include training candidates, campaign managers, and other political party workers on the mechanics of electoral campaigns. Training topics include helping candidate's develop profiles and policy presentations; get-out-the-vote and day-of-the-vote activities; and understanding relevant electoral laws. USAID also works to strengthen political parties in message development, citizen responsiveness, and outreach. For example, prior to the 2004 referendum and local elections, USAID worked with political parties to train party-affiliated election observers from both sides in the rules and regulations associated with electoral events. During the elections of 2004, USAID also supported the institutionalization of a non-partisan, domestic electoral observation organization that is widely viewed as credible and non-partisan.

Other Challenges for the Future

In addition to the aforementioned, other areas of concern in the Hemisphere are Peru, Ecuador and gang violence in Central America.

Peru

On June 4, 2006 Peru elected Alan Garcia as president. President-elect Garcia bested the one time front runner and primary leader, Ollanta Humala. The elections in Peru were reported to be free and fair and almost no violence was reported.

USAID supported Peru's 2006 election cycle by encouraging broad debate on key reform issues, promoting access to candidate information and increasing transparency of the election process. Elections for regional, provincial and district officials will be held in November of this year.

Ecuador

Consolidating democracy continues to be a challenge in Ecuador, which has seen seven presidents over the last decade. Former President Lucio Gutierrez was ousted by the legislature in April 2005. This year, both the introduction of a new hydrocarbons law featuring high taxation rates and the expropriation of assets of the U.S. oil firm Occidental Petroleum, have created major uncertainties regarding the future of Ecuador's key hydrocarbons sector. Weak institutions, the inability of Ecuadorians to arrive at a consensus on key reforms, and an unrepresentative government continue to be major threats to a stable democracy. This instability is exacerbated by pervasive and growing corruption. Presidential and legislative elections will be held in October 2006, and there currently is no clear frontrunner for president. These elections will provide a window of opportunity to shape future policies and reforms.

USAID is intensifying efforts to work with civil society to promote democracy, advance political reforms, and provide election support to ensure vulnerable groups such as youth, women, indigenous and Afro-Ecuadorians can participate fully in the electoral process. The programs with civil society promote poverty reduction activities for micro and small enterprises, improve competitiveness, strengthen financial sector services, and support oversight of the government's fiscal and tax management.

Additionally, USAID support for democratic local governance and decentralization is having a positive impact on citizen trust in local government. Nationwide, citizen confidence in municipal governments increased from 46.7 percent to 51.4 percent from 2001 to 2004. In the 21 surveyed municipalities where USAID has been working, citizen satisfaction with their local governments improved, reaching 53 per cent satisfaction in 2004. The assistance USAID has provided to municipalities through its democracy and Northern and Southern border programs has been instrumental in strengthening Ecuadorians belief that democracy can indeed deliver concrete benefits.

Crime and Gang Violence

Finally, I would like to note USAID's increasing engagement on the issue of gangs and crime in Central America and Mexico. When Central Americans are polled about their primary fears, personal security and neighborhood safety are the most common concerns, and gangs are often cited as the reason for high rates of crime and violence in their communities. USAID-funded public opinion surveys in Latin America reveal that victims of crime have less confidence in democratic institutions. In addition, in many countries, a high level of crime provides the strongest justification in people's minds for a military coup.

It is very clear that gang violence poses a direct threat to security, economic growth, and democratic institutions in Central America and Mexico, and it spills across borders to affect our own communities in the United States as well. Gang violence is now a transnational phenomenon and most analysts believe that communication between gang members in different countries is increasing.

USAID efforts to reduce crime are closely linked to a need to strengthen and reform justice systems; increase the effectiveness and accountability of the police; and improve relations between police and the communities they serve. To this end, USAID supports a community-based policing program in El Salvador, an innovative community crime prevention program in Guatemala, and justice sector reform efforts throughout the region.

USAID also completed a comprehensive assessment of gangs in El Salvador, Guatemala, Honduras, Nicaragua and Mexico. The report analyzes the root causes of gangs; examines the transnational and regional characteristics of the phenomenon; identifies best practices in the assessment countries and the United States; and recommends opportunities wherein the U.S. Government can best address the gang problem in the assessment countries from a policy and programmatic standpoint.

The report shows that effectively halting the spread of gang violence in the long term will require a combination of prevention, intervention, and law enforcement approaches. To date, countries have largely responded by increasing investments in law enforcement, with much less attention to prevention and intervention. This imbalanced approach has not been successful as crime levels have not gone down. USAID, in collaboration with other federal Agencies and stakeholders, is uniquely positioned to address prevention and intervention aspects, and is currently looking to do so by supporting policies and community-based programs that address the root causes of youth gang proliferation in El Salvador, Guatemala and Honduras.

Conclusion

USAID is promoting reforms that will help consolidate Latin America's young democracies and bring about sustainable, broad-based economic growth. Given the trends and challenges in our hemisphere, USAID will strengthen its focus on rising crime and gang violence; poor governance and impunity at the highest levels; and poverty and inequality. USAID will help address the underlying causes of gang involvement via prevention and intervention activities. Additionally, USAID will strengthen government institutions by providing electoral assistance and implementing programs that focus on decentralization, good governance, justice sector reform, and anticorruption. We will also work with civil society to achieve improved civic responses for better governance, inclusion, transparency, and accountability for all people regardless of status. Finally, USAID will work to reduce poverty and inequality by promoting economic prosperity through job creation, employment expansion, and economic growth.

Latin America's challenges to securing democracy will not be met with short-term solutions. In fact, they will require a long-term, sustained, and collaborative effort on behalf of U.S. government agencies in collaboration with host-country governments. Fortunately, this work is already underway. Honduras, Nicaragua and Paraguay have agreements with the Millennium Challenge Corporation, and free trade agreements have been signed with Mexico, Central America, the Dominican Republic, Colombia, and, most recently, Peru. By collaborating with host country governments and other U.S. government agencies, USAID is helping implement effective multisectoral measures that reduce corruption, strengthen public institutions and build local capacity. We can—and will—have an impact.

Mr. Chairman and Members of the Committee, thank you for the opportunity to appear before you today. I welcome any questions that you may have.

Mr. BURTON. Thank you, Dr. Franco and Dr. Dobriansky; and, Under Secretary Shannon, it is nice having you with us today. I know you don't have a statement, but we are always glad to see you.

One of the things that has concerned me and other Members of the Committee is that we have put an awful lot of money into Colombia to fight the drug war and the crime problem down there. As a result, 40,000—an estimated 40,000 ex-combatants that were tied in with FARC and ELN have come out of the jungle; and yet, to my knowledge, only about 100 or less than 100 have been trained for other kinds of work. As a result, a lot of them are going back to the ELN and the FARC and getting back into the drug cultivation process and becoming part of the drug problem.

Why is that? If we are putting billions of dollars in there to help President Uribe, why is it that we are not doing something to help these people be retained?

Mr. FRANCO. Well, Mr. Chairman, working with you and Members of the Committee, we have pledged to, over a period of the next few years, to provide up to $48 million of the demobilization efforts. That part of the portion that corresponds to us, it is going to cost a lot more than $48 million. We estimate it is almost $190 million initially, which the Colombians, by the way, will have the lion's share of it. But the United States share of it, the $48 million, will address primarily the things you have described.

That is what we call reintegration. After verification that people have actually reintegrated, been demobilized, we are working to provide that vocational training, those opportunities for people to become meaningful members of society again.

So it is taking a little bit of time to work out these details, but we are working with the Congress. We had a lot of concerns, as you know, even about our own participation, some concerns by some Members of Congress about the whole demobilization effort, but I think we have surmounted that.

Mr. BURTON. Well, the problem as I see it is that time is of the essence, these people coming out of there who were getting money from the drug cartel to do the dirty work and decided that they didn't want to do it anymore, they wanted to fight the troops in the jungle and get killed and go through all the problems down there, they have come out and they are not getting any money or any training so that they can feed their families and live the kind of life that they would like to live. As a result, they are going right back to the same thing.

So it seems to me that we have got to speed up the process if we are going to keep them on the right side of the law.

Mr. FRANCO. I fully agree with that, Mr. Chairman. We have been providing the verification process. You know, the standards and the laws that have been passed in the appropriations bills are quite high. We have satisfied what is required to actually engage in demobilization. There were legal issues we have surmounted because we were talking about an organization that is on the terrorist list by the United States. So I can't agree with you more. There were exhaustive consultations with Members of Congress on our demobilization plan and commitment to it, and I believe we are there.

Mr. BURTON. Let us hope the process speeds up as quickly as possible. When I read about these guys going back into the jungle, I just think we are throwing money down a rat hole, but we have to keep them out of there, if possible, and encourage more to leave the cartels.

Let me switch to a different subject. You know, this populism issue is becoming of great concern to me and a lot of my colleagues. In Venezuela, we see a populist President. At least that is what he calls himself. He has been, as we have been told, sending money and other commodities in to other countries to try to move toward populist or leftist candidates in the race for presidency in a whole host of these countries. What are we doing to deal with that?

For instance, in Nicaragua, we have been told by some of the people that are in the political process down there that millions and millions of dollars are coming in through diplomatic channels

to help the Sandinistas, the leftists down there. What are we doing to counter that, if anything, and what can be done?

Ms. DOBRIANSKY. First, Mr. Chairman, thank you for the question.

Let me first, though, make a point about populism, a broad point. Populism in itself is really part of democracy. What we have witnessed in Venezuela is an elected official who is pursuing anti-democratic and undemocratic measures, as was summarized by Chairman Hyde and also, in particular, by Congressman Lantos. In terms of the steps that we are taking, for example, you pick Nicaragua.

In Nicaragua, we have invested resources in ensuring that there will be free and fair elections that are held. The moneys that have been devoted, some $13 million through different accounts, is targeted toward the training of poll watchers, providing assistance to political parties, providing assistance for the establishment of electoral registries, specifically ensuring that there will be a level playing field.

I hope my colleague, Assistant Secretary Shannon, will say something. Because he went down with Assistant Deputy Zoellick earlier this year to Nicaragua and really to convey that message very directly about the concern about resources that were coming in from the outside and also the kinds of steps that were taken internally in Nicaragua to prevent the incumbent government from holding free and fair elections.

Would you like to add?

Mr. SHANNON. Thank you very much, Mr. Chairman.

In regard to Nicaragua, there is no doubt that there are countries in the region which would like to exercise influence within Nicaragua during this electoral period.

I think what we have seen in the region, most recently in Peru, is that many electoral systems in many nations are resistant to that kind of influence. They recognize it for what it is, and they respond to it appropriately.

What we have tried to do, as the Under Secretary noted, is focus on institutions to ensure that the vote is free and fair, but then also to highlight how our engagement with the country is with the country and with the state through the Millennium Challenge Account, through our free trade agreement with Central American countries and through the Dominican Republic through debt relief, through the HIPIC proposal, through the G–8 proposal, and also through the Inter-American Development Bank proposal, which we are working on now.

In Nicaragua, we believe that we have put together a package of assistance of aid to Nicaragua which will highlight the linkage between democracy and development, which has been talked about here, and will make very clear that our interest and the interests of Nicaragua's partners in the Organization of American States and outside of the region is in making sure that the Nicaraguan people have a free and fair choice and that the government that results from that free and fair choice has the resources necessary to begin to address the serious development and poverty issues that Nicaragua faces.

More broadly, on populism, again, as the Under Secretary noted and as also was reflected in the comments of many Members here, one of the big challenges we are facing in the region is how democracy shows people it can deliver the goods and how democracy, through institutions, can channel all of the social conflict and confrontation that exists within many societies within Latin America.

From our point of view, populism is the product of weak institutions; and what we need to be doing is working with countries that face democratic challenges and crises to strengthen their institutions, not only the formal institutions of government but also political parties and civil society and helping them build the civic traditions that will build linkages across societies.

Mr. BURTON. Thank you.

I will have a couple more questions later, but since we are under the 5-minute rule, we will go to the Ranking Member of the Western Hemisphere Subcommittee, Mr. Engel.

Mr. ENGEL. Thank you, Mr. Chairman. I would like to ask anybody who cares to answer—I want to pick up on something that Mr. Meeks said, because I think it is a very important statement about the poverty there. Given that approximately 41 percent of the region's population still toils in grinding poverty, how do we justify having a third consecutive year of drastic cuts in the President's Fiscal Year 2007 budget request for core development accounts for the countries in Latin America and the Caribbean?

I know there has been an increase in MCA funding for a few countries, but MCA doesn't help with basic health and education programs. So how can we believe that our Latin American partners are going to assume they are a priority with us, given the habit of shortchanging the foreign assistance directed toward the region and not really helping with the grinding poverty there?

Ms. DOBRIANSKY. Congressman, let me respond to that.

I know when Secretary Rice was here before this Committee there was a direct discussion about this very issue. She mentioned very directly that there have been, admittedly, some very tough budget decisions that the Administration and Congress have had to deal with in this recent time.

Having said that, she also, I think, made very specific mention of the premium that she has placed on transformation diplomacy and the need here in looking at our development assistance to look at those countries that are in greater need, not the ones that have middle-class income but those areas that are in greatest need.

Thirdly, you mentioned it yourself, which is that we have—it is not a substitution for, but we have added into the Millennium Challenge Account, which, not only for the two countries or three that really have it but others that are in the region, I think it addresses this very issue of good governance, of also investing in people, trying to build from within those areas that have been neglected before.

But, finally, let me just say that I also think what is important to note here is the overall trend to this region, as I cited in my remarks, in terms of overall foreign assistance. Because it is part of an overall package. There is development assistance, there is democratic assistance. Overall foreign assistance has increased from 2001 to the present time. I believe it is from $862 million to re-

quested $1.7 billion for this region. What does that take into account? That does take into account the priority we attach to that it is not only about democracy promotion, but it is, in fact, about development, and that these are interrelated and that there is a dire need to address those issues that have not been as well addressed in the past.

Mr. ENGEL. Let me ask you something else, since you mentioned Secretary Rice. About 12 countries in Latin America have refused to sign so-called Article 98 Agreements. And those, as you know, make USG personnel immune from the ICC's jurisdiction. So therefore under current legislation, much of the Western Hemisphere risks having its foreign assistance programs curtailed. Increasingly, a number of senior United States Government officials have spoken out on the damaging impact of ICC-related sanctions and one of them, of course, is our Secretary of State.

In March 2006, Secretary Rice testified that such sanctions were basically, and I quote her, "the same thing as shooting ourselves in the foot."

As Ranking Member of the Subcommittee, I am concerned that these sanctions are very severely undermining our global interests and influence in the region and I would like to help address this serious problem. So my question is, given that regional governments clearly have no intent to modify their stance on the ICC, do you agree that we are cutting off our nose to spite our face? And at what point does the USG plan to abandon what I think, and I think what Secretary Rice thinks, is a failed policy?

