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Latin America and the Caribbean: Legislative Issues in 2001-2002

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Latin America and the Caribbean: Legislative Issues in 2001-2002

Summary

This report provides an overview of the major legislative issues facing Congress in 2001 and 2002 relating to Latin America and the Caribbean. Organized by the regions and subregions of the Western Hemisphere, the report provides reference and linkages to other reports covering the issues in more detail. The importance of the region to the United States has been emphasized by President Bush's trips to Mexico in February 2001 and March 2002 and his trips to Peru and El Salvador in March 2002, and by a number of congressional trips to the region.

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

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

With regard to the Central American and Caribbean region, the major issues are disaster relief and reconstruction in Central America and the Caribbean, the proposed Central America-U.S. free trade agreement, earthquakes in El Salvador, implementation of the peace accords in Guatemala, and the new government in Nicaragua. President Bush has announced a "Third Border Initiative" to strengthen the development of the smaller Caribbean countries, and the President and Congress will be seeking ways to advance democracy in Cuba and Haiti.

In the Andean region, the major issues are President Bush's request for new assistance and additional authorities under the Andean Regional Initiative for Colombia and regional neighbors, the extension of the Andean Trade Preference Act (ATPA) under consideration for renewal, dealing with the new Toledo government in Peru, and seeking ways to engage the "maverick" government in Venezuela following the ouster and return of President Chavez.

In the region encompassing Brazil and the Southern Cone countries of South America, the major issues are managing trade and economic issues with Brazil as the country selects a new president, dealing with a serious economic crisis in Argentina, and completing negotiations for a U.S.-Chile Free Trade Agreement with Chile.

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I. Hemispheric Issues

Summit of the Americas III

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

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

Free Trade Area of the Americas (FTAA)

The proposed Free Trade Area of the Americas (FTAA) is a regional trade agreement that would include 34 nations of the Western Hemisphere. Ideally, it would promote economic integration by creating a comprehensive (presumably WTO-plus) framework for reducing tariff and nontariff barriers to trade and investment. The FTAA held center stage in discussions at the Third Summit of the Americas that convened in Quebec on April 20-22, 2001, and despite protests from various interest groups, all countries except Venezuela signed the Declaration of Quebec City. In so doing, they adopted the bracketed or draft text of the FTAA and reaffirmed the collective commitment to complete negotiations of the FTAA by

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[1] For information on legislative issues in 2000, see CRS Report RS20474, *Latin America: Overview of Legislative Issues for Congress in 2000*, coordinated by Mark P. Sullivan. The current report, organized by regions, is entitled *Latin America and the Caribbean* to include the English-speaking countries in the Caribbean area. The term "Latin America" is a cultural rather than a geographical term, and includes all countries where Latin-based languages are spoken. "Latin America" includes Mexico in North America and most countries in Central America and South America. It also includes Cuba and the Dominican Republic in the Caribbean where Spanish is spoken, Haiti in the Caribbean where French is spoken, and Brazil in South America where Portuguese is spoken.

January 2005, with the agreement's entry into force to occur no later than the end of the same year.

As the deadline nears, negotiations are becoming more intense; many areas still present formidable challenges, including market access issues (particularly with agricultural products), investment rules, antidumping provisions, dispute settlement, and the perennial issue of environmental and labor provisions. To the surprise of some, President Bush gave a nod in Quebec toward addressing many of these issues, including labor and environmental provisions. Still, negotiating parties hold positions that are at odds with each other on many issues and prospects for completion of the FTAA hinge, to a great extent, on how vigorously the U.S. Congress embraces the regional trade initiative. Negotiators in Latin America (and the United States) are eager to see what guidance, particularly on the most controversial issues, Congress may offer should it decide to pass Trade Promotion Authority (TPA) legislation. The Latin American countries, in particular, view congressional action on TPA legislation as the most visible indicator of support for, if not indispensable to, completing the FTAA.

In November 2002, Brazil and the United States will become co-chairs of the FTAA Trade Negotiating Committee (TNC), overseeing the final 2 years of hemispheric negotiations. Brazil and the United States are the two largest economies and have significant differences to resolve, not the least of which was the April 2002 decision by the Bush Administration to levy tariffs on various steel imports in response to industry requests for relief from foreign competition. This and other issues may be highlighted during the Brazilian presidential and U.S. mid-term elections in October-November 2002. In neither country is there a consensus on the FTAA, and despite some statements by public sector officials in support of the agreement, private sector discussions still reflect an ongoing tension between the two countries. Additional complications to completing an FTAA include challenges to economic and social progress in Latin America, such as the financial crisis in Argentina and deteriorating political conditions in Venezuela and Colombia. Setbacks in these areas raise the potential for eroding the spirit of cooperation that launched the FTAA negotiations in 1998. The U.S.-Chile bilateral agreement and a new U.S. overture toward a U.S.-Central American free trade agreement may also raise questions in Latin America over whether U.S. policy is firmly set on a regional approach to trade liberalization in the Western Hemisphere.

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

Democracy in Latin America and the Caribbean

Latin America has made enormous strides in recent years in the development of democracy, with all countries but Cuba led by democratically-elected heads of state. Nonetheless, many government institutions in the region have proven ill-equipped to deal with challenges to their further development, such as strong, often autocratic presidents; violent guerrilla conflicts; militaries still not comfortable with civilian rule; and narcotics trafficking and related crime and corruption. The Organization of American States has also made progress in efforts to promote democracy in the hemisphere by establishing procedures for collective action when democracy is interrupted, beginning with the Santiago Commitment to Democracy in 1991, and culminating most recently with the adoption of the Inter-American Democratic Charter in Lima, Peru, on September 11, 2001, the same day as the terrorist attacks on the United States. On April 13, 2002, the OAS Permanent Council, with support from the United States, condemned the alteration of constitutional order in Venezuela when President Hugo Chavez was temporarily ousted. The Council sent an OAS Mission headed by OAS Secretary General Cesar Gaviria to Venezuela to gather facts and undertake good offices, and it convoked a special session of the General Assembly to deal with the situation in accordance with the Inter-American Democratic Charter.

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

Hemispheric Response to September 2001 Terrorist Attacks

Latin American nations strongly condemned the September 11, 2001 terrorist attacks on New York and Washington, D.C. and took action through the Organization of American States (OAS) and the Rio Treaty to strengthen hemispheric cooperation against terrorism. The OAS, which happened to be meeting in Peru on September 11, 2001, swiftly condemned the attacks, reiterated the need to strengthen hemispheric cooperation to combat terrorism, and expressed full solidarity with the United States. At a special session on September 19, 2001, OAS members invoked the 1947 Inter-American Treaty of Reciprocal Assistance, also known as the Rio Treaty, which obligates signatories to the treaty to come to one another's defense in case of outside attack. Another resolution approved on September 21, 2001, called on Rio Treaty signatories to "use all legally available measures to pursue, capture, extradite, and punish those individuals" involved in the attacks and to "render additional assistance and support to the United States, as appropriate, to address the September 11 attacks, and also to prevent future terrorist acts." Although Canada and most English-speaking Caribbean nations are not parties to the Rio Treaty, it is expected that they will participate in efforts to coordinate hemispheric action.

In another resolution, the OAS called on the Inter-American Committee on Terrorism (CICTE) to identify urgent actions aimed at strengthening inter-American cooperation in order to combat and eliminate terrorism in the hemisphere. The CICTE was reinvigorated in the aftermath of September 11, and has cooperated on border security mechanisms, controls to prevent funding of terrorist organizations, and law enforcement and counterterrorism intelligence and information. On January 28-29, CICTE met in Washington, D.C. and approved an action plan for the coming year.