Ms. DOBRIANSKY. Thank you, Congressman. The sanctions as are imposed as a result of the Article 98 matter does affect a portion of our assistance. That is the case.

In particular, it imposes a constraint on assistance that is given directly to governments. But I would want to point out that where it does not affect our ESF funding and particularly as relevant to democracy promotion, it does not inhibit or curtail moneys that go to non-state actors or non-governmental organizations and civil society. And quite frankly, a substantial portion of our resources, in fact, are geared toward indigenous organizations, certainly civil society. We work through those grassroot sectors.

So I would say that this is an issue that we are grappling with on the one hand because of the portion that is affected, but I would also submit that a significant portion is not due to the fact that moneys go to, as I said, civil society, non-state actors, all our HRDF accounts which in my line is not affected at all. This goes to bolstering human rights, all democracy efforts that are again targeted to civil society.

You raise an issue that, as I said we have nevertheless for that portion that remains, we have been grappling with.

Mr. ENGEL. Thank you.

Mr. BURTON. Let me just share his concern about Article 98. I have met with a number of the Presidents of Central and South America and it is an issue that we ought to work on and might try to find a compromise. I will add my voice to his.

Ms. Ros-Lehtinen.

Ms. ROS-LEHTINEN. Thank you, Mr. Chairman. I will address my first question to all the panelists. I will welcome your insight into

our multilateral efforts to achieve the goals that were articulated both in 2001 in the Quebec Summit of Americas Plan of Action, and it was to strengthen representative democracy, promote good governance, protect human rights and fundamental freedoms. And then again later in 2005 at the Community of Democracies Ministerial in Santiago, where Secretary Rice said we must use the power of our shared ideals to accelerate democracy's movement to even more places around the globe.

And then, for Under Secretary Dobriansky, do you agree that some of the countries in the former Soviet bloc can serve as catalysts and models for democratic transitions from oppressive totalitarian Communist rule, and can their experience provide guidance on the dynamics of the dissident movements on the internal opposition as well as the factors that affect the very difficult process of moving from a dictatorship to a democracy? And within that context, I ask that you elaborate on the work of the International Center for Democratic Transition in Hungary. This is an offspring of the Community of Democracies Santiago commitment and how this fits into our own strategy to precipitate a transition to a free democratic rule in my native homeland of Cuba. Thank you.

Ms. DOBRIANSKY. Let me address the second part of the question. I invite the Assistant Secretary to address the first part of your question.

On the second part, with regard to the experience of those countries from Central and Eastern Europe, it was—and how it could be applied to the region and particularly to a number of countries. The meeting in Santiago, Chile, I think, underscored their interest in not only sharing their experience, but also the applicability of their experience. Hungary had formally announced on the occasion of the meeting in Santiago its creation of the International Center for Democratic Transitions, specifically for the purpose of trying to have the countries of Central Europe be able to apply their experiences to, say for example, Cuba. And in particular, the Center has come forward most recently with a number of initiatives, one of which is that they are gathering the experiences of the different countries of Central and Eastern Europe, putting together what they call their tool kit or tool box in the form of a report, which they are having translated into Spanish, so they can share it with the people of Cuba.

Many of the countries of Central Europe believe that what they have gone through in terms of transitions, that there are lessons that could be learned, corners that could be cut, and experiences that could be well drawn upon. And we have welcomed the very aggressive involvement and activism of these countries in engaging not only in this case—I am citing one example in Cuba, but many of the countries have also applied their experience with regard to elections and the holding of elections, the development of civil societies as well.

They have invited many NGOs into Central and Eastern Europe and vice-versa. We welcome that development and I think that the Community of Democracies has provided an important umbrella on which to really grow these opportunities.

Mr. SHANNON. If I may add, part of our effort to implement the President's policies in the region is done through multilateral insti-

tutions and done also informally working through networks of partner countries. The kind of agenda that we have laid out in the hemisphere through the Summit of the Americas process, an agenda that is not only a U.S. agenda, but truly an American agenda, that is hemispheric and ambitious, can only be done through collaboration and cooperation. It requires countries to work together. And we have sought to use the summit process, the Organization of American States, Inter-American Development Bank, and the other institutions of the Inter-American system to develop that degree of cooperation and collaboration. So in that sense, we are looking for partners and we are looking for convergent voices as opposed to divergent voices in the region, and we have put a lot of resources against these kinds of activities.

But also, it was mentioned earlier, the many elections that are taking place in the region. There are a lot of new political leadership emerging. There is a lot of important discussions and debates taking place at national levels throughout the hemisphere and we are seeing new governments emerge. And many of these new governments have not over time been participating in the summit process. And part of our goal is to draw them into the understandings that have been developed through the Summit of the Americas process and work with them to win their commitment to the agenda that democratic leaders have staked out in the hemisphere.

And in this regard, our partnership cannot only be hemispheric; it has to be more broadly international. And the Under Secretary noted that we are working very hard in the European Union and elsewhere to identify those countries that have strategic interests in Latin America and convince them that they need to be participating; need to be participating on democratic issues and need to be participating on development issues. Because ultimately, for this region to be successful, it cannot be parochial. It has to open itself to the world. And we, along with our partners, are intent on doing that.

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

Mr. BURTON. Mr. Meeks.

Mr. MEEKS. Thank you, Mr. Chairman. You know there is an expression: "I have seen the enemy, and it is us."

What I am listening to—let me just start with a statement. James Baldwin said, "Anyone who has ever struggled with poverty knows how extremely expensive it is to be poor."

Now, I am hearing democracy, democracy, democracy. The only way to bring this home is that for over 200 years there was a so-called democracy here in America. But to people who were enslaved or second-class citizens, African-Americans, democracy meant nothing to them because it did nothing to their everyday lives. And the reason why we are having problems in Latin America right now is because they have tried democracy, they have tried almost everything, but the people who have never seen anything, the light of day, are still suffering.

And you can talk about democracy all you want. Until you decide that you are going to really make a difference in eradicating poverty in Latin America, and cutting a budget 3 consecutive years by substantial amounts—I listened to the answer—in countries where

almost 50 percent of the people are in poverty—is not the way to get faith in our country.

To talk about Venezuela, and I almost think this is a hearing to beat up on Venezuela. To talk about why we are worried with populism. Why is populism there? Because the people on the bottom are saying that we want at least somebody to talk about us. When you look at the rampant racial discrimination in many of these countries and yet we do nothing about it, we have to fight in trade agreements to get trade capacity money to help people build so that they can have a better tomorrow. We find resistance and give them as little as we possibly can, and they have to settle for that.

No wonder. Why, even when I looked at this recent statistic of a survey that was done in Europe, of all places, saying that we are very close—you think about the threats to the world? They are looking at us in the same way they are looking at Iran, for God's sake. We have got to wake up and understand it is about people.

Many places I have gone, no American has been to in Latin America, in Colombia. No potable water. No roads. No sewage. What does democracy mean to them? That is why they came up with a poll saying they will take a dictator if it means that it will make a difference in their lives.

We can't just talk the talk and say there needs to be an election; that the elections are the be-all and end-all to everything. There were elections in Venezuela, I witnessed many of them, I wish people would, and out in my district, the way they did from Venezuela on both sides in the recall election. You were there, Mr. Franco. There was a coup attempt in Venezuela. The most undemocratic process there is. We did not say democracy must prevail. What we said was we accept this new government. And then we talk about democracy and then wonder why people laugh at us or don't take us seriously when we tell them that this is the way to go.

And then recently I have been traveling throughout the region. I have had some of the very leaders that have been elected—not the ones that are the populist leaders, the ones that we wanted—who have said to me that they need a break from us because they are scared if they talk to certain people who they think are important in their strategic interest in their region, that they will be retaliated against by us. So they say maybe we want to do this because it is good for us, but we are afraid of you.

That is no way to have a foreign policy. So then we have to fight—and I am for a lot of these free trade agreements, and Peru is coming up. And we talk about it—yet there is no real focus. Why are we talking about Haiti, the most failed state in the Western Hemisphere? That should be one of the very first things—if we want to have credibility, let's talk about helping somebody. Because if we don't, you are lending yourself to making sure that the Castros and the Hugo Chavezes of the world and the Moraleses of the world are successful. Because populism will continue to build because they are at least talking to the people who are voiceless. And no one, no one—you talk bad about Hugo Chavez. They say that before he was there they had the same problems. No one has talked to their problems and their issues. And until we start doing that, we as a country will be in trouble and our popularity will con-

tinue to go down. Even in Latin America, look, down to 32 percent. And in Latin America, generally they loved Americans.

We are in danger. We have got to get out of our own way and make sure that we change our priorities. And until we start focusing on eradicating poverty and so show that we care about people, we will never improve. And democracy that we want to see, the democracy that I believe in, the democracy that makes lives better, will never happen until we focus on those issues and stop reducing the budgets and cutting and fighting those things that will help those people that have been impoverished for so long a period of time.

Mr. BURTON. Thank you, Mr. Meeks. Would any of you like to respond?

Ms. DOBRIANSKY. If I may make a brief comment. Congressman, the issue of poverty and poverty eradication, I couldn't agree with you more. It is a priority. It is essential. In fact, you have many disaffected populations, populations that have felt marginalized in and throughout Latin America. That is why we are seeing many of the changes, many of the shifts politically across the political spectrum that we are.

I will also just add here that in a broader sense, I went to the world summit on a sustainable development meeting in Johannesburg, South Africa. At that meeting the topic of poverty eradication was front and center. All countries who gathered there agreed strongly and firmly that you have to have good governance as a basis and foundation to combat crime and corruption which tears at the very fiber of any society. But you also have to have resources to invest in your people, in their health and education. And it is true that you have to have governments that are accountable and that are addressing these issues. And, as we have seen in Latin America, there have been situations where that has not been happening. And that is why we are witnessing the kinds of uprisings, if you will, and outcries.

Last point. I mentioned in my statement, and I wanted just to amplify this, I mentioned in my statement the fact that in 2003 we held a meeting bringing democratic countries of Latin America with democratic countries of Africa. And that meeting was very much geared to discussing how democracy can be advanced. Poverty was the number one issue in that meeting. We talked about strategies. When I say "we," meaning we were the organizers, but the African and Latin countries talked about this.

I was very struck you were today to have President Flores as part of the next panel. He gave a speech, and in that speech before this democracy dialogue, he stated to each and every country, he said, "You know what? Each and every one of us is wealthy because we have people. The wealth is in our own people. We have to as leaders give them a chance." He got a standing ovation.

The point here is governments do have to be accountable. They have to be accountable to their people. I couldn't underscore more the importance of this issue. It is a key, key issue for us. It is also the core theme of—I mentioned the Community of Democracies. It is the core theme. The conference is being held in Africa. We are consumed with this issue about how to address that in a more effective way and working with our partners in the region.

Mr. BURTON. Thank you, Secretary. Let me before I yield to our—I am going to get him. Just a second—I just wanted to say happy birthday to Dana Rohrabacher, who is our next questioner. He is 29 today.

Dr. Shannon, when you answer this question, I would like for to you add one caveat to it and that is, has poverty gone up or down since President Chavez has taken over in Venezuela?

Mr. SHANNON. Thank you very much.

Congressman Meeks, the point you make is right on target. Obviously, we have to show that democracy can deliver the goods. We have to show that democracy can address poverty, that it can address inequality, and that it can address social exclusion. If democracy can't do that, then the people will walk away from it.

At this point in time, the people in Latin America are committed to democracy in a pretty profound way and they are committed to it because of their own national histories and their own personal experiences. They recognize that democracy for them is about liberty. It is about civil liberties, about freedoms, about open societies, about being able to live their lives in the way they want to. The big problem they face is lack of economic opportunity and lack of the personal capacity, through education and health care and personal security, to take advantage of that opportunity.

And what we are trying to focus on in our bilateral engagement in the region, in our foreign direct assistance programs, and in our multilateral engagement is to link political democracy and political citizenship with economic and social citizenship. And we are doing this through our resource flows. In fact, this Administration has doubled foreign direct assistance into Latin America and the Caribbean. And this is annually. So over time, 5 billion new dollars have been going into the region.

Also through the Millennium Challenge Account we put 500 million new dollars on the move toward the region in Nicaragua, Honduras, Guyana, Paraguay and El Salvador. Now, this is not enough. But what we are trying to do is recognize that this money is catalytic and look for ways through our trade policies, through preferential access policies, through facilitating the movement of remittances to the region, to make sure that the total flows to the region are getting to the people who need them the most.

But this is a dialogue that we continue to have in the region. It is a dialogue that originally both the United States and our partners in the region struggled with because we had different vocabularies. We would talk about democracy and trade and fighting corruption and rule of law. Our Latin American partners would talk about poverty, inequality, and social exclusion. It took both of us a while to realize that our Latin partners were talking about the problems they faced, we were talking about solutions as we saw them. But over time, I do believe that in our conversations we are linking up our understandings and our vocabulary and becoming better partners in this sense.

But I recommend the speech that President Bush gave in November in Brazil, following the Mar del Plata Summit, in which he talked about the importance of social justice in the region and the revolution of expectations that has been created. And I also recommend the speech that Secretary Rice gave at the Council of the

Americas in which she highlights the link between democracy and development. It is something that we are working on and we would be very happy to talk more with you and your staff and others of the panelists today—other representatives today about this issue.

In regard to Venezuela, the figures fluctuate, obviously, depending on what statistics you are using. But it appears to us that one of the big challenges the Venezuelan Government has had is reducing poverty levels in Venezuela, even with the kinds of windfalls they have. There is my comment.

Mr. BURTON. Mr. Rohrabacher.

Mr. ROHRABACHER. Well, thank you very much Mr. Chairman. I would like to note that I believe it is not only my birthday, Mr. Chairman, but is the rumor true that it is your birthday as well today?

Mr. BURTON. Yes, but I am only 28.

Mr. ROHRABACHER. So congratulations, Mr. Chairman, for your birthday today. It was a very good day to have. This is the longest day of the year; shortest night of the year, I might also add.

Mr. Meeks has stated his case very well. But let me note that I disagree with him. And I do so respectfully. I do not believe that I have met the enemy and it is us. There is an enemy—poverty and tyranny and injustice are enemies of the United States. It is not us that perpetuates these problems in those other countries of the world, the developing world.

I believe the United States has played a positive role and I believe this Administration, as you have heard today, is committed to try to play a positive role. But we cannot do it for these other countries. The level of corruption that goes on in those other countries is to a large degree home-grown. And they are being—people there are being victimized by their own governments. And, yes, we can try to serve as an example, but our spending foreign aid budget has nothing to do with the poverty level in the countries that you are talking about.

And I respect that you are concerned. You have a good heart for people. But I just disagree with that analysis that our spending on foreign aid has anything to do with the poverty level, for example, in Venezuela, where they have had ample money but ample corruption in their democratic leaders. And yes, the people have a right to be upset with democratic government. I know Ms. Dobriansky knows a lot about Venezuela. She has been there many times.

Let me also note when it comes to ending poverty, the examples that we have seen in the world where people who lived in abject poverty in the worst possible conditions, that equal the conditions of those in poverty today in the Third World, who succeeded, and how did they succeed? People like in Malaysia, where we visited Malaysia together; how did they work their way out of abject poverty? It wasn't by socialist liberal left swings in the government. They worked their way out by establishing a market economy and a niche in the world system. And basically, honest government, as they have in Singapore, where they established honest government to some degree—to a higher degree, which permitted economic progress. Without that, there would be no economic progress. Mr. Chavez will bring nothing but misery to his people. He will not bring higher standards of living. When you eliminate the balance

of power, which Mr. Chavez is doing in Venezuela today, it will make matters worse, not better.

Let me note there, Chavez himself orchestrated a military coup in which he did not succeed, but only his military coup. He was let go by the benevolence of those democratic leaders of Venezuela, who then he replaced. And believe me, if someone tries a military coup against him, they will not be released as quickly and let go.

I want to focus on the issue that I find more disturbing, but I would agree, Mr. Meeks, that poverty—we are not going to have success in Latin America until we do see the poverty level diminish. Poverty is an enemy of freedom because it gives people faith in tyrants rather than faith in a democratic system and the rights that we all believe in.

But let me add, one of the worst factors that I see is that we have the world's worst human rights abuser now making a major entry into Latin America, as warned by Constantine Menges before he passed away. I see China buying port facilities in Panama, thus having a control somewhat, at least a major influence on that government and on the Panama Canal itself. We see China involved with oil deals, dealing with Mr. Chavez and Fidel Castro, another human rights abuser. And I would just like a comment from the panel on China's role in Latin America today.

Mr. SHANNON. I would be happy to respond. As you know, Deputy Secretary Zoellick has begun a series of senior dialogues with the Government of China about global issues. And one of the results that came out of that discussion was an agreement by both countries to begin consultations on specific geographic areas of interest to both countries, and two of those have taken place on Africa and on Latin America.

I led the United States team to Beijing to do the talks with the Government of China regarding Latin America, and several things are worth noting. First, in the course of our conversations with the Chinese Government, we made very clear from our point of view, but also more broadly through the larger hemispheric commitment to democracy enshrined in the Inter-American Democratic Charter, the essential democratic nature of the hemisphere and the importance of those operating in the hemisphere to respect the democratic traditions and aspirations of the hemisphere.

The Chinese Government in its explanation of its interests in the region—aside from its interests with Cuba, which is longstanding and is related to linkages between the Communist parties in both countries—has been focused in the region for two purposes. First, the diplomatic struggle with Taiwan. And, secondly, an interest in raw materials and energy, which is not specific to Latin America. We see it throughout the rest of the world where China is moving.

The Chinese told us that their goal in Latin America is not political adventurism; that it is not about politics, but about feeding its people, providing its industries with raw materials and energy to drive its economy——

Mr. ROHRABACHER. If I could interrupt one moment before you proceed, let me just note that they may be proceeding with those goals. In how they attain those goals, there is every example of out-and-out bribery by the Chinese Government of Panamanian officials in the achievement of those port facilities on either side of the

Panama Canal. Their goals may sound very understandable and benevolent in terms of the Chinese people; if they go about achieving those goals through bribery and what you call "political adventurism" and supporting dictators and folks like Chavez down in Latin America, yeah, they are trying to achieve that for their ends, but it is very detrimental to the cause of democracy and detrimental to our security interests, is it not?

Mr. SHANNON. Obviously, we would not want to see any of the kind of activities that you just described. And in the course of our conversations, one of our purposes was to underscore not only the importance of respect for democratic principles and practices, but also to recognize that for the effective functioning of markets and the creation of prosperity, that all investors in the region need to be operating off established rules of behavior. But this of course is something that applies not just to the Chinese; it applies to many other investors who are interested in the region.

What is important here, I think, is that as China increases its interest in the region for purposes of its economy and its people, we need to be talking to the Chinese. We need to be talking to the partners that the Chinese are working with. And we need to be making clear what our interests and goals are in this process. And we are doing that.

Because it is evident also that as China engages in the region, it engages through a variety of mechanisms. It engages through its government in the Foreign Ministry. It engages through the Communist Party. It engages through its state-run institutions, whether it be the oil institutions or mines and minerals. And it engages through its armed forces and its relationships with armed forces in the region.

And these are new engagements in the region for these institutions. And as these institutions engage, they will begin to develop their own contacts and their own ways of doing business. And we need to kind of be there watching it closely, in dialogue with them, and partners, so that we understand how this process is developing. And when we see things that we don't like, that we need to speak out about it. And that is our intention.

Mr. BURTON. Ms. McCollum.

Ms. MCCOLLUM. Thank you, Mr. Chairman. I am going to submit two articles, one from the *New York Times* and another one from the *Washington Post*, that I am just going to very briefly refer to and then ask a couple of questions.

[The information referred to follows:]

The New York Times
nytimes.com

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June 21, 2006

OP-ED COLUMNIST

Latin America's Choice

By THOMAS L. FRIEDMAN

Lima, Peru

There are a lot of ways to describe Latin America's challenge today. Some will tell you it's the age-old question of overcoming the staggering gap here between rich and poor. Some will tell you it's rooting out corruption and misgovernance. But I come at this issue with my own perspective, and I would describe the big question facing Latin Americans this way: Are they going to emulate India or get addicted to China?

This question was, at least implicitly, a subtext of the recent election here in Peru. But it's true throughout this continent, which has always been better at mining its resources than mining its people.

Let me explain by introducing Gabriel Rozman — a Jewish technologist of Hungarian roots who was raised in Uruguay, educated in America and now heads the Latin American operations of India's biggest software/outsourcing company, Tata Consultancy Services of Mumbai.

Mr. Rozman runs Tata's Latin American business out of Montevideo, where 550 Uruguayan programmers, trained and directed by Indians, are writing code and running the computer systems for companies all across this continent. They are backed up by Tata engineers in India, Hungary, China, Brazil, Chile, Mexico and Argentina. India now thinks Latin America is its backyard, too.

And so does China. China, though, is almost exclusively focused here on extracting natural resources — timber, iron, soybeans, minerals, gas, fish meal — to feed its voracious appetite and keep jobs and factories humming in China. There is nothing wrong about that. America and Spain did the same for years — and often rapaciously. Today, China's appetite is helping to fuel a worldwide boom in commodity prices that is enabling a poor, low-industrialized country like Peru to grow at 5 percent.

But countries that get addicted to selling their natural resources rarely develop their human resources and the educational institutions and innovative companies that go with that. So after the ore has been mined, the trees cut and the oil pumped, their people are actually even more behind.

"Why can't Latin America do what India is doing?" Mr. Rozman asked when I spoke with him in Washington last

week. It can, he insists, but only if it changes — fast. "Right now I have 500 job openings I can't fill, and the problem is education. The prestige career to follow in India is engineering, and in Latin America it is [still] law or being a notary public."

"We need more computer courses with real standards and starting at an early age," he said. A lot of higher education in Latin America is modeled on the French/European system, which is better at producing philosophers than programmers. Philosophers are important, but not in bulk.

Latin America also has to do a better job of teaching English, he added, and eliminating the red tape that prevents economic integration in Latin America and makes it very cumbersome to start new businesses here.

"To go from Argentina to Montevideo is only a 20-minute flight," Mr. Rozman explained, but in terms of the economic integration demanded today by global firms, they are 10,000 miles apart. In addition, most of the legal systems in Latin America are designed to promote agriculture and light industry, not intellectual property or innovation. "All the laws were made for another type of society," he said. "If we don't get caught up with the next wave, we're in trouble."

That next wave is called "follow the sun," he said. "We like to start a project in Bangalore or Mumbai, then, as the day moves on, move it to our offices in Eastern Europe and then to Latin American." Tata expects its engineers in each place to be equally trained, speak English and have the computing infrastructure to seamlessly receive and hand off projects. This is a global-scale business.

"We have 50,000 employees in India and are going to 100,000," explained Mr. Rozman. Eventually, Tata will grow to 100,000 in China. "But I can't go to 100,000 in any one country in Latin America, so I have to be able to put [the whole continent] together."

Latin Americans may think that their big choice is between two models of Western capitalism — a European welfare state model and a hyper-competitive U.S. model. But before they divide their pie, they need to expand it — and here their most important choice is between an India example that focuses on developing human resources and a China syndrome that focuses on selling natural resources. Since countries tend to do either one or the other, here's hoping that Latin America discovers India before it gets hooked on China.

washingtonpost.com

Two Views of Justice Fuel Bolivian Land Battle

Owners Dig In to Protect Turf as Peasants Push to Benefit From Reforms

Advertisement

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By Monte Reel
Washington Post Foreign Service
Tuesday, June 20, 2006; A01

OKINAWA, Bolivia -- Choei Yara sleeps in a boxy room in the back of his roadside dry goods store, and the lump under his thin pillow is a loaded .45-caliber pistol. It is intended for a specific emergency: an attack so sudden that he'd be unable to reach the pump-action shotgun that leans against a bare concrete wall, just five feet away.

He's not afraid of the store being robbed, but he believes that the piece of paper stating that he owns about 1,400 acres of fertile soil is the kind of thing that can drive men to violent extremes. Property in Latin America is more unevenly distributed than anywhere on the planet, and Bolivia is no exception. But this month the country began a project to shuffle ownership rights affecting 20 percent of its land area, giving most of it to the poor. And tensions are starting to boil.

Those with land are starting to dig in to protect their turf. Those without it, emboldened by the recent government announcements, are taking over more properties on their own, without government approval.

"I've worked this land for 30 years, and I have never had a problem until this past year," said Yara, 63, whose family was among the Japanese immigrants who founded this community in eastern Bolivia after World War II. "But now I get death threats from the landless peasants, and they are threatening to kidnap my family. No one respects private property anymore, not even the government."

On June 9, one man was shot dead and more than a dozen were wounded in clashes as local authorities tried to evict peasants from land they had taken over in western Bolivia. Two days before that incident, two men were shot in similar circumstances in the central region. In this eastern province of Santa Cruz, agricultural organizations have threatened to form self-defense groups to protect farm property if the state tries to take it away. And across the border in Brazil, where property-related violence has been a problem for decades, a federation of landless peasants stormed the parliament building in the capital on June 7, breaking open the glass doors and demanding agrarian reforms.

The conflict in Bolivia is firmly rooted in the stark inequities that President Evo Morales says his "agrarian revolution" is designed to correct. About 90 percent of Bolivian land is owned by

the wealthiest 7 percent of the population. Imbalances like that have helped make Bolivia South America's poorest nation: About 63 percent of its citizens -- and nearly 80 percent of its rural population -- live in poverty.

Morales has said much of his nation's land is not being used productively, and he complains that large swaths were given to wealthy elites during the dictatorships of the 1970s. Under his plan, if the government deems land unproductive or obtained illegally, it is subject to confiscation and redistribution.

The tension now, however, is concentrated not so much in the places where land is clearly unproductive as in the places where the definitions of productivity are more subjective and open to argument. Like Yara's place.

Armed Guards

Standing behind a rusty pan scale, Yara tilts his head slightly and eyes customers warily when they enter his store, where sacks of potatoes and rice sit on worn planks in the middle of the floor. The way he figures it, he's one unjust decision away from losing everything, and these days he sees injustice in a lot of familiar faces he used to trust.

" 'Bolivian land should be for Bolivians' -- that's what they're telling me now," said Yara, watching one of his daughters weigh rice he'd grown on his land. "It's not right. I've always been supportive of Bolivia. I pay all my taxes. My children are Bolivians, and they're married to Bolivians. I sacrificed a lot to get that land."

Yara took out bank loans three decades ago, paying about $80,000 over the years for his deed. But in the past year, landless peasants have moved onto the fringes of his property, bringing in tractors and planting their own crops on it. He said they told him it was their right to take it because it was unproductive; he said it was just between growing cycles. He sued the peasants twice in local courts, he said, and won both times.

But Yara said that two months ago, Bolivia's minister of rural development -- who oversees the land reform plan -- called him and told him he must remove the 10 armed guards who were protecting his property from a takeover by Bolivia's federation of landless peasants. Yara reluctantly sent the guards away, and now about 50 members of the group, the Landless Movement, are occupying about one-fourth of his property. They keep telling him they'll take more soon, he said, and they promise bodily harm if he doesn't let them have it.

"Now I only have four bodyguards, who I pay to look after me and my family," he said, "but not the land."

Farm guards are a touchy subject around here. After a Santa Cruz agricultural group suggested this month that self-defense squadrons might be the best way to resist what they consider unjust reforms, the government responded by saying it would not tolerate private armies roaming the countryside. Masanori Toguchi, a farmer who helps operate a grain mill across the road from Yara's store, said he recently hired a team of armed guards, effectively clearing out a group of landless peasants who had taken over a portion of his property. The guards are "more or less trained," he said. He wasn't sure where his lawyer found them.

"They don't have phones, and they're kind of hidden," Toguchi said. "We don't really know who

they are."

Promises of Land

From Yara's store, a dirt road winds for about 10 miles between freshly planted wheat fields before surrendering to weedy overgrowth. After cutting through the middle of a field of nine-foot-high sugarcane, a clearing comes into view: a dirt expanse dotted with dozens of shacks made of sticks and palm fronds. Of the few hundred people living here, about 80 count themselves as members of the landless federation.

Carmelo Ortiz is one. With eight children, his one-room hut is too crowded, so one afternoon last week he searched for fronds for a half-completed addition he hopes to finish in the next couple of months. His daughter wrung a shirt dry over a plastic bucket of cloudy water. One of his sons, stepping out of the dim hut and blinking in the sun, picked a square of mud from his cutoff jeans.

When he can, Ortiz helps local landowners in their fields, earning about $4 for a day's work. But he has dreams of being his own boss, growing his own crops, on his own piece of land. He was part of the group that took over part of Toguchi's land for three months earlier this year, and he was with them when they decided to retreat after hearing about the armed guards. Just last month, he said, he saw guards on another farmer's property shoot at a group of peasants.

Why a farmer who already has a lot of land would get so worked up over sharing part of it, he and others said, is unfathomable to the *campesinos* in the village.

"God created the resource of land," said Luciano Winchaca, a local campesino advocate who has helped the Landless Movement with its quest for land. "It should be divided equally for everyone, not be given to somebody because they speak better Spanish or come from a certain family. We all have the same rights. These people don't understand the will of God."

That said, most of the landless here say things have never been better. When Morales was elected in December, Ortiz and his neighbors threw a party that lasted all night. With his promises to redistribute the wealth of Bolivia among the poor, Morales is nothing short of a folk hero in the village of Okinawa.