On June 3, 2002, OAS members meeting in Barbados for the OAS General Assembly signed an Inter-American Convention Against Terrorism. Signing the treaty for the United States, Secretary of State Powell said that the OAS had "produced the first new international treaty since September 11 targeted at improving our ability to combat terrorism."[2] The Convention, among other measures, improves regional cooperation against terrorism, commits parties to sign and ratify U.N. anti-terrorism instruments, commits parties to take actions against the financing of terrorism, and denies safe haven to suspected terrorists.[3] Secretary Powell also noted that the OAS should continue its work of reviewing hemispheric security policy, with the goal of an inter-American declaration that would focus on cooperative security efforts and ways to identify, prevent, and remedy potential threats.

For background information, see CRS Report RS21049, *Latin America: Terrorism Issues and Implications for U.S. Policy*, by Mark P. Sullivan; and "The Americas' Response to Terrorism," which is available on the OAS web site at [http://www.oas.org/OASpage/crisis/crisis_en.htm].

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

From the mid-1980s to the beginning of FY2001, Congress required the President to certify that drug producing and drug-transit countries are cooperating fully with the United States in counter-narcotics efforts in order to avoid a series of sanctions, including suspension of U.S. foreign assistance and financing, and opposition to loans in the multilateral development banks. During that period, the sanctions would also apply if Congress, within 30 calendar days, passed a joint resolution of disapproval to overturn the presidential certification, although any resolution would be subject to veto.

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

Acting to soften existing requirements, on April 5, 2001, the Senate Foreign Relations Committee reported out a substitute version of S. 219, which would (1) suspend the existing drug certification procedures for a 3-year trial period, and (2) require the President to identify by October 1 of each year major drug-transit or major illicit drug producing countries and to deny assistance to any country that has failed

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[2] U.S. Department of State, International Information Programs, "Transcript: Powell Stresses Security at OAS General Assembly," *Washington File*, June 3, 2002.

[3] U.S. Department of State, International Information Programs, "Fact Sheet: Inter-American Convention Against Terrorism," *Washington File*, June 3, 2002.

demonstrably, during the previous 12 months, to make substantial efforts to adhere to its obligations under international counter-narcotics agreements. The measure expresses the sense of Congress that the United States should at the earliest feasible date in 2001 convene a multilateral conference of relevant countries to develop multilateral drug reduction and prevention strategies. It also urges the President to request legislative changes to implement the strategies no later than one year after enactment. On August 1, 2001, the Senate Foreign Relations Committee approved S. 1401, the Foreign Relations Authorizations Act for FY2002-FY2003, with the provisions of S. 219 incorporated as Sections 741-745 in Title VII, Subtitle D, Reform of Certification Procedures Applicable to Certain Drug Producing or Trafficking Countries. The Committee reported out S. 1401(S. Rept. 107-60) on September 4, 2001, and the measure was placed on the Senate Legislative Calendar. On May 1, 2002, the Senate passed the House version of the Foreign Relations Authorization Act for FY2002-FY2003 (H.R. 1646) with a substitute amendment containing the text of the Senate-passed measure on security assistance (S. 1803), and the bill is in conference.

Although final congressional action on S. 219 or S. 1401 or H.R. 1646 is still pending, the drug certification requirements were temporarily modified in late 2001 by enactment of the Foreign Operations Appropriations Act for FY2002 (H.R. 2506/P.L. 107-115). This measure waived the drug certification requirements for FY2002 and required the President to designate only countries that had demonstrably failed to meet international counter-narcotics obligations, in line with provisions in S. 1401. On February 25, 2002, President Bush found that three countries – Afghanistan, Burma, and Haiti – had demonstrably failed to meet international obligations in this area, but he determined that it was in the national interest of the United States for Afghanistan (under the new government) and Haiti to continue to receive U.S. assistance.

One of the multilateral mechanisms most frequently mentioned is the Multilateral Evaluation Mechanism (MEM) developed by the Inter-American Drug Abuse Control Commission (CICAD) of the Organization of American States (OAS). Under the MEM, all hemispheric countries are evaluated on the basis of 61 common criteria. Representatives of each country evaluate all countries except their own. Hemispheric leaders at Summit of the Americas III noted with satisfaction the first set of evaluations and recommendations under the MEM procedures and called for strengthening the MEM process and for strengthening hemispheric counter-narcotics cooperation. In late January 2002, CICAD reported that hemispheric countries had made significant progress in implementing CICAD's initial recommendations.

For more information, see CRS Report RL30892, *Drug Certification Requirements and Proposed Congressional Modifications in 2001-2002*; and CRS Report RL30950, *Drug Certification Procedures: A Comparison of Current Law to S. 219 and S. 1401 as Reported,* by K. Larry Storrs.

Sustainable Development and Environmental Protection

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

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

II. Mexico

Fox Administration in Mexico

Vicente Fox of the conservative Alliance for Change was inaugurated as President of Mexico on December 1, 2000, for a 6-year term, promising to promote free market policies, to strengthen democracy and the rule of law, to fight corruption and crime, and to end the conflictive situation in the state of Chiapas. Fox's inauguration ended 71 years of presidential control by the long dominant party in Mexico. With no party having a majority in Congress, President Fox has been unable to advance many aspects of his program. Congress passed a modified version of the proposed indigenous rights legislation, prompting the Zapatista rebels in the state of Chiapas to withdraw from dialogue with the government. Congress also passed a patchwork version of the tax and fiscal reforms, significantly reducing the anticipated resources to be devoted to health and education. With legislative elections approaching in 2003 and with each of the major parties having selected new party leaders in February and March 2002, observers doubt that Fox will be able to obtain approval of major legislation, including a proposed energy reform that would permit greater private participation in the hydrocarbon and electricity sectors. The President's relations with the long dominant Institutional Revolutionary Party (PRI) may be strained by official investigations of the alleged illegal channeling of funds from the state oil monopoly to the PRI in the 2000 election and of other corrupt practices and human rights abuses in the past.

Following economic growth averaging over 5% in 1996-1999 and growth of 7% in 2000, President Fox had to confront the economic slowdown in the United States, lower oil prices, and the fallout from the September 2001 terrorist attacks in the first year of his presidency. With an economy in which more than 80% of Mexico's exports go to the United States, Mexico's economy contracted 0.8% in 2001 and is projected to grow modestly (1.4%) in 2002, dependent upon recovery in the United States.[4]

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

Congress has closely followed political and economic developments in Mexico and is interested in President Fox's efforts to advance democracy, promote free market reforms, and resolve the conflictive situation in Chiapas because of the effects of these developments on bilateral relations and because of the threat of possible instability on the southern border.

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

Mexico-U.S. Bilateral Issues

The United States and Mexico have a special relationship under the North American Free Trade Agreement (NAFTA), which removes trade and investment barriers between the countries. The friendly relationship was strengthened in 2001 by President Bush's meetings with President Fox in mid-February in Mexico, in mid-April in Canada, and in early May, early September, and early October in the United States. President Bush traveled to Monterrey, Mexico on March 22, 2002, to attend the International Conference on Financing for Development and to meet with President Fox to discuss key areas in the bilateral relationship.

In the bilateral meeting, Presidents Bush and Fox announced a number of initiatives, including (1) a U.S.-Mexico Border Partnership Action Plan with greater cooperation and technological enhancements at the border, (2) a "Partnership for Prosperity" Action Plan with public-private initiatives to promote domestic and foreign investment in less developed areas of Mexico with high migration rates, (3) agreement to seek legislative support to expand the mandate of the North American Development Bank (NADBank) and the Border Environmental Cooperation Commission (BECC) to finance environmental infrastructure along the border, and (4) agreement to continue the cabinet-level talks to achieve safe, legal, and orderly migration flows between the countries.

Congress has been considering a number of measures to strengthen border security through biometric identification on visas and inter-agency information sharing, to reorganize the Immigration and Naturalization Service (INS) in a number

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[4] "Mexico: Economic Forecast," *Economist Intelligence Unit*, February 12, 2002.

of ways, and to broaden temporary admission or to permit legalization of immigration status. It will be considering President Bush's major June 2002 proposal to create a new Department of Homeland Security, which would include the Coast Guard, INS, and the Border Patrol. With regard to drug certification issues, the Senate Foreign Relations Committee has reported out S. 1401 that would suspend the drug certification requirements for 3 years, and Congress approved a waiver of the drug certification process for one year in the FY2002 Foreign Operations Appropriations measure (See discussion above on Drug Certification Process).

For more information on congressional action on bilateral issues, including trade, drug trafficking, and migration issues, see CRS Issue Brief IB10070, *Mexico-U.S. Relations: Issues for the 107th Congress*; and CRS Report RL31412, *Mexico's Counter-Narcotics Efforts under Fox, December 2000 to April 2002*, by K. Larry Storrs; as well as CRS Report RL30852, *Immigration of Agricultural Guest Workers: Policy, Trends and Legislative Issues*, by Ruth Ellen Wasem and Geoffrey K. Collver; the section on Border Security in the CRS Electronic Briefing book on Terrorism, by Lisa Seghetti and William Krouse, which is available online at [http://www.congress.gov/brbk/html/ebter124.html], and the section on NAFTA in the CRS Electronic Briefing Book on *Trade*, by J.F. Hornbeck, also available online [http://www.congress.gov/brbk/html/ebtra42.html].

III. Central America and the Caribbean

Disaster Relief and Reconstruction

Following the destruction caused by Hurricane George in the Caribbean and Hurricane Mitch in Central America in late 1998, the United States responded with $312 million in emergency relief, and an additional $621 million in grant assistance through AID and other agencies, funded through the 1999 Emergency Supplemental Appropriations Act. Donors and country officials pledged to be better prepared for disasters, and to "build back better" in reconstruction efforts, including work to reduce poor conservation and land use practices that often contributed to the severity of the disaster damage in the countries. Congress was interested in oversight over this major project in Central America and the Caribbean, with expenditure of the designated funding continuing until the end of 2001. As evidence of continuing concern, the Foreign Operations Appropriations Act for FY2002 (H.R. 2506/P.L. 107-115), approved in late 2001, provided in Section 582 that in addition to the $100 million in assistance for El Salvador, not less than $35 million of the funds managed by the United States Agency for International Development should be made available for mitigation of the drought and rural food shortages elsewhere in Central America.

For background, see CRS Report 98-1030, *Central America: Reconstruction after Hurricane Mitch*, coordinated by Lois McHugh. For current status, see USAID's Hurricane Reconstruction Site on the web [http://hurricane.info.usaid.gov/]. Also see CRS Report RS21103, *Honduras: Political and Economic Situation and U.S. Relations*, by Mark P. Sullivan.

Central America-U.S. Free Trade Agreement

On January 16, 2002, President Bush announced that the United States will explore a free trade agreement with the nations of Central America – Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. The five Central American Presidents met in Managua in September 2001 to study ways to create closer economic relations and advance free trade and have expressed their readiness to negotiate free trade with the United States as a region. The Central American Presidents discussed the free trade agreement with President Bush during his visit to El Salvador in March 2002.

According to the White House, a Central America Free Trade Agreement would promote U.S. exports, support democracy and economic reform in the region, and advance development of the Free Trade Area of the Americas (FTAA). The Administration said it would work in close consultation with Congress in pursuing the regional trade agreement. No time-line was given for negotiating the Central American agreement, but the Administration's goal is to have the FTAA completed by January 2005.

For further information, see "Fact Sheet U.S.-Central America Free Trade Agreement," January 16, 2002, available online at the White House web site [http://www.whitehouse.gov/news/releases/2002/01/20020116-11.html].

Earthquakes in El Salvador

El Salvador experienced several major earthquakes in January and February 2001 that killed over one thousand people, and displaced nearly two million people. The United States and other countries have responded with emergency and relief assistance. U.S. emergency assistance totaled nearly $10 million by mid-February 2001, with $6.1 million provided in response to the mid-January earthquake, and $3.3 million in response to the mid-February earthquake. When President Bush met with Salvadoran President Francisco Flores in early March 2001, he said that the United States had provided over $16 million in emergency relief assistance, and he pledged to provide $52 million in reconstruction assistance in FY2001, and an equal or greater amount in FY2002. He also notified the Salvadoran President of the U.S. Attorney General's decision to grant Temporary Protected Status (TPS) to Salvadoran immigrants in the United States for a period of 18 months. The Salvadoran government had expressed concern about the additional strain that returned immigrants would place on already stretched resources. The Foreign Operations Appropriations Act for FY2002 (H.R. 2506/P.L. 107-115), approved in late 2001, provides in Section 582 that not less than $100 million in rehabilitation and reconstruction assistance will be provided to El Salvador.

When President Bush visited El Salvador on March 24, 2002, he discussed with President Flores the country's efforts to strengthen democracy, modernize the economy, and deal with earthquake reconstruction. He also discussed with the Central American presidents the proposed U.S.-Central America free trade agreement (see above).

For background, see CRS Report 98-1030, *Central America: Reconstruction after Hurricane Mitch*, coordinated by Lois McHugh. For current status, see USAID's updates on the earthquake in El Salvador, available online at [http://www.usaid.gov/sv/earthq/main.htm].

Guatemala and the Peace Accords

Guatemala is beginning the sixth year of implementation of the historic peace accords signed in December 1996, which called for programs to transform Guatemala into a more participatory and equitable society. The United States is the single largest bilateral donor in this area, having offered $260 million in support over the four-year period from 1997 to 2000. Additional support was pledged through FY2003, although multilateral institutions are making larger contributions. The Bush Administration allocated $27.6 million in development assistance and $10 million in Economic Support Funds in FY2002 assistance and is requesting $26.7 million in Development Assistance and $7.5 million in Economic Support Funds for FY2003, largely to support the peace process. U.S. assistance helps the Guatemalan government to implement its social reform program, modernize the justice sector, carry out land bank and titling programs, and encourage participation from marginal communities. The Foreign Operations Appropriations Act for FY2002 (H.R. 2506/P.L. 107-115), approved in late 2001, provides in Section 577 for U.S. agencies to collect, expeditiously declassify, and to make public any information on the murders of U.S. citizens in Guatemala since December 1999. The section in the Act on International Military Education and Training (IMET) stipulates that funds for Guatemala may only be provided for expanded IMET, or training for civilians, and only through regular notification procedures to the Committees on Appropriations.

For background, see CRS Report 98-1030, *Central America: Reconstruction after Hurricane Mitch*, coordinated by Lois McHugh. For current status, see USAID's reports on Guatemala [http://www.usaid.gov/pubs/bj2001/lac/gt/].

Nicaragua

Ongoing congressional concerns regarding Nicaragua include resolution of property claims, U.S. assistance to Nicaragua, and human rights issues. Resolution of property claims by U.S. citizens regarding expropriations carried out by the Sandinista government in the 1980s remains the most contentious area in U.S.-Nicaraguan relations. After a 3-year freeze in property-related lawsuits, new property tribunals began hearing cases in July 2000. According to the State Department's most recent Human Rights Report (released March 4, 2002), 317 cases had been filed, 184 passed through the mediation process, and 40 cases (22%) were settled as of July 2001. Those cases not mediated move on to arbitration, or are returned to district courts for expedited trials. U.S. technical assistance is aimed at improving the mechanism for settling property disputes.

The Bush Administration requested $35.9 million for Nicaragua in FY2002, including $10.4 million in food aid. U.S. law prohibits aid to countries that have confiscated assets of U.S. citizens, but U.S. administrations have granted annual waivers to allow Nicaragua to receive aid. Nicaragua is the second poorest nation in the hemisphere. Its population of 5 million has a per capita income of only $430 per year. About half the population lives in poverty, with 17% living in extreme poverty.

The government of Nicaragua "generally respected many of its citizens' human rights,"according to the State Department Human Rights Report, but serious problems remain, such as extrajudicial killings by security forces. A certain amount of impunity persists, although the government has effectively punished some human rights offenders.