"Everything is changing for the campesino," said Ortiz, 40, who is confident he will get a plot of land in the coming months. "We have hope now -- we haven't had that with any government in the history of this country."

Large-scale land reform has been tried in the past in Bolivia, and it failed miserably because of a lack of resources and political will. The country's first agrarian reform plan was passed in 1953, and another was tried in 1996. After nearly $100 million was spent in an attempt to redistribute 250 million acres during the past 10 years, only 17 percent of the target areas changed hands.

Venezuelan President Hugo Ch?vez -- an ideological ally of Morales who has promoted smaller-scale land reform in his country -- has pledged financial support. But Bolivia will have to find a lot more money to keep the current effort from joining the long list of failed agrarian reforms in Latin America.

If Ortiz gets a piece of land, for example, he will still need equipment to work it and money for additional supplies and seeds. Ortiz calculates that for each acre of land, he would need about $200. He's not sure where that money would come from, and the government has not yet offered specific details on credit and support programs for the new landowners.

"I have lived like this all my life," Ortiz said, nodding to his hut, where his 8-year-old son was helping his 12-year-old daughter carry water. "But we can't live like this forever."

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Ms. MCCOLLUM. In his column, Thomas Friedman on "Latin America's Choices," talks exactly about what you are talking about, Mr. Shannon. China, through its trade, is focusing on extracting resources, timber, soybeans, minerals, fish meal, to keep up with its factories and to feed its people. And there is nothing wrong with trade.

It also in the article talks about another choice of a Latin American businessman who operates out of Montevideo where he currently has 550 Uruguayan programmers that are trained and directed by Indians to write codes in the running of computer systems for companies. Mr. Friedman's column goes on to point out that he has postings for 500 more job openings, but no one trained to do them.

In the *Washington Post* column, it talks about two views of the justice fueled by Bolivian land battle, and it points out how in Bolivia 80 percent of the population is rural and it lives in poverty, and it goes out to point out the land inequities that go back to the 1970s and the great difficulty in trying to move from an agrarian society that can sustain itself. But at the same time, Mr. Friedman's article points out how we need opportunities for education.

We talked about the problem with drugs. We import illegally into our country the drugs, and if we cut off the supply in our country by working more with not only people who are substance abusers to get treatment, but also with a national initiative to really focus and stay focused on our children not to use drugs, we could make a difference on that, as well as our interference at times throughout history of picking winners and losers in countries and not allowing those individuals to do it themselves.

And now I will segue into the discussion here. We heard on the Millennium Challenge process that was going through from the Catholic churches, from people who lived in the area, who said we pick winners and losers in the agrarian society by moving forward with roads that went to large haciendas in countries where they are still trying to undo some of the past mistakes of dictatorships in the seventies. And so I have some concerns about hanging all of our laurels just on that one hook, having heard from the population there.

Without focusing on advancements of opportunities for clean water, for access to maternal health, tuberculosis, malaria and AIDS in conditions where people already live in extreme poverty, how can we know that those families don't leave the children out in the field, so they are not going to school because dad has tuberculosis and there is the fear that mom might have AIDS, but the

test and the diagnosis has not happened? I would like to know exactly what we have done to increase opportunities through Peace Corps, maternal child health, AIDS, malaria, tuberculosis, and education.

I know we are doing democracy and I know that this is not a bottomless pit for money here in the United States. I fully understand that. But parents remember who helped the child. Children remember who educated them. They don't remember who got the Millennium Challenge grant.

Mr. FRANCO. Thank you. Ms. McCollum, I think we have had these discussions before in our trips and so forth. Let me say I will get the full statistics for you to your office on these specific programs. I am a little more prepared for the democracy hearing.

But these areas are areas that we have invested and continue to invest considerable amounts of about the $850 million that are channeled through the USAID. Secretary Dobriansky has mentioned there are different "spigots," we call them, or different resources that are made available for Latin America as a whole. We work in all of these areas. We have very important HIV/AIDS programs.

Let me talk about that, particularly in two focus countries which are Haiti and Guyana, where the prevalence rates are very, very high. We also have HIV/AIDS working with the business community in Mexico, Central America. We are expanding those this year. This year's House appropriations bill called for a great expansion of these programs, particularly working with the AIDS responsibility project which links private and public sectors. I can tell you I am personally engaged in these issues and our Ambassadors in the region are keen on doing two things: Addressing HIV/AIDS issues in high prevalence countries and bringing those rates down, which we have, and keeping the pandemic in check in some Latin American countries in the Andean region and those countries where the rates are low. I would be happy to provide that.

And you are absolutely right. These are programs that are tangible and people see the results. We have TB programs and malaria programs. The First Lady was at USAID 2 weeks ago and announced a major malaria initiative. Most malaria problems are in Africa, but we have malaria problems in our region, and they are being addressed as part of this initiative that the President and the First Lady herself announced 2 weeks ago.

TB programs are very important, particularly in Sao Paolo in Brazil. It is a country where we have a relatively small program because of the ability of the Brazilian Government to leverage its own resources. The TB problem is prevalent in major cities in Latin America. We have TB programs. I will be happy to supply—I visited the clinics myself. They are all in the marginalized populations, as you can imagine.

Child maternal health care is at the core of our basic assistance programs in the poorest countries in the region. It has been a huge program in Bolivia, in Peru, in Haiti. In Haiti we reach about 630,000 people every day on food and almost all child feeding and maternal health programs. But I would be happy to address these issues more fully for you.

Ms. DOBRIANSKY. May I just add, we have some statistics. You asked about water and waste management. USAID had $67.6 million in water waste management.

Ms. MCCOLLUM. I know the time is limited and you are going to get back. You can cite me what is in today's budget, but I want to know what we have done over the past 6 years because funds have been shifted around. Thank you.

Ms. DOBRIANSKY. We would be glad to. These are very important issues and one which we have devoted resources to.

Mr. BURTON. The gentlewoman's time has expired, but if you could submit those for the record, we would be happy to get those to you, Ms. McCollum.

Mr. Weller.

Mr. WELLER. Thank you, Mr. Chairman. And I welcome our distinguished panel before us. Madam Secretary, Mr. Secretary, Mr. Administrator, good to have you with us again, and be before us.

As I said in my opening statement, I am concerned about what I see as an assault on democracy in Latin America. I am concerned about direct interference as well as intervention by outside governments in democratic elections that we have witnessed over the last several months. There is an estimated anywhere from $3–17 billion in Venezuela in oil money sloshing around Latin America, corrupting government officials, undermining democratic governments through the funding of street movements, and organizations bent on disrupting democratically-elected governments.

We have seen direct support for candidates both financially as well as verbally. We have even seen, as we saw in the Peruvian elections, direct threats made to the people of the country if they elected someone other than Chavez's choice.

So, clearly, those are items of major concern to me as we talk about the future of democracy in Latin America.

If we could focus on one of those countries and that is one of great interest for us in Central America, in the Nicaraguan elections that are coming.

And, Mr. Chairman, I have a couple of photos that I shared with the Committee staff and would ask if the first one of those could be put up on the screen. But on June 4th, there were over 10,000 tons of Venezuelan-supplied fertilizer that was sent by President Chavez which rolled into the central Nicaraguan City of Matagalpa for distribution through Sandinista Party organizations at below-market prices.

And this photo that I have with us right now is a photo that was a supplier obtained from *La Prensa*, a major daily newspaper in Managua. Sandinista sources say they have been promised up to 20,000 tons of fertilizer through this election season by the Chavez Government, which would meet about one-third of the typical fertilizer needs of the entire country of Nicaragua.

This is fertilizer that was sent directly from President Chavez's Government to the Sandinista organizations. Recognizing the average per capita income in Nicaragua is only about $750 a person, and it is a small country, the introduction of one-third of the total amount of fertilizer typically used in 1 year to support political candidates of one party is certainly an item to question of whether

or not there is direct intervention by the Chavez Government in Nicaragua.

Also, I have a second photo I would like to share with the Committee as well. And that is on this particular photo, which was obtained from the news media in Nicaragua as well, but it is a photo of Sandinista Party Presidential candidate, Daniel Ortega, stepping off a helicopter. Of course, it is a shiny, brand-new helicopter. And I note that the President of Nicaragua has one helicopter available to him and the entire Nicaraguan Government, and that is a Russian helicopter that was left over from the Communist days in the 1980s, but Daniel Ortega has three helicopters supplied to him by Chavez to assist him in his campaign.

The caption by *La Prensa*, another major daily in Managua in March 1 of 2006 when this photo was published, shows Presidential candidate Daniel Ortega stepping off of the helicopter in the Bluefields area, which is on the Caribbean coast. And it asks the question in the caption, "With Oil Money," and goes on to say the Secretary General of the FSLM, the acronym for the Sandinista, Daniel Ortega, was received yesterday afternoon at Bluefields Airport by several thousand Sandinista supporters. Ortega arrived at Bluefields, debuted the helicopter donated to the Sandinista by Hugo Chavez, President of Venezuela.

So clearly these are two examples of direct intervention. Now, my presumption would be those who would be friendly with Mr. Chavez would suggest well, the United States helps the Government of Nicaragua. What is the difference?

The question I have for you, Mr. Franco, is since you administer the distribution of assistance and aid through USAID and I have been with you and various programs. I have seen the work that the USAID is doing in Honduras in helping to encourage farmers, who can move to crops that can be grown for export, raise themselves out of poverty. In Columbia to go change from being a cocalero to a cafetero and raise coffee for the export market. And I have seen the work that you are doing.

The first question I have for you is, does USAID give financial assistance or fertilizer assistance or provide helicopters to political candidates and to political parties? What is the difference between the type of intervention we are seeing by the Chavez Government versus United States assistance programs?

Mr. FRANCO. Well, Congressman Weller, let me say first of all, the United States does not support this way, in this fashion, any political party or any candidate in Nicaragua. What the United States Government does do, we are providing a total of $13 million to various agencies, of which about $10 million is being provided to USAID to ensure fair and free elections. That means voter registration, IDs, a campaign system that has a voter education component to it, get-out-the-vote campaign, audit of voter registries and eventually the quick counts that we all rely on.

We work with the OAS. In Nicaragua we work with other international organizations. When we say the United States Government, we support the efforts of organizations that are experts in election processes. And that is how our investments are made. We do not support any political party, any political candidate. We do not provide goods or services to support anyone in particular.

We are concerned in Nicaragua with something called the SEC, which is the Supreme Electoral Council in Nicaragua, that manages the electoral process in that country for the November elections; that that process be as agile, efficient, effective, and open and fair. I think we have a good track record in Nicaragua and throughout the hemisphere in terms of the investments we make through reputable international and organizations and non-governmental organizations and the OAS to ensure free and fair election.

Mr. WELLER. If I could direct my question to Madam Secretary or the Assistant Secretary, Administrator Franco raised the Organization of American States and, of course, the Organization of American States in the past year has made some strong commitments on strengthening democracy. And the question has been raised, what is the view of the Organization of American States regarding the direct intervention that we have seen by one foreign government into the elections and the election process of another?

Ms. DOBRIANSKY. Well, I know that just in the recent OAS General Assembly meeting in the Dominican Republic, actually this issue was discussed rather directly. And there was a concern expressed that types of interventions of this nature are happening throughout the region. I think what was noteworthy about it, it wasn't the issue of a viewpoint from the United States, but we have had many from in and throughout the region questioning and expressing concern about these kinds of developments, and calling for action.

Mr. WELLER. Mr. Shannon?

Mr. SHANNON. I would just like to note that the hemisphere has not seen this kind of direct intervention for specific candidates in quite a while. And it has created a degree of discomfort not just in Central America but elsewhere. It is worth noting in the aftermath the Peruvian election, officials of the Brazilian Government criticized Venezuela's behavior in Peru and in harsh criticism of Alan Garcia and its open support for Ollanta Humala. And as the Under Secretary noted, Venezuela's activities in the electoral fora were discussed quite vigorously at the OAS, not just in open sessions, but also in a closed leaders dialogue.

And in this regard, I think people recognize what is going on. I think they understand that this is an effort to purchase influence and purchase a political place in a region. But this is the kind of terrain in which Democrats prosper. This is an electoral campaign. This is an opportunity for people to highlight what candidates stand for. And the kinds of direct linkages that are being established provide a huge opportunity for those who stand on the other side of the political divide from the Sandinistas in Nicaragua. And I believe they will take advantage of it quite successfully.

Mr. WELLER. Thank you, Mr. Chairman. You have been generous with the time, and I would ask those two photos be made a part of the record.

Mr. BURTON. Without objection. We have some other documents that we would like to have in the record as well.

[The information referred to follows:]

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Alan N. Tennille

Mr. BURTON. Mr. Delahunt.

Mr. DELAHUNT. I think our own experiences taught us that interference—well, I don't want to use intervention—or influencing elections can backfire. I think we learned that when the United States Ambassador to Bolivia made a comment about Evo Morales. Do you remember that Tom? It did not work, did it? No. I'm sorry?

Mr. SHANNON. Depends on your point of view.

Mr. DELAHUNT. Depends on your point of view, exactly. I think it is a legitimate issue. But I think for the United States to suggest that we haven't either overtly or covertly supported or attempted to influence elections in the past is misleading. I was in Nicaragua in the last Presidential election and it appeared to me that the United States Embassy was very much involved in securing the defeat of Mr. Ortega.

In fact, I was reminiscing about that experience yesterday with Secretary Zoellick and Congressman Dreier. We were both there. And I recounted how I insisted that Mr. Ortega be included in a meeting that we had, and I mentioned to Mr. Dreier that by the end of the meeting, I was convinced that Daniel Ortega was a free trade Republican. I don't know whether it was an accurate assessment, but we both remembered that.

So I am pleased to hear, though—and I mean we have had this history of dating back. In Guatemala in 1950, Asbenz, of course, was an icon, if you will, of the Caribbean region. And yet he did not suit our taste. So we saw that he was overthrown. We supported Somoza. We supported military dictatorships in Honduras, in Guatamala. And I think unfortunately, that historical legacy we are beginning to in the polling data in terms of how we are viewed reflects that. And I don't want to make this about Hugo Chavez or Fidel Castro. I think there is a danger in doing this, because I think if we continue to look, to demonize, we are missing the larger picture. And I think we have to be concerned about the impact of consequences of our policies. And what are the best policies? We hear a lot about the fact that democracy is under stress, because it does not appear to be delivering the benefits.

Let me just pose a question: Madam Secretary, you used the term, as did many of your colleagues, economic freedom. And I think we have got to be precise in terms of what we mean by economic freedom. I think there is an interpretation by some here in Washington that economic freedom means unfettered laissez-faire market dynamics. When history has established that particularly in developing countries, there is an appropriate role for the state to invest in infrastructure, whether it be health care, whether it be roads, whether it be education, whether it be, if you will, smoothing the rough edges of capitalism. We have seen that in Western Europe. We have seen that in our owner experience. I mean, thank God we had FDR here, you know, in 1932 after a 12-year laissez-faire capitalism brought this country into a Great Depression.