In the first session of the 107th Congress, an additional concern was the fairness and outcome of national elections held on November 4, 2001. The top two presidential candidates were former President Daniel Ortega of the Sandinista National Liberation Front (FSLN) and Enrique Bolaños of the incumbent Liberal Constitutional party. Bush Administration officials made it clear they were concerned about an Ortega victory because from 1979 to1990, Ortega headed Sandinista governments that were socialist and pro-Soviet and fought a civil war against U.S.-backed "contras." Bolaños, a businessman whose property was confiscated during the Sandinista era, won the election, which was widely regarded as free and fair, and he was inaugurated January 10, 2002. Under Nicaraguan law, Ortega retains a seat in the National Assembly as the runner-up presidential candidate. Also in the legislature will be outgoing President Arnoldo Aleman, who negotiated an automatic seat for himself. As perceptions of corruption in the Aleman Administration rose last year, Bolaños, his former Vice President, distanced himself from the President, denouncing the January 2000 agreement between Aleman and Ortega on constitutional changes that have been criticized as helping the latter two maintain a hold on power.

Following through on his pledge to attack corruption, Bolaños' administration filed charges on April 4, 2002, against former President Aleman and seven other officials for alleged misuse of $1.3 million in state funds. Aleman's seat in the legislature brings with it immunity from prosecution, which he has said he will not voluntarily relinquish, and the current legislature is not likely to rescind.

Bolaños and the other Central American Presidents met with President Bush in March 2002 to discuss establishing a Central American-U.S. free trade agreement. Bolaños made a private working visit to Washington in early April 2002, meeting with Assistant Secretary of State for Western Hemisphere Affairs Otto Reich and Inter-American Development Bank and International Monetary Fund (IMF) officials. Bolaños outlined education and health as his administration's top priorities for his poverty-stricken nation, one of the poorest in the hemisphere. He said he plans to reach agreement on an IMF loan by summer 2002.

For further information, see CRS Report RS20983, *Nicaragua: Country Brief*, by Maureen Taft-Morales.

Caribbean "Third Border Initiative"

At the 2001 Summit of the Americas in Quebec, Canada, President Bush announced the "Third Border Initiative" for the Caribbean region. According to the Administration, the initiative aims to deepen U.S. commitment to fighting the spread of HIV/AIDS, to respond to natural disasters, and to make sure the benefits of globalization are felt in even the smallest economies, particularly those in the Caribbean, which can be seen as a "third border" of the United States. The initiatives in the "Third Border Initiative" include $20 million in FY2002 HIV/AIDS funding, establishment of a teacher training "Center for Excellence," increased funding for Disaster Preparedness and Mitigation, assistance to improve regional civil aviation oversight, and additional funding for anti-corruption and anti-money laundering law enforcement efforts.

The AIDS epidemic in the Caribbean – where the infection rates in several countries are among the highest outside of sub-Saharan Africa – has already begun to have negative consequences for economic and social development in the region. The countries in the Caribbean with the highest infection rates are Haiti and the Bahamas, with adult infection rates over 4%; Guyana, with an infection rate of about 3%; and the Dominican Republic and Belize, with infection rates over 2%. The U.S. Agency for International Development has been the main U.S. agency providing support for a variety of regional and bilateral programs to combat AIDS throughout Latin America and the Caribbean. The Department of Health and Human Services (HHS) is organizing a regional conference in Georgetown, Guyana, on April 20, 2002, that will bring together U.S. public health officials and ministers of health from the English-speaking Caribbean to discuss efforts to combat HIV/AIDS.

For more information on the "Third Border Initiative," see the U.S. Department of State, Washington File, Fact Sheet: Caribbean "Third Border Initiative" on the State Department Web site [http://usinfo.state.gov/regional/ar/summit/factb.htm]. Also see CRS Report RS21166, *AIDS in the Caribbean and Central America*, by Mark P. Sullivan.

Cuba

Cuba, a hard-line Communist state with a poor record on human rights, has been led by Fidel Castro since the 1959 Cuban Revolution. Since the early 1960s, U.S. policy toward Cuba has consisted largely of isolating the island nation through comprehensive economic sanctions. These were made stronger with the Cuban Democracy Act (CDA) in 1992 and the Cuban Liberty and Democratic Solidarity Act in 1996, often referred to as the Helms/Burton legislation. Another component of U.S. policy consists of support measures for the Cuban people, including private humanitarian donations and U.S.-sponsored radio and television broadcasting to Cuba.

Although President Bush announced stronger measures to enforce the embargo in July 2001, he also continued in the same vein as the Clinton Administration by suspending implementation of Title III of the Helms-Burton legislation. On July 13, 2001, President Bush asked the Treasury Department to enhance and expand the enforcement capabilities of the Office of Foreign Assets Control. The President noted the importance of upholding and enforcing the law in order to prevent "unlicensed and excessive travel," enforce limits on remittances, and ensure that humanitarian and cultural exchanges actually reach pro-democracy activists in Cuba. Just three days later, on July 16, 2001, President Bush decided to continue to suspend for a 6-month period the Title III provisions of the Cuban Liberty and Democratic

Solidarity Act (P.L. 104-114) that allows U.S. nationals to sue for money damages in U.S. federal court those persons who traffic in property confiscated in Cuba. He cited efforts by European countries and other U.S. allies to push for democratic change in Cuba. President Bush again suspended implementation of Title III on January 16, 2002, for a 6-month period.

On May 20, 2002, President Bush announced a new initiative on Cuba that includes four measures designed to reach out to the Cuban people: (1) facilitating humanitarian assistance to the Cuban people by U.S. religious and other non-governmental organization (NGOs); (2) providing direct assistance to the Cuban people through NGOs; (3) calling for the resumption of direct mail service to and from Cuba; and (4) establishing scholarships in the United States for Cuban students and professionals involved in building civil institutions and for family members of political prisoners. President Bush also called on Cuba to take steps to ensure that the 2003 National Assembly elections are free and fair and to adopt meaningful market-based reforms. If those conditions were met, the President maintained that he would work with Congress to ease the ban on trade and travel. However, the President maintained that full normalization of relations (diplomatic recognition, open trade, and a robust aid program) would only occur when Cuba has a fully democratic government, when the rule of law is respected, and when the human rights of all Cubans are fully protected. The President's initiative did not include an explicit tightening of restrictions on travel to Cuba that some observers had expected. The President, did state, however, that the United States would "continue to enforce economic sanctions on Cuba, and the ban on travel to Cuba, until Cuba's government proves that it is committed to real reform."[5]

Although there appears to be broad agreement in Congress on the overall objective of U.S. policy toward Cuba — to help bring democracy and respect for human rights to the island – there have been several schools of thought on how to achieve that objective. Some advocate a policy of keeping maximum pressure on the Cuban government until reforms are enacted, while continuing current U.S. efforts to support the Cuban people. Others argue for an approach, sometimes referred to as constructive engagement, that would lift some U.S. sanctions that they believe are hurting the Cuban people, and move toward engaging Cuba in dialogue. Still others call for a swift normalization of U.S.-Cuban relations by lifting the U.S. embargo.

Legislative initiatives introduced in the 107th Congress reflect these divergent views on the direction of U.S. policy toward Cuba (whether sanctions should be eased or intensified) and also cover a range of issues including human rights, drug interdiction cooperation, and broadcasting to Cuba. On July 25, 2001, in action on the Treasury Department Appropriations for FY2002 (H.R. 2590), the House approved an amendment that would prohibit the Treasury Department from using funds to enforce restrictions on travel to Cuba, but it rejected another amendment that would prohibit enforcement of the overall economic embargo. The Senate version of the bill did not include the travel provision, and ultimately it was not included in the conference report to the bill.

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[5] U.S. Department of State, International Information Programs, "Transcript: President Bush Urges Cuba to Hold Free Elections, Allow Dissent," *Washington File*, May 20, 2002.

In the second session of the 107th Congress, the Senate version of the "Farm Bill," H.R. 2646, included a provision that would strike language from U.S. law that prohibits private financing of agricultural sales to Cuba. Although the House version of the bill did not contain the financing provision, on April 23, 2002, the House approved (273-143) a nonbinding motion offered by Representative Calvin Dooley to instruct the conferees to accept the Senate provision. Ultimately, however, the conference report to the bill (H.Rept. 107-424, filed May 1, 2002) did not include the Senate financing provision. In the aftermath of Hurricane Michelle that struck Cuba in November 2001, Cuba negotiated with several U.S. companies for about $35 million in agricultural sales; in March 2002, the Cuban government agreed to purchase an additional $35 million in agricultural products from the United States. Under current U.S. law (Trade Sanctions Reform and Export Enhancement Act of 2000, P.L. 106-307, Title IX), no U.S. private financing or credit is available for these or other sales to Cuba.

On May 15, 2002, a bipartisan group of 40 House members that recently formed a Cuba Working Group issued nine recommendations for U.S. policy toward Cuba, with the overarching goal of shifting policy from one of isolation to one of engagement. The group calls for repealing travel restrictions and for allowing normal unsubsidized exports of agricultural and medical products to Cuba. Some Members, however, strongly oppose any weakening of U.S. sanctions.

For further information, see CRS Report RL30806, *Cuba: Issues for the 107th Congress*, by Mark P. Sullivan and Maureen Taft-Morales; CRS Report RL31139, *Cuba: U.S. Restrictions on Travel and Legislative Initiatives in the 107th Congress*, by Mark P. Sullivan; and CRS Issue Brief IB10061, *Exempting Food and Agriculture Products from U.S. Economic Sanctions: Status and Implementation*, by Remy Jurenas.

Haiti

Former President Jean-Bertrand Aristide was inaugurated on February 7, 2001 to a second, non-consecutive term. Aristide and his Fanmi Lavalas party swept presidential and legislative elections on November 26, 2000. All of the major opposition parties boycotted the elections, however, citing widespread fraud by Aristide supporters and the unresolved dispute over May 2000 legislative elections. Also on February 7, a coalition of 15 political parties, the Convergence Democratique, formed an alternative government and repeated its call for new elections. More than a year after Aristide took office, the dispute remains unresolved, and violence and human rights violations have increased. On March 1, 2002, the Organization of American States announced the formation of a special mission to Haiti to help resolve its long-standing political crisis, and to conduct an independent investigation into the December 2001 attack on the presidential palace and the violence against opposition parties and leaders that followed.

The United States and other international donors have said they will not provide aid to the Haitian government until Aristide carries out pledges he made in December 2000 to make several political, judicial, and economic reforms, including correcting the problems of the May elections, in which Aristide supporters were awarded 10 disputed Senate seats. Foreign assistance to Haiti continues but is currently provided mostly through non-governmental organizations. At the Summit of the Americas on April 22, 2001, hemispheric heads of state singled out Haiti as a country whose problems are limiting its democratic and other development, and urged President Aristide to carry through on his pledges to reform.

In the Foreign Operations Appropriations Act for FY2002 (P.L. 107-115, signed into law Jan.10, 2002), Section 520 prohibits providing assistance to Haiti except through regular notification procedures to the Committees on Appropriations. No other conditions on aid to Haiti are in the Act. Section 554 allows the Haitian government to purchase defense articles and services for the Haitian Coast Guard. USAID currently provides humanitarian assistance to Haiti only through non-governmental organizations and will probably only provide direct assistance to the government once it makes the reforms it has promised, including resolving the disputed elections.

H.R. 1646, the Foreign Relations Authorization Act for FY2002 and 2003 (passed by the House May 16, 2001) would authorize $6,000 to the Organization of American States for each fiscal year to be appropriated only for the investigation and dissemination of information on violations of freedom of expression by the government of Haiti. The Senate version, passed on May 1, 2002, with an amendment in the nature of a substitute, contains no such provision. The Senate insisted on its amendment, and the bill is in conference.

In February 2002, President Bush notified Congress that Haiti was among three nations that "failed demonstrably to make substantial counter narcotics efforts over the past 12 months." The Administration exercised a waiver, however, saying that continued aid to Haiti was vital to national interests.

The Department of State reported that the Haitian government's "generally poor human rights record worsened" in 2001, with the government continuing to commit serious human rights abuses, including extrajudicial killings by members of the Haitian National Police (*Country Reports on Human Rights Practices*, March 4, 2002).

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

IV. Andean Region

Andean Regional Initiative (ARI)

In April and May 2001, the Bush Administration proposed $882.29 million in FY2002 economic and counter-narcotics assistance, as well as extension of trade preferences and other measures, for Colombia and regional neighbors in an initiative called the "Andean Regional Initiative" (ARI).

Critics of the Andean Regional Initiative argued that it overemphasized military and counter-drug assistance and provided inadequate support for human rights and the peace process in Colombia. Supporters argued that it continued needed assistance to Colombia while providing more support for regional neighbors and social and economic programs.

In action on the FY2002 Foreign Operations Appropriations bill (H.R. 2506), the House passed the bill on July 24, 2001, with $826 million for the ARI, of which $675 million was for the counter-narcotics "Andean Counterdrug Initiative" (ACI) portion, a reduction of $56 million from the President's ACI request. The Senate passed the bill on October 24, 2001, with $698 million for the ARI, of which $547 million was for the ACI, a reduction of $184 million from the President's ACI request. The conference version of H.R. 2506, as approved by the House on December 19 and the Senate on December 20, included $625 million for the ACI, $106 million less than the President's ACI request, with $215 million earmarked for AID programs. The measure included a variety of conditions relating to human rights and aerial fumigation as well as an alteration of the cap on military and civilian contractors serving in Colombia. In February 2002 budget submissions, the Bush Administration allocated $645 million to the ACI account for FY2002, including $20 million transferred from the general International Narcotics Control account.

In February 2002 budget submissions, the Bush Administration requested a total of $979.8 million in Andean Regional Initiative assistance for FY2003, including $731 million in counter-narcotics Andean Counterdrug Initiative assistance for the seven ARI countries, and $98 million in Foreign Military Financing for Colombia to train and equip a Colombian army brigade to protect an oil pipeline in northern Colombia.

In March 2002, the Bush Administration's Emergency FY2002 Supplemental for counter-terrorism included a request for $4 million of INC funding for Colombia police post support, $6 million of FMF funding for counter-terrorism equipment and training in Colombia and $3 million of FMF funding for Ecuador for similar purposes, and $25 million of Nonproliferation, Anti-Terrorism, and Demining funding for counter-kidnapping training in Colombia. Also included in the submission were requests to broaden the authorities of the Defense and State Departments to use FY2002, FY2003 assistance and unexpended Plan Colombia aid to support the Colombian government's "unified campaign against narcotics trafficking, terrorist activities, and other threats to its national security." Proponents of the Administration's requests argue that, in the context of the global war on terrorism, that Colombia and the region should be supported at this time with counter-terrorism assistance before Colombia's violence worsens and endangers other countries, particularly when leftist guerrillas have demonstrated little willingness to achieve peace. Critics argue that counter-insurgency and anti-terrorism assistance would thrust the United States into Colombia's major guerrilla conflict on the side of armed forces with links to rightist groups guilty of gross human rights abuse.

In legislative action in 2002, the Senate passed the Andean Trade Preference Act (ATPA) extension on May 23, 2002, as part of an omnibus trade bill (H.R. 3009) including trade promotion authority and trade adjustment assistance, complementing House passage of the measure in late 2001. Later, the House approved the FY2002 emergency supplemental appropriations bill (H.R. 4775) on May 24, 2002, with nearly all authorities relating to the Andean region that the President had requested, while the Senate approved the measure on June 7, 2002, with less authority and more restrictions.