What concerns me, and I agree with statements that have been made. You know, we can't do it through foreign assistance. But I daresay that we can impact the domestic policies of nation states which for far too long have allowed economies to exist that only benefit a small minority of the people. And I think if we are going to have—if we are going to deliver on the promises of democracy,

we have to use our leverage to ensure that these countries, that these nation states take into account that the benefits, if you will, of trade with the United States translates into investment so that the benefits of the additional growth are diffused throughout the society. And then I think we deal with the issue of those that feel frustrated because there has been no change. Comment, Tom?

Ms. DOBRIANSKY. If I might just comment on the front end because the term "economic freedom," that is not meant to suggest a single approach. In fact, I think your comments really suggest the essence of very much of what we have been striving to do, and that is that you have to use all tools and instruments available to promote the opportunities for individuals in a society.

And, for example, what came to my mind when you made the point was that you have many societies in which you have people who are trying to begin small businesses, medium-sized businesses. They are not able to even get loans, resources. Women in particular in many countries, whether it is in Latin America or other parts of the world, have not been able to achieve that.

So——

Mr. DELAHUNT. If I can Madam Secretary, I could go further. Many of these people are illiterate. They don't have the basics in terms of education and health care. And you know, many of these governments, one only has to look at the percentage of GDP that is generated from tax revenue, and it is half of what it is in most industrial countries. And yet we don't insist in terms of our bilateral discussions on a variety of issues that that change. We ought to be using our leverage, is my point.

Ms. DOBRIANSKY. I would say that our message today is that that is a core part of our policy. The Millennium Challenge Account, by the way, that whole approach really strives to achieve that, to look at those programs and projects that will get to the source, that are not filtered through, that have not wasted or frittered away. That is very much our message today.

Democracy does have to show results in this case and that is also, I think, very much our message that what we have seen in Latin America, that has not been happening because of the way in which policies have been implemented economically. This is not just about economic growth. It is about before—the point made about poverty eradication. It is about striving to pursue those strategies that will be the most effective. But I think the good news here is that you have countries that are democratic, that are interested in changing, and that are listening to their people.

Mr. BURTON. Thank you. Mr. Tancredo.

Mr. TANCREDO. Thank you, Mr. Chairman. Are you familiar with the work—any of you—I think I know the answer from the question from Adolfo, but the work of Fernando De Soto, the economist? Do you take him seriously and do you use his material?

When he talks about what has to be done in terms of a democracy building effort, and the elimination—well, the minimization of poverty, as we will never eliminate poverty, what a strange concept. No matter what you do, we will always have somebody at the lower end and they will be identified as in poverty. We will never eliminate it as long as we are on the planet.

But to minimize it, the task is, of course, overwhelming, and it is far greater than just as De Soto says, the imposition of democracy. Democracy can be imposed on a country. We have seen it. I mean, it happened in Russia and in other places.

You don't have a lot of economic growth, and of course, you don't have an integrated system of judiciary, for instance, that will uphold, and also a tradition of the rule of law, so that contracts can be relied upon, contracts for land or anything else.

It is a complex process that has to develop in order to achieve the goals of a democratic society, with a prospering economy, according to De Soto, and, of course, others. I certainly believe in what he is saying.

The question is, what can we do about that? Especially, what can we do about that if one of the other aspects of that is an inhibiting factor in that particular, in the movement toward that goal, is endemic corruption in any particular country? I know we think of countries where certainly it is known that the corruption extends from the cop on the beat to the highest levels of government; it is endemic.

It is part of what they are and who they are, whatever you want, for years. It is going to be for a long time, as long as that is the case, as long as you have this culture of corruption, that doesn't seem to be endemic, then how do you achieve De Soto's goals? How do you achieve your goals? Our goals are mutual goals of bringing this kind of economic prosperity to any country with that kind of problem?

Ms. DOBRIANSKY. I will make two comments, and then if you would like to comment, first just to say that, as part of the world summit on sustainable development efforts, we featured Hernando De Soto during our sessions. In fact, we addressed a wide variety of audiences, ranging from governmental leaders to NGOs, and we think that his message is an important one. It is an effective one, and it is a proven one.

In terms of approaches, you mention the issue of crime and corruption which does tear at the very fiber of democratic societies. One of the areas that we have invested our resources in, in and throughout Latin America, in trying to combat this problem, is in the building of strong democratic institutions and especially in terms of also the judiciary.

I think you find throughout Latin America that you have weak judiciaries, a weak rule of law, and this has been one of the areas that we have invested resources in.

Mr. TANCREDO. How do you do it? How specifically do you create a strong judiciary in a country? Or, I should say, how do we do that?

Ms. DOBRIANSKY. I would say, first of all, it is through training. It is through also training of judges, training of lawyers. It is also by having exchanges whereby individuals who come from Latin America come, see other processes, whether be it in our own country.

Mr. TANCREDO. Because if they go home, and they are threatened by the mob—I mean, all this is great stuff. But when you go back home and either your family is threatened by the cartels, or the money that is put in front of you is in such high stacks that it is

hard to see over, does it really matter that you brought them in here and they looked at the way it happens in America?

Ms. DOBRIANSKY. Yes, I think it does. I remember the case of El Salvador. I remember when I served in the Human Rights Bureau of the State Department, and at the time, before he was running for President, Alfredo Cristiani came to the Bureau and made an appeal, tell us how we can do our job better in terms of providing for our judges. It is not only about the threats, but it is actually about the expertise.

I wouldn't exclude; it is one with the other. It is not a simple answer. I was only giving you one example of the types of programs that we do support in trying to have a strong framework, a framework of democratic institutions, because they do matter in terms of due process.

It does matter. Community action. Let me give you a second example. In the case of Colombia, we have supported a program called the Culture of Lawfulness, which actually involves communities better understanding the role of law enforcement in their society, involving mothers, mayors, policemen, educators, lawyers. Actually, it has been rather successful, in terms of local communities, bringing down the rate of crime.

So it is not just one program; it is a series of programs. I was only giving you one example of where we put our moneys in, but obviously, it is a problem that has to be addressed at multiple levels, not just only one level.

Mr. FRANCO. Just very briefly, Mr. Tancredo, first of all, yes, I think we know and have a lot of respect for Herman De Soto. Of course, he started his work in Peru, in Lima, Instituto Libertad, and actually, over $150 million for his efforts, as you know. Now it is a global effort.

His work is extremely important. Of course, it started with property rights. And it is the concept, in very succinct terms, is that you have to have a framework for economic growth that has not only a respect for law but an ability to get people to leverage resources through mortgages, credit and so forth.

That is how we need to have these societies become more agile in terms of their administration of their property rights and attract investment and have people be able to leverage through credit and so forth. So the model, it has been a very good model, and, of course, it has evolved and expanded. Of course, his work is very important, and he is a very important partner.

With respect to, when you say anti-corruption, it sounds like anti-motherhood. Of course, everybody is against corruption, except usually the people doing the corrupting. They are usually not in favor of anti-corruption. Most of those individuals, as you noted, are quite influential economically, or are part of a mob, or have a very vested interest.

Just as Secretary Dobriansky said, we have tried our best beyond the Millenium Challenge Account at USAID and all the other programs to make investments where we see commitments by leaders, and it is hard. There isn't a simple answer here. There is a lot of courage, particularly in leaders in Central America, and President Uribe and others have had the courage and have paid a price for

this. So it is not an easy thing to do to be a champion for good governance.

We have those leaders, and we have those commitments and our leaders are increasingly tied to those efforts in investing in those countries where there is a movement to address corruption. It is the number one indicator of the 14 indicators of the Millenium Challenge Account. Specifically, and very quickly with respect to how we go about changing these systems and how we make these reforms in judiciary possible is we have seen in the region, and that is why trade and other things are important, to make—attract investment, to make consumer confidence, to create confidence in society, we had to reform codes. We have to have an accusatory system rather than a traditional system. We have many Latin American countries, and we worked with bar associations. We have worked with judiciaries. We have had the supreme court of Panama meet with our Supreme Court. So it isn't just an exchange of meetings. It is an exchange of technical, necessary changes throughout the region, and they are taking place.

They are taking place, and that is creating a more transparent, open process that is yielding the ability for people; they are seeing that the results of the judiciary is actually working for them and also good ultimately for investment.

Mr. TANCREDO. Thank you.

Mr. Chairman, I don't know if you want to give me the time to ask this question.

Mr. BURTON. Sure, go ahead.

Mr. TANCREDO. One question that the Committee wanted to put forward is our policy on the ICC and our demand for the Article 98 Agreements have opened the door for China's military assistance in places like Ecuador. Are we looking at Article 98 waivers down there?

Mr. SHANNON. I can say that, as noted a little bit earlier, we are very concerned about the—our ability to use both ESF money and IMF money to do the kinds of transformational things that we need to do in the region, not only in terms of the armed services but also how we address the larger security agenda in the region, which goes beyond security assistance but also addresses natural disasters, environmental disasters and pandemics, and non-traditional actors like terrorists and drug traffickers.

And, therefore, we are looking at the options available to us to see how we can make sure that ICC sanctions don't interfere with our fundamental interests.

So, as Secretary Rice noted, we are, indeed, considering these options at this point in time.

Mr. TANCREDO. The options, one of them being a waiver?

Mr. SHANNON. Correct.

Mr. TANCREDO. Thank you. Thank you, Mr. Chairman.

Mr. BURTON. Yes. Let me just follow up on that. There is a concern among a number of us about China's influence in the region. If Article 98 is an impediment to us giving the military training that China will provide, we are concerned that their influence might be much more pervasive than even our State Department realizes.

I really think there ought to be some middle ground on this Article 98. I understand the need for it, but I don't want to see another major power start taking over in our backyard because of our reticence to solve this problem.

Ms. DOBRIANSKY. Mr. Chairman, as we discussed earlier, when Congressman Engel was here, as I suggested, that is something we are looking at, some of the challenges, but also the areas that haven't been affected by this.

Mr. BURTON. I want to thank you very much for being here and thanks for your patience. It has been a long morning.

Our next panel consists of Dr. Christopher Sabatini. He is a Senior Director for Policy at the Council of the Americas/Americas Society. He oversees the research and publishing programs. He has published numerous articles on Latin America dealing with democratization, security and defense, political parties and the effectiveness of international programs to support democratic development. He has also worked as director for Latin America and the Caribbean at the National Endowment For Democracy.

I want to thank you for being here today, Dr. Sabatini.

Unfortunately, His Excellency Francisco Flores, the former President of El Salvador, is unable to appear before the Committee this morning, but he submitted his testimony for the record, and welcomes the submission of questions in the record by our Members. We will do that.

[The prepared statement of Mr. Flores follows:]

PREPARED STATEMENT OF HIS EXCELLENCY FRANCISCO FLORES, FORMER PRESIDENT OF EL SALVADOR

Mr. Chairman your questions on the current state of democracy in Latin America requires a methodology that will allow us to penetrate on the complexity of such a diverse region. I propose that we analyze the active agents of democracy, namely, political parties, and that we do so, on the basis of a concrete historical example. Since my country, El Salvador, successfully transited from a dictatorship to a democracy, I propose that we analyze this case prior to addressing general views on the region's democratic future.

THE CASE OF EL SALVADOR: FROM DICTATORSHIP TO DEMOCRACY

A. Historical Background

In 1972 the more radical sectors of the communist movement decided that conditions were ripe for an armed insurgency in El Salvador. These isolated groups were greatly stimulated by the Sandinista victory in 1979 in neighboring Nicaragua. A year later, under the direct command of the Castro regime, the approval of the Soviet Union, and the logistical compromise of the Sandinistas, the various guerrilla movements were integrated under a unified movement. The FMLN was officially born in Havana in 1980.

The United State's government decided to help the Central American nations stop the communist takeover of the region. El Salvador became from 1979 onwards the last armed scenario of the cold war. When the Berlin wall fell in November 1989, support for the guerrilla movement dwindled, thereby strengthening the argument of some of their leaders that the armed strategy had no future. The FMLN's central command decided to accept the government offer to end the war through a negotiated peace. The Peace Treaty was signed in February 1992.

El Salvador was destroyed by 13 years of armed conflict. In one of the greatest diasporas in modern history, one third of the population fled to neighboring countries. Every Salvadorean family had to mourn the loss or the separation from at least one of its members. Our streets were filled with beggars due to the brutal impoverishment of our campesino families.

Power shortages were the norm, nurses and doctors pleaded that power lines be spared as children in the intensive care units were dying. The Pan-American High-

way, the main artery that articulates the country from our borders with Guatemala to Nicaragua became in many stretches a dirt road.

The state of siege suspended all personal rights from 6 pm to 6 am. Anybody in the streets could be shot without even an explanation.

Faced with threat of a growing guerrilla movement, the Military Junta that governed since 1979, decided "to steal the promises of the left" and implement a socialist state.

The destruction of the war was now compounded with a disastrous public policy. All properties greater than 240 hectares were forcefully expropriated. The banking system passed in its entirety to the government. Foreign commerce became a state monopoly through a law that forced all exports to be channeled through a government agency.

This generated unprecedented corruption levels, a paralysis of the productive sector, and a bureaucratic mismanagement catastrophe in key institutions.

In the middle of the war, a devastating earthquake destroyed the capital city.

Our overpopulated country, totally dependent on its weak agricultural exports, overburdened by a disastrous public policy, in the midst of a severe armed conflict, seemed hopeless.

And yet today, only fourteen years from the events I describe to you, El Salvador is a different country. It has slashed its poverty level by half, from 60% in 1992 to 30% today. Extreme poverty has been brought down from an alarming 30% to a 12%. Though any percentage in this category is inadmissible, El Salvador has achieved the highest poverty reduction rate in the continent.

Twelve years ago, 25% of the population could neither read nor write. Today it is 13%. Infant mortality was 45 per a thousand births. Today it is 25.

During our term in office, everyday we advanced one kilometer in connecting our most isolated rural communities, everyday we built three schools to educate our poorest children, everyday we built 106 new low income houses and every week we built a new health clinic.

After having interest rates around 30%, we have today the lowest interest rates in the region, 6.8%. Our new monetary policy and strict fiscal discipline have earned us the coveted investment grade, shared in Latin America only by Mexico, Chile and El Salvador.

Of all the Central American countries, El Salvador is the first to be ready to reap the benefits of the Central American Free Trade Agreement with the United States.

Conditions in El Salvador have changed dramatically. Telephone lines have multiplied twelvefold. Vehicles have increased fourfold. Water supply and electricity are up 50% in the rural areas. It is now possible to acquire a low income house for $30 a month.

From a Socialist dictatorship, we now have a vibrant democracy, a free and independent press, a true separation of powers.