For information on FY2002 assistance, see CRS Report RL31016, *Andean Regional Initiative (ARI): FY2002 Assistance for Colombia and Neighbors*, by K. Larry Storrs and Nina M. Serafino. For information on FY2002 supplemental and FY2003 assistance, see CRS Report RL31383, *Andean Regional Initiative (ARI): FY2002 Supplemental and FY2003 Assistance for Colombia and Neighbors*, by K. Larry Storrs and Nina M. Serafino. See also material available under Plan Colombia on the U.S. Department of State's International Information Programs Internet site [http://usinfo.state.gov/regional/ar/colombia/].

Andean Trade Preference Act (ATPA)

On December 4, 2001, legislation authorizing the Andean Trade Preference Act (ATPA) expired, and continuing congressional debate over reauthorization has become part of the 107th Congress' broader trade agenda. For ten years, the Andean Trade Preference Act (ATPA) provided preferential, mostly duty-free, treatment of selected U.S. imports from Bolivia, Colombia, Ecuador, and Peru as part of a broader Andean initiative to address the growing drug trade problem in Latin America. ATPA reduced the cost of certain Andean exports to the United States and thereby improved their access to U.S. markets, which in turn was to serve as an incentive for Andean workers (particularly farmers) to pursue economic alternatives other than the growing of coca.

ATPA's expiration has provided Congress the opportunity to evaluate its efficacy as a counternarcotics policy tool. Studies by the International Trade Commission (ITC) have demonstrated that because many Andean imports are not eligible under ATPA, or enter the United States under other preferential trade arrangements, the trade effects exclusive to ATPA may have been positive, but are nonetheless small. ATPA supporters argue, however, that in addition to these small direct benefits, there may be economic development and broader regional political cooperation (good will) gains related to ATPA, although they are even less tangible. On a broad scale, ATPA is part of a larger "alternative development" strategy, which, given the extraordinary profitability of coca production, is fighting an uphill battle. Some analysts believe that for ATPA to be considered successful, there must be some evidence of export diversification into ATPA-eligible products, which to date is not overwhelming. One option suggested is to expand the category of eligible products to include apparel, footwear, tuna, and sugar, among other products. Separate bills passed by the House and the Senate have moved in this direction.

On November 16, 2001, the House passed an amended extension of ATPA entitled the Andean Trade Promotion and Drug Eradication Act (H.R. 3009). On May 23, 2002, the Senate passed its version of H.R. 3009, the Andean Trade Preference Expansion Act, as Title XXXI of the Trade Act of 2002. The essence of these bills is the amendment of the tariff treatment accorded exports to the United States from ATPA beneficiary countries. Identically worded congressional findings in both bills support the overall ATPA program. In general, the two bills also agree on expanding duty-free treatment to previously excepted articles, increasing the requirements to qualify as a beneficiary country, and enhancing customs procedures to make them essentially equivalent to those in North American Free Trade Agreement (NAFTA). The Senate bill has additional reporting requirements from the United States Trade Representative and U.S. Customs Service.

There are, however, differences between the House and Senate bills in both language and intent. For example, the House would make many additional non-apparel articles duty free, whereas the Senate bill would allow them to enter the United States under a NAFTA-equivalent rule. In most cases, this amounts to the same duty-free treatment. Both bills would extend preferential tariff treatment until sometime in 2006, presumably when the Free Trade Area of the Americas would be in force. There are also subtle discrepancies in the treatment of specific articles, particularly apparel, tuna, and footwear. The House version further amends the tariff treatment of textile and apparel goods that enter the United States under the Caribbean Basin Economic Recovery Act and the African Growth and Opportunity Act, provisions which are not taken up in the Senate bill.

Changes in tariff treatment focus on the eight categories of goods that were excepted from preferential treatment under the original act. To summarize broadly: (1) duty-free treatment is extended to carefully defined groups of textile and apparel articles in both bills; (2) footwear (not eligible under the Generalized System of Preferences) is given duty-free treatment under the House version and equal treatment under the Senate version, but with a few specific exceptions; (3) tuna shipped in airtight containers would enter duty free under the House version, but the amount would be capped under the Senate version; (4) petroleum products would enter duty free under both bills; (5) watches that do not include material from HTS column two countries would enter duty free under both bills; (6) selected leather goods would enter duty free under the House version and be given reduced-duty treatment under the Senate version; (7) sugars, syrups, and sugar products would be excepted from preferential treatment under both bills; and (8) rum and tafia would enter duty-free under the House bill, but would be excepted from duty-free treatment under the Senate bill. As part of an omnibus trade bill, the ATPA provisions are part of the conference process in progress as of mid-June 2002.

For further reading, see CRS Report RL30790, *The Andean Trade Preference Act: Background and Issues for Reauthorization*, by J. F. Hornbeck. Updated information can be found in the CRS trade electronic briefing book at [http://www.congress.gov/brbk/html/ebtra1.shtml].

Colombia

In a marked departure from current policy, President Bush seeks, through the FY2003 annual budget request and the FY2002 supplemental appropriations request, to expand the scope of U.S. assistance, particularly military assistance, to Colombia. Current policy permits funding, particularly for Colombia's security forces, almost exclusively for counternarcotics and related programs. In the supplemental request, submitted March 21, 2002, the Bush Administration seeks authority that would allow State and Defense department funds to be used to assist the Colombian government counter any threat to its national security. More specifically, it would allow FY2002 and FY2003 assistance and unexpended Plan Colombia FY2000 supplemental assistance to support the Colombian government's "unified campaign against narcotics trafficking, terrorist activities, and other threats to its national security." The immediate effect of removing the counternarcotics-only restrictions would be to allow the U.S. government to broaden the circumstances under which it currently shares intelligence with Colombian security forces, providing intelligence not only for counterdrug operations, but also for military operations against Colombia's leftist guerrillas and illegal rightist paramilitary (or "self-defense" forces). The change would also permit Plan Colombia helicopters and other equipment that the United States has provided to be used for such purposes, as well as for U.S. forces to train Colombian soldiers in techniques used in a variety of operations other than counternarcotics.

The Bush Administration's request to enlarge U.S. policy towards Colombia has renewed debate over the appropriate level and type of U.S. assistance, particularly military assistance, to Colombia. Current policy, including strict human rights provisions, derives from the Clinton Administration's "Plan Colombia" legislation (P.L. 106-246). In July 2000, Congress approved $1.2 billion in regular and supplemental FY2000 and FY2001 appropriations for "Plan Colombia" and previously funded programs in Colombia. Nearly half of the $860.3 million "Plan Colombia" supplemental funds from P.L. 106-246 was requested for a "Push into Southern Colombia" program to set up and train two new Colombian Army Counternarcotics Battalions (CACBs), which combined with an existing one set up earlier by the United States. The new battalions were to assist the Colombian National Police (CNP) in the fumigation of illicit narcotics crops and the dismantling of laboratories, beginning with coca fumigation in the southern provinces of Putumayo and Caquetá, where coca cultivation was spreading rapidly. The rationale for the program was to debilitate Colombia's powerful leftist guerrillas by depriving them of the substantial income they derive from taxing narcotics cultivation, processing, and marketing. In addition, Congress also provided substantial assistance for economic development, displaced persons, human rights monitors, and administration of justice and other governance programs, all intended to help Colombia counter the many threats to its stability and integrity from the trafficking of illegal narcotics.

President Bush and proponents of expanded military aid now hold that such assistance is necessary to shore up Colombia's beleaguered democracy. Such assistance, however, revives some Members' concerns that the United States is being slowly drawn into a Vietnam-like morass, providing assistance to a government that does not have the credibility and political will to successfully wage its own war and conclude with a just peace.