What is El Salvador's secret? What can explain this dramatic change in less than fifteen years?

I am convinced that there are four essential elements. The first is a cultural change from the common "blame it on others' to a conviction that a country must assume responsibility. The second is a long term vision structured on the principle of freedom; that is both economic and political freedom coupled with a strategy to fight poverty based on creating new opportunities. A vision with enough depth to tackle a country's deepest problems, practical enough to be implemented in one and hopefully several government programs, and with sufficient appeal to gather the whole country around it can not be improvised. The third element is an effective leadership.

This means a leadership that is the antithesis of populism. One that is willing to take the political costs of doing what his country needs and while doing it, still capable of winning elections. Fourth is a new political vehicle.

It is this last element I will be emphasizing in my presentation today Mr. Chairman. I do so because the health of a democratic system is in the end, the health of its component parts, and so it has the greatest relevance for the issues you discuss today in this committee, and because without it none of the first three conditions would have been possible.

POLITICAL PARTIES AND THE TRANSFORMATION OF EL SALVADOR

In our country, political parties had become so distorted that their objective was no longer the nation they were born to serve but their small interests. This created numerous distortions. Instead of selecting the best members of society for leadership positions they valued party loyalty and political clientele over anything else. As the most loyal party members are not likely to be the most competent, politics became

synonymous with mediocrity, and a vicious cycle ensued as the more capable members of our society evaded political involvement.

We had fallen into the most prevalent political disease of our region: populism. The common political approach was to consider popularity as the main objective of a president's actions. These usually precluded initiatives that carried high political costs with two very dangerous consequences: either the urgently needed reforms were never undertaken, or so many concessions were made in the effort to appease criticism that the end result was a pale and superficial attempt that usually left things as they were.

My conviction, supported by El Salvador's record, is that a leader is elected to do what his country needs and his popularity must be subservient to this objective. In fact a leader's political capital is valuable only if it is invested in improving the conditions of his country. If it is invested only in his image, it has no practical use for his countrymen.

By the mid 1980's this political behavior was such that the possibility of renewing our political leadership was precluded—over and over again, in every election, the same faces were up for the ballot. In this case national interests, however important they might be, are overcome by party interests because by taking away from voters the possibility to change their reality through votes, the electoral process becomes a meaningless formality.

The distortion of this party loyalty in our public administration can't be overstated. One of the most obvious is that the cabinet became a combination of friends and party members, thus eliminating the possibility of choosing capable leaders for strategic institutions.

Prior to 1989, it was the norm to hire political activists as government employees in payment for participation during campaign efforts. This way a political clientele that could be mobilized during electoral periods was insured.

A political culture was created that made of our institutions the spoils of political warfare. Decades of this behavior had allowed political parties to possess institutions as party territories. No election changed this as over the years so many instruments of control had been transferred into the party's hands that a shadow government was effectively in place.

This is a dangerous situation in any institution. In the case of the administration of justice the distortion is so grave that it can destroy a country.

Through their past participation in the central government or their current influence in our national assembly, political parties had created such a strong legal shield over government employees that it was impossible to suspend, transfer or substitute any of the employees, however destructive their behavior.

In many government agencies employees held allegiance to the political parties that protected them and not to the objectives of the newly elected administration. As the political activist could hide his transgressions behind his status of party member, the situation created a corruption incentive.

These cadres of political activists constantly manipulated workers into enacting strikes to support their party's political agenda. Workers always supported these measures because the law was so overprotective that a strike meant a paid vacation and a possibility of negotiating a salary raise to end the strike.

The end result was that key government institutions had a highly incompetent management, shouldered a hugely overgrown bureaucracy, held a system of loyalties that fostered corruption and any effort to modernize them was effectively sabotaged through strikes and the support of political parties in congress.

The lack of legitimacy of our traditional parties was to a great degree a cause for the armed conflict that began in 1979. As the possibility of resolving our social conflicts through our political system was not possible because of the lack of credibility of our traditional parties, those that proposed violence, insurrection and an anti-system perspective need only pinpoint the situation of our democratic system to justify their arguments.

In El Salvador in 1979 all forms of radicalism, Marxism, guerrilla warfare, insurrection, military dictatorship, had a following since the population's hope for change had been systematically frustrated by a political system that was hostage to decadent political parties.

It was necessary to create a new political instrument. One that could serve as a vehicle for competent leaders to involve themselves in government without demanding any subservience to party interests; one that would not make of our institutions a prize for political activism; one that would have the national interest above all party considerations and would not allow populism to overshadow the serious restructuring that our country needed; one that would make out of constant renewal a strategy for political success. ARENA was born in 1980.

Its essential characteristic became evident when the founder of the party, facing great possibilities of success in the 1989 presidential election stepped aside, and instead did the job of selecting the best candidate possible.

President Cristiani was the first to further an economic model based on freedom, he negotiated The Peace Accord, effectively ending the war in 1992, and developed the first cohesive strategy to fight poverty. I can attest to this as I was a member of his team.

Upon completing my term in office two years ago, our party won by a landslide the presidential election. In Latin America a fourth consecutive term won by the same party in free elections with the same core vision and implementing constant reform is to my knowledge a political phenomenon that has only happened in El Salvador.

When my term was coming to a close, all the members that had accompanied me in the party's directory were asked to resign. Every single political instrument that allowed me to continue exercising influence was willingly turned over to the new team. I did this out of a conviction that permanent renewal is El Salvador's strategy for success.

Every leadership in ARENA has been allowed to further his vision. The ARENA of President Cristiani limited in no way the administration of President Calderon. Neither was my vision constricted in any way by party considerations. This allowed the national interest to be at the core of my administration's effort.

To conclude this explanation of El Salvador's successful transit from dictatorship to democracy, from poverty to sustained development, from war to peace, from isolation to international recognition allow me Mr. Chairman to restate that four essential conditions must be present: a national attitude that assumes responsibility and does not transfer a nation's problems to external excuses, a long term vision based on the principles of freedom, competent leadership and a political vehicle that allows the national interest to be always above the party's interest.

CONCLUSION: GENERAL APPLICATIONS OF THE SALVADOREAN EXPERIENCE

In answering your broader question as to the health of democracy in Latin America, I believe that the historical experience of modern day El Salvador can provide valuable insights. I suggest the following ten:

1) The will to change has to come from within.
2) Healthy, competent leadership is of all political ingredients the scarcest and the most needed to change a Nation's future.
3) Radicalism is present in all societies. It is the population's deep frustration with a political system that constantly betrays their aspirations what creates a stimulus to the anti-system proposals, whether these are military coups or Marxist revolutions.
4) The temporary support for radical or violent political expressions in El Salvador during our crisis, were caused by our people's realization of foul play during elections and never by a rejection to democracy as such.
5) When the smaller objectives of party politics take precedence, a political clientele can create such an overgrown, inoperative bureaucracy that the most essential government services as health, education, water supply can not be given to those that need them most.
6) Prolonged influence of party politics in public administration can produce a 'shadow' government; that is, a hidden authority that effectively controls institutions. When this happens in the judicial system a constant crisis ensues as the 'shadow' authority effectively sabotages any newly elected administration.
7) The tasks of changing an underdeveloped nation's future are of such complexity that they require its most capable members to participate in the effort. Their involvement is not possible when party loyalty is grossly valued over competence, and particularly when political involvement is severely discredited.
8) The experience of El Salvador points to the fact that the differences in our region are not between large or small countries, rich or poor, highly educated or not, but between well managed countries and mismanaged ones . . . In the 1980's El Salvador was seen as the poorest country in the region. Our experience was not that we had no resources but that they were gravely mismanaged. Priorities are much more important than resources.

9) Hope for the future is a crucial component of a country's effort to surmount its obstacles. When political parties can't offer a real leadership renewal this positive energy turns quickly into a pessimistic outlook.

10) A serious analysis of El Salvador's political development is conclusive in signaling political parties as both the root of the crisis and the solution of the crisis.

Finally, Mr. Chairman I would conclude that El Salvador is proof that the opposite consequences happen when the political life is renewed by a new political party. A new political vehicle, or a profound renewal in a traditional party, can produce a sufficiently competent leadership to develop a long term vision, a capacity to assume the difficult reforms that all underdeveloped nations need, and produce volition towards renewal.

I have become so convinced of these four essential elements in transforming a nation's future that together with a team of competent professionals that accompanied me during my term in office, I founded the Instituto America Libre. Our institution does in situ research to identify sound, competent leadership, supports them in the development of a long term vision based on the principles of freedom, helps in designing new political vehicles and enables the transference of political abilities to win elections. Our objective is to see that other underdeveloped nations find prosperity within the values of democracy and are able to win the battle against poverty.

I hope my remarks are of help to you Mr. Chairman in the task your committee has set for itself. Though it was not possible for me to attend your invitation I have considered it a great honor. My regards to you and the members of the committee.

Mr. BURTON. Thank you, Dr. Sabatini, for being here. We normally swear in our guest witnesses. So would you please stand so we can swear you in?

[Witness sworn.]

Mr. BURTON. You can proceed with your opening statement. We appreciate you being so patient.

TESTIMONY OF CHRISTOPHER SABATINI, PH.D., SENIOR DIRECTOR OF POLICY, COUNCIL OF THE AMERICAS/AMERICAS SOCIETY

Mr. SABATINI. Thank you. It is a tough act to follow, obviously, but good afternoon, Mr. Chairman, Members of the Committee.

I would like to I thank that you for this opportunity. I have a longer statement that I would like to have entered into the record.

My name is Christopher Sabatini. As you mentioned I am the Senior Director of Policy at the Americas Society and Council of the Americas, a nonpartisan organization created over 40 years ago by David Rockefeller to promote better understanding and dialogue on issues of democracy, rule of law and development in the Western Hemisphere.

The timing of this hearing is very important. Our analysis of the trends in the region lead me to these three conclusions, which I will elaborate on very briefly in my presentation.

The first is, the countries that are examples of successfully consolidating democracies are ones that have linked their economies and fortunes to the global economy while building institutions and markets that meaningfully integrate their citizens into the political and economic life of their countries.

Two, in many countries of the region, there was a process of social and political change under way due to the participation and inclusion of long marginalized populations, including the working poor, indigenous and Afro descendents. This can be an opportunity for extending democratic citizenship to populations long ago forgotten and left behind.

This is not a question of left or right. It is not a question of demonizing those who come to power as a result of overcoming the legacy of repression and exclusion.

Third, nevertheless, in many cases, these changes are testing political institutions and repolarizing politics. This requires the U.S. and others to reach out to these new political and civic actors while protecting and defending democratic fundamental institutions and rights.

As has been mentioned, we are in the midst of an unprecedented electoral cycle in Latin America, and in the 14 months between November 2005 and December 2006, there will be 13 Presidential elections and at least nine congressional elections. Latin Americans from Mexico to Chile are exercising the most essential of basic democratic rights, the right to vote, at a time of growing worries on the part of citizens concerning their economic security, jobs and prosperity. These concerns, however, are not to be confused with rejection of democracy.

As Congressman Lantos noted, democracy remains the preferred form of government throughout the hemisphere. According to regional public opinion surveys, the majority of citizens, 53 percent, still believe that democracy is preferable to any other form of government. Even in Cuba, the one non-elected democracy in the region, democracy activists last year registered over 3,000 examples of civic resistance to the Castro regime, a dramatic increase from a year ago and an even greater increase from 10 years ago.

For all these citizens from the Rio Grande to the Tierra del Fuego, the democratic dream remains alive. But what is emerging is a regional patchwork quilt in terms of democratic organization. The variation in democratic stability hinges on two things. The first is the capacity of the political system to provide realistic, responsible options to voters that reflect popular demands, and the second is the capacity of the state and government to implement policies and deliver services, including justice.

Sadly, in many countries, those characteristics are lacking. It is important to keep in mind that, irrespective of ideology, those countries that have succeeded in providing for their citizens and have developed a more stable democracy are those that have integrated effectively into the world economy. Let me talk first about the success stories. In countries like Chile, Brazil, Mexico and Uruguay, institutions and policies are converging to secure more a stable democracy despite whatever partisan shifts may occur from election to election.

To be sure, there are challenges in each country, most of them relate to the need to expand and improve delivery of social services and areas of basic and higher education, access to markets and the rule of law.

In the case of Brazil and Mexico, governments also need to sustain efforts at institutional reform, to consolidate the economic gains made in recent years.

A common thread runs through all of these countries, their integration into the global economy and the web of free trade agreements that binds them.

In varying degrees, every one of these countries over the last decade has made a conscious decision to hitch its economy to the glob-

al market in ways that provide concrete political and economic benefits. To be sure, as Congressman Meeks said, trade alone is not sufficient for sustaining and strengthening democracy or reducing poverty.

Open markets need to be tied to extensive, social and infrastructure programs to ensure that already divided societies and isolated sub-economies, many of which are not even tied to the market economies at a national level within these countries, do not become more divided and more isolated. For this reason, programs such as the Trade Capacity Act are very important in assuring that we provide a floor to integrate these economies within themselves and within the global economy.

Yet, what closer integration in the global economy has done in all cases is provide a political and economic framework that has served as an anchor to ensure political consistency across administrations, provide a long-term perspective for investors and the government and help create stable jobs for citizens, which, according to regional surveys, today is the primary demand of citizens in Latin America.

This contrasts with several of the countries in which historically weak institutions are straining to keep up with rising citizen discontent over poverty and inequality and the participation of a new generation of citizens. This includes previously repressed and excluded groups like indigenous, Afro-Latinos as well as a growing pool of informal sector workers that represent over 50 percent of the urban workforce in Latin America and thus over 50 percent of the electorate.

These informal workers are on the margins of the economy and politics and have been shut out of formal jobs because of slower than expected growth and inflexible labor laws. They are often not organized politically, and they often enjoy limited rights and access to state benefits. These newcomers to democratic citizenship are arriving with new demands, new forms of political participation, but they are often confronting political systems that are not reforming or adapting, leaders that refuse to yield power to a new generation, parties that remain top-down, that are still top-down and undemocratic, and governments and states that have maintained the same personalized corrupt ways of doing business. As a result, party systems have fragmented and even collapsed leading to the profound change in the structure of politics.

For this reason, this year, the year of elections in Latin America is particularly crucial. Unfortunately, these changes are often portrayed as left or right. They are not. Something far more important and historical is occurring, and it is necessary not to demonize the results.

As I discussed in an op-ed that will come out tomorrow in the *Financial Times*, what is at work in countries like Bolivia, Venezuela, Peru and Ecuador, and even what we have seen in countries like Costa Rica and Colombia, there is a much more profound process of popular and structural change that goes far beyond traditional notions of ideology.

In many cases, the exclusion of these groups and their lack of incorporation into the formal political system has made them a base for populous leaders who themselves defy left-right distinctions.

These new groups, new leaders and new issues are emerging and coming to challenge historic ways of governing, express discontent and demand change.

In my written testimony, I go through each of the individual countries. I will note a few particular examples. In Bolivia, while most of the attention is focused on the election of Evo Morales, attention hasn't focused on the fact that with the elections of December 2005, it decimated the traditional electoral party system in Bolivia.

The three parties that have dominated the party system in Bolivia have basically pretty much vanished and have been replaced by two parties, Evo Morales, a new coalition of opposition, and a raft of indigenous and ethnic groups.

There is a similar situation, obviously, in Venezuela as well. Colombia, the political system and party system are undergoing extreme shifts of partisan realignment that, in many ways, it is not clear how they will shake out. One of the clear examples of this institutional weakness and political polarization has been the emergence and increasing frequency of popular protests and street coups. In a total of five cases, popular protest in Ecuador in 2000 and 2005; Argentina in 2001; Bolivia in 2003; and Haiti in 2004, have forced Presidents to step down before the end of their mandates.

And in one case, Venezuela in 2002, resulted in the temporary removal of the President. These indicate a troubling decay in the legitimacy of popular mandates and the collapse of institutions that should be able to mediate the differences that are emerging among citizens and among the old and new generations of the political class.

There are other challenges as well: Growing concerns about the protection of civil and political rights; the erosion of international norms and standards in areas such as electoral transparency and support for civil society; the emergence of outsider candidates who are inexperienced and untested in democratic government policymaking; and last, the turning away from open markets and the risk of a return to economic isolation and the failed policies of the 1960s and 1970s.

In these times, the path to stable democracy requires reaching out to these new leaders, assisting them to construct the means and institutions to include these new participants in a political system and ensuring that the rights of the institutions fundamental to democracy are defended.

Legitimate concerns about poverty should not justify the erosion of democratic institutions and rights. For their part, countries within and outside the region can and should work together to ensure that international norms that have evolved in recent years in human rights, electoral transparency and the right of civil society to cooperate internationally are respected and enforced.

Thank you very much.

[The prepared statement of Mr. Sabatini follows:]

PREPARED STATEMENT OF CHRISTOPHER SABATINI, PH.D., SENIOR DIRECTOR OF POLICY, COUNCIL OF THE AMERICAS/AMERICAS SOCIETY

Good morning, Mr. Chairman and members of the Committee. My name is Christopher Sabatini. I'm the senior director of the Americas Society and Council of the

Americas, non-partisan organizations created over 40 years ago by David Rockefeller to promote better understanding and dialogue in the Western Hemisphere. The Americas Society, a registered non-profit under IRC regulations, and the Council of the Americas, a business organization representing over 175 companies invested in Latin America, are dedicated to the strengthening of open markets, democracy, rule of law, and economic development in the Americas.

We are in the midst of an unprecedented historic electoral cycle in Latin America. In the 14 months between November of 2005 and December of 2006, there will be 13 presidential elections and at least 9 congressional elections. Latin Americans from Mexico to Chile are exercising the most essential and basic of democratic rights: the right to vote. This comes at a time of growing worries on the part of citizens concerning their economic security, jobs, and prosperity. These concerns, however, are not to be confused with rejection of democracy.

Citizens still support democracy in the region but, in many countries, institutions—both governmental and political—remain weak. While countries such as Chile and Mexico remain stable—in large part because of economic and political reforms and their integration into the global economy—in other countries institutions are being severely taxed by political change and polarization. This condition forces us to look beyond individual leaders and movements to find ways to strengthen institutions and reach out to new leaders. Such an effort should be guided by the idea of inclusion: extending a hand to elected governments, leaders and movements that want to address historical problems of poverty and inequality by better linking their countries to the modern global economy and elected governments and to their leaders who are trying to establish democratic means of including citizens and new entrants into politics.

Democracy Is Still the Preferred Form of Government

Despite what you may hear, democracy remains the preferred form of government throughout the hemisphere. According to regional public opinion surveys, the majority of citizens (53%) still believe that "democracy is preferable to any other form of government"—an increase of 5% from 2001.

Even in Cuba (the one non-electoral democracy in the region) democracy activists registered over 3,000 examples of civic resistance to the Castro regime last year.

For all these citizens, from the Rio Grande to the Tierra del Fuego, the democratic dream remains alive. People still see democracy as the best means to address economic and political demands. Sixty six percent of citizens, according to the same survey, still believe that only with a democratic system can a country become developed.

But what is emerging is a variegated region in terms of the levels of democratic institutionalization. If citizens believe in democracy, in many cases democracy is not delivering for them. The variation in democratic stability hinges on the capacity of the political system to provide realistic, responsible options to voters that reflect popular demands and the capacity of the state and government to implement policies and deliver services, including justice.

Towards Consolidating Democracy

In countries like Chile, Brazil, Mexico, and Uruguay institutions and policies are converging to secure a more stable democracy, despite whatever partisan shifts may occur from election to election. To be sure, there are challenges in each country. Most of them relate to the need to expand and improve the delivery social services in areas of basic and higher education, access to markets, and the rule of law. In the case of Brazil and Mexico, governments are also need to sustain efforts at institutional reform in a number of areas to consolidate economic gains made in recent years.

To this group, I would also add Colombia. While it, even more than the others, confronts serious challenges, Colombia has made great strides in the last four years. The challenges it faces are of a different type from the others, and involve securing peace and state authority throughout its territory, addressing grave concerns about impunity of combatants, confronting the erosion of the party system, and tackling a series of governmental and fiscal reforms.

A common thread runs through all of these countries: their integration into the global economy and the web of free trade agreements that binds them to it. In varying degrees, every one of these countries over the last decade has made a conscious decision to hitch their economies to the global market in ways that have provided concrete economic and political benefits.

To be sure, trade alone is not sufficient for sustaining and strengthening democracy or reducing poverty. Open markets need to be tied to extensive social and

infrastructural programs to ensure that already divided societies and isolated sub-economies within the region do not become more divided and more isolated.

Yet what closer integration into the global economy has done in all of these cases is to provide a political and economic framework. This integration has served as an anchor to ensure political consistency across administrations, provide a long-term perspective for investors and the government, and help create stable jobs for citizens—according to regional surveys, the greatest demand in Latin America today.

Institutional Erosion and Backsliding

This contrasts with several of the other countries in which historically weak institutions are straining to keep up with rising citizen discontent over poverty and inequality and the participation of a new generation of citizens (indigenous, Afro-Latinos, and youth). To this I would add the growing pool of informal sector workers-laborers on the margins of the legal economy and politics who have been shut out of formal jobs because of slower than expected growth and inflexible labor laws.

These new entrants into the political system are coming with new demands, new forms of political participation, but often they are confronting political systems that are not reforming or adapting: leaders that refuse to yield power to a new generation; parties that remain top-down and undemocratic; and governments and states that have maintained the same personalized, corrupt ways of doing business. As a result, when they failed (or even refused) to adapt, party systems have fragmented and even collapsed, leading to a profound change in the structure of politics.

For this reason, this year, the year of the elections in Latin America, is particularly crucial. In the fourteen-month span beginning December 2005, there have been and will be presidential elections in: Honduras, Bolivia, Chile, Costa Rica, Haiti, Peru, Colombia, Mexico, Ecuador, Brazil, Nicaragua, Venezuela, and Guyana.

Many of these countries (such as Colombia, Peru and Mexico) are also having congressional elections, in addition to El Salvador and the Dominican Republic that only had congressional elections.

All of this makes it an unprecedented election year for the region and one that could dramatically re-cast the political landscape in the hemisphere and with it policy towards and within the region on everything from trade, energy, human rights, economic reform, and regional diplomacy. Unfortunately, at a political level, these changes are often described in left-right terms. Depicting them so, however, obscures far more than it illuminates.

On the one hand, there are the countries discussed earlier, Chile, Uruguay, Brazil, Costa Rica, and now (ostensibly with the election of Alan Garcia) Peru, with governments which, despite the leftist labels typically attached to them, are following the same core fiscal and trade policies as their supposedly more conservative colleagues in Colombia and Mexico. To be sure there are variations in emphasis, but the term leftist, as it has been traditionally used to describe leaders in the region, has lost its meaning.

On the other hand, labeling the numerous new movements that have emerged in recent years simply as left underestimates their historical and sociological importance. What is at work in Bolivia, Venezuela, Peru, Ecuador, and even in countries like Costa Rica and Colombia is a much more profound process of popular and structural change, that goes far beyond traditional notions of ideology. As I discuss in an op ed that will appear in the June 21, 2006 *Financial Times*, this change has altered political coalitions, and in many cases their exclusion and lack of incorporation into the formal political system has made them a base for populist leaders who themselves defy left right distinctions.

These new groups, new leaders and new issues are emerging and are coming to challenge historic ways of governing, express discontent at the lack of accountability of officials, and to demand change by rejecting long-established parties.

- *Bolivia:* While much of the attention has focused on the election of indigenous leader of the Movement Towards Socialism (MAS), President Evo Morales, who won 54% of the vote in first round December 2005 elections, at a more fundamental level, the election also marked the start of an untested new phase of electoral politics in Bolivia. The election ended the dominance of what used to be the traditional parties in Bolivia: the National Revolutionary Movement (MNR), the National Democratic Action (AND) and the Movement of the Revolutionary Left (MIR). Two of the parties, the MIR and the AND, vanished entirely, while the MNR received only 6% of the vote. These have been replaced by the MAS, the party of President Morales, the party of his main challenger, PODEMOS, and a raft of local, regional and ethnic groups.
- *Peru:* In Peru, the congressional and presidential elections again demonstrated the ongoing fragility of the Peruvian party system. The second

round of the presidential elections pitted the outsider and ultra-nationalist Ollanta Humala against Alan Garcia who had governed from 1985 to 1990. Humala—who promised to nationalize international investments in mining and questioned Peru's proposed free trade pact with the U.S.—was able to tap widespread popular rejection of the ruling class in Peru and capitalize on the vacuum left by the collapse of the other political parties to come within 5 percentage points of beating Garcia. In the congress, Humala's party, Union for Peru, won a plurality 45 seats in the 120-seat single chamber. In all, newly emerged parties and movements received over half the seats and well over 50% of the vote in the congressional elections.

- *Venezuela:* In Venezuela, what was once thought to be the model two party system, with the Democratic Action (AD) and COPEI parties alternating power, has collapsed and given way to the arrival of the President Hugo Chávez and the Fifth Republic Party (MVR). The collapse has left a political, democratic vacuum outside the government. For the December 2006 presidential elections the question will be on the electoral conditions and guarantees for a free and fair process and whether the opposition decides to remain in the game.
- *Costa Rica:* Even the stable two-party system in Latin America's traditional island of democracy has undergone profound changes. The presidential elections on February 5th this year demonstrated that support for one-time dominant parties is disintegrating. One of the two parties that have historically dominated Costa Rican democratic politics virtually disappeared (the party of Social Christian Unity which received under 4% of the vote) and the victorious National Liberation party, led by President Oscar Arias Sanchez, won by a narrow margin to a newcomer, the Citizen Action party.

In all of these cases, much more is at work here than a left-right shift. What is occurring is profound political change in the hemisphere. Party systems are straining under the dual demands of popular dissatisfaction with the status quo and the emergence and growth of political participation in an environment in which representation has been typically skewed and often undemocratic.

In the wake of this political reorientation what comes next and its implications for democracy is unclear. The arrival to power of once marginalized populations and the promise of stable democratic inclusion that they bring can represent an unprecedented opportunity for deeper and stronger democracy. What is coming to the fore is a new generation of citizens and leaders, many of whom until recently had been excluded from power and even society. Their lack of experience and untested status in politics is a natural outgrowth of the type of exclusion they have endured, and in some cases still endure.

Nevertheless, growing popular discontent with the ability of democracy to deliver on people's economic demands, the weakening of institutions and the rise of political polarization in the region have raised troubling signs in some countries of the region. Among them:

- growing concerns about the protection of political and civil rights;
- the increasing frequency of popular protests and "street coups" that in a total of five cases (Ecuador 2000 and 2005, Argentina in 2001, Bolivia in 2003 and Haiti in 2004) have forced presidents to step down before the end of their mandate and in one case (Venezuela 2002) resulted in the temporary removal of the president;
- the erosion of international norms and standards in areas such as elections, transparency and support for civil society;
- the emergence of outsider candidates who are inexperienced and untested in democratic government and policymaking; and
- the turning away from open markets and the risk of a return to economic isolation and the failed policies of the 1960s and 1970s.

Within this process, however, if the institutions of democracy (judicial systems, political parties and legislatures), political participation and a fair, accessible open market can be strengthened, this broader process of change can be an important step forward in improving the inclusiveness of democracy in the hemisphere. As I outline in the June 21 *Financial Times* op ed, one step governments can take to shore up democratic stability and the prospects for job growth and prosperity is tackling the issue of labor reform. The politics surrounding labor have always been explosive. But the growing social and political changes in the region offer a real opportunity for governments to profoundly recast politics and labor relations in the region away from the pull of populist promises and protest.

Accomplishing all of these things requires ensuring that the rights and institutions fundamental to democracy are defended. For their part, countries within and outside the region can work together to ensure that international norms that have evolved in recent years in human rights, electoral transparency, and the right of civil society to cooperate internationally are respected and enforced. We need only look to the successful cases today, of Chile, Brazil and Mexico, to see that linking a country's economy and politics to the global system, while providing the means to bring citizens into the modern economy, still provides the most effect means of accomplishing the dual goals of shoring up democratic institutions and providing a better life for citizens.

Mr. BURTON. I agree with much of the thesis that you espouse, that we need to try to work with these leaders even though they deviate from the political norm.

The problem that I have is the influence that one populous regime might have on another because of the resources that they have and they can use in influencing another election.

From your perspective, how do we deal with that? I mean, Congressman Weller talked about three helicopters going to Nicaragua from Venezuela in all probability; thousands of tons of fertilizer are being used to take over one-third of the normal amount that they would use for produce production; millions of dollars going in by trucks; and other paraphernalia that is used in the election.

When we talked to the State Department a while ago, they were talking about, they said, well, we will try to make sure that is balanced out by poll watchers and that sort of thing, but that doesn't cut the tremendous advantage that is given to one candidate over another with these resources coming from the outside.

Add to that the fact that you have got a Communist leader like Fidel Castro working with Mr. Chavez, Mr. Morales, Mr. Ortega and others, and you have the potential for a real problem down the road. I mean, I was there when we had the wars in El Salvador and Nicaragua back in the early 1980s, mid-1980s, and I saw the bodies and the people that were forced out of their homes and the mass migration of people to the United States because of the loss of freedoms down there. We don't want to see that happen again.

So, from your perspective—and this is a long diatribe I am going into here—but from your perspective, I, along with Mr. Delahunt, have met with Mr. Chavez twice. I think Mr. Delahunt has met with him more than that, and we have talked to him. But, so far, the results have not been promising.