Of particular concern to opponents are the human rights provisions in the Plan Colombia and subsequent legislation, not all of which would continue to apply. Under the Bush proposal, Section 556 "Leahy Amendment" conditions in the FY2002 foreign operations appropriations act (P.L. 107-115) and the FY2002 defense appropriations acts (P.L. 107-117), forbidding assistance to military and police units credibly alleged to engage in gross violations of human rights, would continue to apply. Likewise, under P.L. 106-246 (as amended by P.L. 107-115) caps of 400 on U.S. civilian contractors and 400 on U.S. military personnel would remain in effect for "Plan Colombia," i.e., counternarcotics, operations. (The cap would not apply to other types of operations, however.) The supplemental request makes no mention of Section 567 of P.L. 107-115, which has stiffer provisions regarding human rights violations by security forces than Section 556, and also requires the armed forces to address the continuing links of some members with illegal rightist paramilitary (or "self-defense") groups.

The Administration also seeks $572 million in additional funding to help Colombia face its multidimensional security threats. In the FY2003 budget request, the President seeks $98 million in Foreign Military Financing (FMF) aid to fund units of Colombian soldiers to protect an oil pipeline and other infrastructure frequently sabotaged by leftist guerrilla groups. The supplemental request also includes $35 million in funds for Colombia: $25 million in anti-terrorism funds for an anti-kidnapping program for Colombian policemen and military forces; $6 million in FMF funds to initiate the infrastructure security program in FY2002; and $4 million in State Department International Narcotics Control (INC) funds to help the Colombian National Police establish posts in areas now lacking a government security presence. The supplemental also includes requests for several pots of money from which additional funding for Colombia could conceivably be drawn, although no mention is made of Colombia in connection with those requests. For counternarcotics activities, $ 439 million was requested under the FY2003 budget request's State Department's INC account for continued support of "Plan Colombia" programs and for the formation of a new Colombian Army counternarcotics brigade of about 2,700 troops.

The U.S.-backed spray eradication of coca crops has also caused considerable controversy. Many groups have lobbied for a cessation of all spraying until alleged ill health effects are investigated and all those whose legal subsistence crops could be affected by the spraying are given the opportunity to join voluntary eradication and well-supported alternative development efforts. Spraying was suspended for some months in 2001 and 2002 in "Plan Colombia" target provinces of Putumayo and Caquetá. P.L. 107-115 requires the Secretary of State to report, before funds can be used to purchase chemicals for fumigation spraying, that such fumigation is being carried out under EPA regulatory controls applicable in the United States, that the chemicals and their manner of application do not pose unreasonable risks to or result in adverse effects on people or the environment, that the spray is in accordance with Colombian law, and that compensation procedures are in place for damages. As of mid-April 2002, under this provision, funds for aerial coca fumigation programs are on hold awaiting this report. In addition, on June 10, 2002, the Administration could lose authority under the same act to continue aerial eradication spraying in Colombia unless the alternative development programs have been developed "in consultation with communities and local authorities"in areas where spraying is planned and are being implemented in the departments where spraying has taken place. Neither of these two P.L. 107-115 conditions on spraying and alternative development is mentioned for continuation in the supplemental request.

As of early 2002, the Bush Administration had allocated $380.5 million from P.L. 107-115, all from the INC, for Colombia. Another $92.2 million has been tentatively allocated for counternarcotics programs in Colombia from the FY2002 defense appropriations counternarcotics account. (Colombia also receives additional aid for aerial spray eradication from the State Department's air wing.)

In legislative action in 2002, the House approved the FY2002 emergency supplemental appropriations bill (H.R. 4775) on May 24, 2002, with nearly all authorities relating to Colombia that the President had requested, after rejecting an amendment offered by Representatives McGovern and Skelton that would have deleted the Committee-reported language authorizing expanded U.S. military activities in Colombia. The Senate approved the measure on June 7, 2002, with less authority and more restrictions on aid to Colombia as reported by the Committee, after an amendment by Senators Graham and DeWine was introduced and withdrawn to permit the use of Department of Defense funds for counter-terrorism purposes.

As passed by the House on May 10, H.R. 4546, the National Defense Authorization bill for FY2003, contains a provision capping the number of DOD-funded U.S. military personnel involved in operations in Colombia at 500. The bill would allow the Secretary of Defense to waive the cap for national security reasons. The Senate version of the bill, S. 2515, has no corresponding provision.

For more information, see CRS Report RL31383, *Andean Regional Initiative (ARI): FY2002 Supplemental and FY2003 Assistance for Colombia and Neighbors*, which tracks action during 2002 on Colombia; CRS Report RL30541,*Colombia: Plan Colombia Legislation and Assistance (FY2000-FY2001)* for information on legislation approved in 2000, and RL31016, *Andean Regional Initiative (ARI): FY2002 Assistance for Colombia and Neighbors,* which tracked action during 2001.

Peru

Alejandro Toledo was inaugurated as President of Peru on July 28, 2001, following two-round presidential elections in April and June 2001 that were widely regarded as free and fair. Toledo's primary tasks are seen as stimulating economic growth, maintaining stability, and restoring the independence of democratic institutions – and public confidence in them – by continuing to root out the widespread political corruption that is part of the legacy left behind by President Alberto Fujimori. The former Executive fled to Japan and resigned in November 2000, following allegations of electoral fraud and a series of corruption and human rights scandals involving his top aide. An interim government was formed according to constitutional rules of succession and was praised for maintaining calm, attacking corruption, and organizing presidential and legislative elections in its eight months in office. An anti-Fujimori opposition leader, Toledo was elected with 53% of the valid vote, against left-leaning former Peruvian President Alan Garcia with 47% of the vote.

Less than a year after taking office, Toledo has been widely criticized as having weak leadership skills and for making promises he cannot keep. Frustrated that Toledo has been unable to generate jobs or stimulate an economy that has been stagnant for four years, Peruvians stage protests in the capital almost daily. A nation-wide strike shut down half the country in May 2002. Toledo pleads for patience, and says he cannot be expected to deliver in months what he committed to deliver over five years. Peruvian and Wall Street analysts have said that the Toledo Administration's "prudent" 2002 budget, ambitious privatization plan, and agreement for a new standby loan from the International Monetary Fund are creating conditions for growth.

Since the fall of the Fujimori government, many observers have expressed concern regarding the former head of the Peruvian intelligence service, Vladimiro Montesinos, and his relationship to U.S. agencies, especially the Central Intelligence Agency, and to counter narcotics operations. Montesinos also fled, was captured in Venezuela and returned to Peru, where he faces some 168 criminal investigations into crimes including money laundering, illicit enrichment and corruption, organizing death squads, protecting drug lords, and illegal arms trafficking. In their oversight of counter narcotics programs in Peru, Members of the 107th Congress continue to monitor these investigations, especially as they relate to relations between Montesinos and U.S. agencies. The United States has provided the Peruvian congressional committee investigating Montesinos' activities with declassified State Department documents, which show U.S. officials as wary of dealing with Montesinos in light of unconfirmed allegations of his involvement in corruption and human rights violations.

Congressional support for a U.S.-Peruvian aerial drug interdiction program waned following an accident on April 20, 2001, in which an American missionary plane was accidentally shot down in Peru, killing a U.S. missionary woman and her infant daughter. The program, which involves intelligence sharing between Central Intelligence Agency-contracted private military personnel and Peruvian authorities, has been suspended and is under review. The U.S. and Peruvian governments conducted a joint investigation into the accident. Their report, released August 2, 2001, concluded that lax procedures, including the inability of Peruvian and U.S. personnel to communicate in the same language, contributed to the erroneous shoot down. Peru's Foreign Minister, Diego Garcia-Sayan, reportedly asked that the program be resumed, arguing that is the only practical way to combat narcotics traffickers in Peru. Others argue that the flight interdiction program's impact is minimal because traffickers use a variety of other means to export coca from Peru.