From your perspective, how do we deal with this kind of a problem to make sure that democracy continues to flourish, and we don't have populist or leftist or totalitarian regimes flourish and changing the whole landscape?

Mr. SABATINI. There are two basic questions, which I would like to answer in that. The first is, I agree with you that some leaders simply cannot be dealt with or contained or maybe, perhaps, even negotiated with. This is an argument for always believing that negotiation and mediation can resolve all differences. Some leaders simply don't want to cooperate.

They would prefer to use their vitriol to build their own political base, and you simply can't remain committed to working with them if they are not willing to commit to you.

But it is an argument to work with their base, with other leaders, a second generation, leaders who may not have the same personalities of synchronicity of other leaders—but just the base. Let

me cite one example. I talked about Afro-Latino populations. One of the things that could be done very cheaply—we talked about the USAID program that is providing scholarships for high school students to be able to come here to learn English.

I remember speaking once to an Afro-Ecuadorian society leader and to an Ecuadorian of middle class descent. He studied in the United States. She did not. He knew English and the world of opportunity of being able to participate in the global economy was open to him. It was not open to her.

Providing scholarships to these countries through a much more aggressive public diplomacy program could be a very cheap way to be able to introduce leaders and a base to the way we operate and our basic principle values. That can be expanded, and it is a very effective way. I am not arguing just to work with their leaders.

The second issue is one of using patronage to start elections. I think, in that case, much more needs to be done to basically stiffen the back of individual organizations to be able to denounce that.

Sure, there have been transgressions on both sides in the past. I certainly don't dispute that. We have talked about them before, Congressman Delahunt, I know. But certainly, there are international norms that prevent that, and much more should be done with the OAS and with the European Union, perhaps actors that are less likely to rankle countries in the hemisphere to be able to try to control that, monitor and report on it.

Right now, we have seen very good pictures of examples of fertilizer being spread around, of other things in the hemisphere. But certainly much more can be done to catalog and document those and raise the international forum, because it is a violation of international norms.

Mr. BURTON. Mr. Meeks.

Mr. MEEKS. How are you doing, Dr. Sabatini? It is good to see you. First of all, let me compliment you on your testimony. I was running in and out. From what I have heard in the other room, much of it I agree with. I have been a major proponent when we are looking at various free trade agreements and trying to insist that we put as much money in there as far as trade capacity built in. I was wondering if you could give us your opinion on whether or not you find that to be a useful expenditure of money and something that could help as far as when we do have trade agreements, bringing individuals who maybe are on the bottom, helping them to participate and be part of the democratic process and thereby helping stabilize the democracy in the end? That is my first question.

Second question would be my concerns have also been, and just looking at how, just deal with one specific region, for example, Colombia, that we have talked about Plan Colombia, the money that we have been spending, a substantial amount. And I think there have been huge improvements.

One of the constant complaints, though, that I am hearing is that when you go to the Pacific Coast where largely African Colombians are living and indigenous people, that they don't see any effects of any of the money with reference to Plan Colombia, that there are more people from the FARC and the paramilitaries that are there, people being displaced from their land.

So they don't see any benefit in regards to Plan Colombia right now, that money. What, if anything, do you think that we could do to help that situation from what it currently is?

Mr. SABATINI. Thank you. Let me answer your first question. Not only are our trade capacity programs useful; I think they are essential. What happened—and you hear people talk about today the Washington consensus, it refers of course to the package of fiscal and economic reforms that were often implemented in Latin America in the 1990s.

Very few people want to stand up and defend them now. They criticize that it is creating inequality and poverty. Indeed, in many cases, they did. But what they also did was they did not create a market economy in these situations. They basically overlaid the decentralization and market reforms on to already skewed populations and already skewed income distributions and therefore worsened them.

What we do not have in Latin America today are market economies, and the same goes for trade. If we tie these economies into the global marketplace and we do not address the existing and endemic disproportions in the economy and the distribution of wealth, it will only increase the distortions. I believe in free trade. I support free trade, but I believe in order to make it work, you need to be able to tie these sub-economies together more effectively, not just geographically but also in terms of population.

If not, we face a huge distortion in terms of race, in terms of geographic distortion. We have seen it now, also in Mexico. The north is benefitting very effectively from NAFTA. The south is not.

Mr. BURTON. If the gentleman would yield, how do you do that?

Mr. SABATINI. Three particular ways: The first is infrastructure. Infrastructure in terms of development assistance has sort of gone out of fashion. It is unfortunate. Obviously, there are a lot of stories about the boondoggles, the dams and roads and so on. But travel around in rural Latin American areas. In some cases, Peru, where 40 percent of the population is not even engaged in the market economy; it is primarily a barter economy. How can you tie Peru into a global economy when most of the citizens don't participate in a market economy? So infrastructure is a first; roads, wells, schools and the like.

The second is a question of education, literacy, English. That also provides ties to providing more exchanges in scholarships so students can come up here, learn about the American people, To address the question, Mr. Delahunt and I believe Mr. Meeks, you mentioned of the declining support, popular support for the United States in terms of public opinion in Latin America. Let them find out how American people truly work and how we think. It can be a very cheap and effective way and also allow them to gain access to the global economy.

The third area that I believe is essential is in terms of judiciaries, that also includes labor rights. CAFTA included very strong provisions for labor, but it also put a lot of onus on very ineffective and politicized judicial systems. We need to be able to provide both the national and international means to be able to defend those labor rights. One particular example that could be done is, in the Organization of American States and Commission for Human

Rights, there are labor provisions. When cases cannot be resolved of labor rights violations in these countries, they need to be treated in international courts so that it takes them out of the hands of corrupted and politicized judiciaries, and they can be effectively defended and protected internationally where they need to be.

Mr. MEEKS. Colombia.

Mr. SABATINI. I think Plan Colombia has been fairly successful, in one case, in being able to rebuild the state in Colombia. We have seen a dramatic increase in the level of violence. The country has taken over—the government has been able to take back a number of roads in rural areas. It has been able to push back. It has been effective in demobilizing paramilitaries, although there are many questions about the impunity of those paramilitaries.

I think, in that sense, it has been successful in pushing back. What it has not succeeded in is dramatically reducing narcotics production and dramatically producing the institutional infrastructure of a state so that it can make the next step.

I believe that we are looking at a second generation of reforms that need to happen in Colombia and that need to happen if there is a second generation of Plan Colombia that will go much deeper in looking at issues of establishing justice, of establishing roads and establishing a much stronger economy that integrates people, including the several million displaced people from the combat back into the country. That needs to be very aggressively pursued.

Mr. BURTON. Mr. Delahunt.

Mr. DELAHUNT. You know, I think you have said it; you said it all in your description of the mistake of the Washington consensus and the overlay on to what was a skewed economic structure and system. The problem has been that it was—and this was the import, if you will, of the question that I posed to the earlier panel. Where we have failed is not insisting prior to entering into commercial/bilateral trade relationships that domestically these nations make the adjustments necessary so that infrastructure and health and education and other pressing issues that allow them to grow. That is where we have failed, not that we haven't made an effort in terms of providing funding for judicial reform and all of the other things that we can address. But it isn't just simply saying the market is going to handle it, because in these developing nations, there is no market. That is what the reality is.

I just think that you said it so well. I also think, I mean, we hear a lot about President Chavez and President Morales and all of these concerns about populism. I think populism is the new term now. We kind of figured out that, if you are elected but we don't like you, we call you a populist because we have to have some shorthand label to express our nervousness.

I mean, all of these leaders have been elected because of a dissatisfaction with what the status quo was. That is what the reality is.

I mean, in Venezuela, we have the Patria Por Todos. I think I am pronouncing it the right way. You have listed, I think very skillfully, where these traditional parties are just going, Mr. Chairman, they are just disappearing because they haven't delivered. That is what the problem is. It isn't necessarily—and others have said this—it isn't our responsibility, necessarily.

I am glad, as I said earlier and am going to repeat, the United States has not made an effort; we are talking about pictures of fertilizer machines, please. We have overthrown governments there. We have a historical legacy that we have to deal with. We wonder why they don't trust us. I mean, starting in Guatemala, what is Guatemala today? There are a bunch of thugs down in Guatemala, but we don't want to talk about them. We had to go and apologize to the Guatemalan people back in 1998 because they were implicated in a genocide that occurred there, and we are worried about fertilizer shipments.

I think it is—I can't agree with you more, Dr. Sabatini. We should be sitting down with every nation that has a democratic leader in this hemisphere and laying out some new rules about respect for sovereignty and non-interference. I don't want to influence anyone else's election. The only election that I am truly concerned about is the one coming this November that will bring back the Democrats into a majority, and with that, I yield back.

Mr. BURTON. In your dreams.

Mr. Meeks has one more question.

Mr. MEEKS. Yes, I just want to ask a question, because you said you are for trade agreements, and obviously I voted for CAFTA and a few others, and therefore, I am also. But here is my question, because it seems easy to work out trade agreements with developed nations. You know, you don't get into the headaches of, you know, when you talk about human rights and labor rights and all those kinds of things that developed. So we do these trade agreements. They are part of the global economy.

But the ones who we need to engage more are the developing countries, so it almost, what comes first, the chicken or the egg? Do we engage with them, and then that encourages them? We are not going to engage with you? I just want to get your opinion on that.

Mr. SABATINI. Let me, I will start off with that last comment. I think we need to engage. I think, in the region, we need to engage a process of inclusion rather than exclusion. What I mean by that is, we have got a network of trade agreements with different companies, and they have a network of trade agreements of Asian countries. The free trade of America's promise that was outlined the Summit of the America's is not going to happen any time soon, so we need to be able to understand the needs of these countries and try to understand, if you will, sort of north/south alliance, try to harmonize trade agreement they have with Asia, we have with Asia and we have with them, so that the sum is greater than the total of its parts.

It will be much more difficult, because as you say the complementarity is not as clear there. But it also means, I think, rejiggering our entire development strategy and our entire dialogue with these countries to begin to address fundamental institutional pathologies that have really held these countries back.

That goes beyond the Millennium Challenge Account, and it goes to the issue, Mr. Delahunt, that you mentioned, of trying to engage in a dialogue with these countries about their critical reforms in ways that is more than just funding but actually looks at issues of

labor reform, looks at issues of judicial reform and tries to share that information.

Mr. BURTON. Let me just thank you for being here, but I would like to say one thing that you said that really stuck in my mind, in your statements and your answers to questions, and that is that, when we come up with these trade agreements, as part of the agreement, there ought to be serious consideration of the infrastructure and education of the populations in the areas, so that these people can become part of a global trade economy.

So I think that is something that we ought to be talking about, and I will personally be talking to our trade Ambassadors when we talk about new trade agreements, because I hadn't really thought about that. It sounds so simple, that you would put that first, you know. If we are going to have a free trade agreement, do you have the resources and the ability to make sure that everybody can become a part of it or as many as possible can become a part of it? It seems to me we have kind of put the cart before the horse.

We come up with trade agreements without thinking about education, infrastructure and these other things. We will be talking about that, or I will be, to my friends.

Mr. DELAHUNT. If the Chairman would yield to me.

Mr. BURTON. Yes, Mr. Meeks and Mr. Delahunt and I will be working together on this.

Mr. DELAHUNT. That is music to my ears. I think it is just absolutely critical. I think that the United States—this is an appropriate exercise of our influence to insist that those economies in those countries that don't have the economic infrastructure to address the issues of inequality, who don't collect taxes, by the way, from the oligarchs, like in Guatemala—I mean, it is just unbelievable. I would like to have a hearing on Guatemala, Mr. Chairman.

Mr. BURTON. Well, I will let you and Mr. Weller handle that one.

Mr. DELAHUNT. Well, I think he might want to recuse himself. But, I mean, you have to have some revenue to support education and health and economic initiatives. I mean, I think today's hearing was a very good hearing, and I will also just pick up on what said earlier, too. I think it was Chris Sabatini's term about establishing norms in terms of elections and intervention—let us not use interference, but intervention.

I think that is another area where you as Chairman of the Subcommittee on the Western Hemisphere might want to invite participants from all countries to a day-long conference here in Washington about beginning a process to work out, you know, a modus vivendi, if you will, among democracies, so that there is no interference.

But, Mr. Chairman, the United States has to be willing to abide by the rules. If we don't like the results, then that is just the way it is in a world with healthy, viable democracies. We could continue to disagree with these democracies or particular issues. I mean, we turned—you know, the decision by both Mexico and Chile about not supporting the United States' position in terms of the invasion of Iraq led to a real tension. That Chile trade agreement sat there for a considerable period of time. I don't think that President Bush had a conversation with President Fox for an extended period of time.

Now, that is not my position, but we have to understand that democracies are going to have disagreements on substantive issues. But if we want to have rules and everybody has got to play by the rules, then we can't have an election in Nicaragua where fertilizer trucks show up and that the Governor of Florida puts an ad in a newspaper saying, "I endorse a candidate who opposes Daniel Ortega." They are both wrong.

Mr. BURTON. Well, we will try to work together on some of these issues.

Thank you, very much, Dr. Sabatini. We appreciate your testimony. We stand adjourned.

[Whereupon, at 1:17 p.m., the Committee was adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD

PREPARED STATEMENT OF THE HONORABLE RUSS CARNAHAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Chairman Hyde and Ranking Member Lantos, thank you for holding this hearing about democracy in Latin America. Throughout the world, grave issues face the international community, from AIDS and poverty in Africa to the threat of a nuclear North Korea. Over the next few decades the United States must travel a long and trying road in order to preserve peace and promote prosperity. For us to properly guide future foreign policy, I find it imperative that we examine our past successes, particularly one of the greatest geopolitical accomplishments of the past 50 years: the rise of democracy in Latin America.

It is the unfortunate lesson of history that for most of the history of the Americas the democratic institutions established here in the United States have not spread to our friends south of our borders. For too long, civil strife and authoritarianism instead of peace and freedom have been the norm in Latin America. However, the last 25 years have seen significant changes in that pattern. Out of the 16 authoritarian regimes in Latin America that existed in 1981, only one, Cuba, remains today.

Crucial to this shift from the rule of a few to the rule of the people has been our participation in bilateral and multilateral programs. Success in the region has not been achieved by unilateral force but through cooperation where all parties interested in the success of the Americas use each other's knowledge and capabilities to reach a common goal. This truly is the basis of Franklin Roosevelt's policy of being a "good neighbor."

As a good neighbor, we must seek to help our friends in Latin America who still face many challenges on their path to democracy. We should dedicate ourselves to assisting in the reduction of corruption and the protection of civil liberties. Hopefully by working together, we can replace the somewhat-shaky groundwork of democracy with a firm foundation of freedom.

I would like to thank each of the witnesses for coming today, and I am eager to hear your testimony.