The Andean Counterdrug Initiative, incorporated into the Foreign Operations appropriations bill for FY2002 (P.L. 107-115, signed into law Jan.10, 2002), prohibits funding of a Peruvian air interdiction program until the Secretary of State and Director of Central Intelligence certify to Congress, 30 days before resuming such a program, that enhanced safeguards and procedures are in place to prevent the occurrence of any incident similar to the one of April 2001. It also sets forth health and safety guidelines for aerial coca fumigation and specifies that not less than $215 million shall be applied to USAID economic and social programs in the Andean region. U.S. Ambassador to Peru John Hamilton said U.S. counter narcotics assistance to Peru would triple in 2002 to over $150 million. Of that aid, $77.5 million is for alternative development programs, and $75 million is for law enforcement, interdiction, and eradication operations.

In March 2002, the United States and Peru signed a Bilateral Peru Riverine Plan to increase joint police and naval operations against narcotics traffickers on Peru's rivers. The government of Peru is to maintain a regional Riverine Training School, and the United States will provide $3 million in annual support of river operations and maintenance programs.[6]

Members of Congress have also expressed concern regarding the case of Lori Berenson, an American jailed in Peru. Berenson was convicted in 1996 by a secret military tribunal of helping plan a thwarted attack against the legislature by the Tupac Amaru Revolutionary Movement (MRTA), a guerrilla group, and she was given a life sentence. In 2000, a higher military tribunal overturned the ruling and sent the case to a civilian anti-terrorism court, which in June 2001 convicted Berenson on charges of collaboration with terrorists, reducing her sentence to 20 years, including time already served. Berenson's appeal was denied by Peru's Supreme Court in February 2002. In July 2001, 143 Members of Congress signed a letter to the Peruvian government asking for the immediate release of Berenson, who maintains her innocence. Reportedly, both President Bush and Secretary of State Colin Powell asked Toledo for her release on humanitarian grounds (*Miami Herald*, February 19, 2002).

Others, including former U.S. Ambassador to Peru Dennis Jett, who was serving in Peru when the MRTA took hundreds of people hostage at the Japanese ambassador's residence in 1996, says it would be "a major mistake" to make Berenson's pardon a high priority in U.S.-Peru relations and would risk making President Toledo appear to be soft on terrorism or as interfering with the courts. On his recent trip to Lima, according to the White House, the President did not ask Toledo to grant Berenson clemency but told Toledo she was given due process in her second trial and that he was awaiting the recommendation of the Inter-American Commission on Human Rights. The Commission could recommend her case to the Inter-American Court of Human Rights, which could order Peru to overturn her conviction – her only other option for release (*Washington Post*, March 27, 2002).

President Bush became the first U.S. President to visit Peru when he traveled to Lima on March 23, 2002. Presidents Bush and Toledo pledged to jointly fight terrorism and narcotics trafficking . President Toledo, along with the Presidents of Colombia and Bolivia and Vice President of Ecuador, urged President Bush to extend and expand the Andean Trade Preference Act, which expired in December 2001. Bush said he is committed to the program and asked the U.S. Senate to vote on it as soon as possible. President Bush discussed several U.S. initiatives involving Peru during his visit, including the provision of $50 million over the next 5 years to support consolidating democratic reform; $3.5 million to support the Truth and Reconciliation Commission in investigating past human rights abuses; the continued declassification and delivery of State Department documents requested by Peru's Congress to support its investigation into corruption and abuses under the Fujimori government; and the re-establishment, after a 27-year absence, of the Peace Corps program in Peru. Presidents Bush and Toledo also committed to signing a debt-for-nature swap, under which part of Peru's foreign debt will be cancelled in return for the Peruvian government's commitment to conserve and maintain wildlife reserves and other protected areas.

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[6] U.S. Department of State, Washington File, "Fact Sheet on U.S.-Peruvian Cooperation on Counternarcotics," March 25, 2002.

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

Venezuela

Massive opposition protests and military pressure led to the ouster of President Hugo Chavez from power on April 12, 2002, but Chavez ultimately was restored to power two days later, again with the support of the military. Chavez was ousted from office after protests by hundreds of thousands of Venezuelans and the death of at least 14 people, allegedly shot by pro-government supporters. Senior Venezuelan military leaders expressed outrage at the massacre of unarmed civilians and blamed President Chavez and his supporters. Business leader Pedro Carmona was appointed by the military to head an interim government but quickly lost the support of the military when he took such hardline measures as dismantling the National Assembly, firing the Supreme Court, and suspending the Constitution. Carmona stepped down just a day after he took office, paving the way for Chavez's return to power early in the morning of April 14. The interim government's hardline polices as well as strong support in the streets from Chavez supporters convinced military commanders to back Chavez's return. Moreover, some military factions had continued to support Chavez during his ouster.

Upon his return, Chavez appealed for reconciliation and promised new lines of communication with the opposition, yet his government also began purging the military of officials who had supported his ouster. U.S. officials have expressed concerns about continued polarization in Venezuela, and have urged the Chavez government and the opposition to engage in dialogue to overcome their differences. U.S. officials, including Secretary of State Colin Powell, have called on the Organization of American States to play a role to help Venezuela strengthen its democratic institutions.

Since the election of Chavez as President in 1998, Venezuela has undergone enormous political changes, with a new constitution and revamped political institutions. Critics and other observers have raised concerns about his government and fear that the President is moving toward authoritarian rule with his domination of most government institutions. Chavez's popularity has eroded since mid-2001, amid concerns that his government has been ineffective in improving living conditions in Venezuela. Opposition to his rule has grown into a broad coalition of political parties, unions, and business leaders, along with several senior military officers, while Chavez maintains strong support among the poor.

The United States has traditionally had close relations with Venezuela, characterized by an important trade and investment relationship and cooperation in combating the production and transit of illicit drugs. Under the Chavez government, however, there has been friction in U.S.-Venezuelan relations. In November 2001, the U.S. Ambassador to Venezuela was recalled for consultations as a sign of displeasure with Chavez's statement regarding the war in Afghanistan that the United

States was "responding to terror with terror."[7] The State Department also expressed concern in early January 2002 about attempts by Chavez supporters to intimidate the opposition and the press. U.S. officials emphasized that those seeking political change in the country should pursue it democratically and constitutionally.[8]

In the aftermath of Chavez's ouster, the United States expressed solidarity with the Venezuelan people, commended the Venezuelan military for refusing to fire on peaceful demonstrators, and maintained that undemocratic actions committed or encouraged by the Chavez administration provoked the political crisis.[9] With Chavez's return to power, the United States called on President Chavez to heed the message sent by the Venezuelan people by correcting the course of his administration and "governing in a fully democratic manner."[10] In contrast to the United States, many Latin American nations condemned the overthrow of Chavez, labeling it a coup. However, the United States did support a resolution in the Organization of American States (OAS) that condemned the "alteration of constitutional order in Venezuela."

Key U.S. interests in Venezuela include continued U.S. access to Venezuelan oil reserves, the largest outside of the Middle East; promotion and protection of U.S. trade and investment; the preservation of democracy; and continued close anti-narcotics cooperation. The Bush Administration allocated $5.5 million in FY2002 assistance for Venezuela as part of the anti-drug strategy of the Andean Regional Initiative and is requesting $8.5 million in FY2003 assistance.

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

V. Brazil and the Southern Cone

Brazil

Brazilian President Fernando Henrique Cardoso is in the last year of his second term, with presidential and congressional elections approaching in October 2002 amid doubts about the survivability of his free market-oriented governmental coalition. Cardoso was first elected in 1994 and was resoundingly reelected to a second term in 1998, largely on the basis of the success of his anti-inflation Real Plan and voters' confidence that he could best deal with mounting national and international economic difficulties. In his second term he has adopted austere

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[7] Andy Webb-Vidal, "Intimidation of Chavez's Critics Alarms Washington," *Financial Times*, January 9, 2002, p. 6.

[8] Juan O. Tamayo, "U.S. Opposes Move to Oust Chavez," *Miami Herald*, February 28, 2002, p. 8A.

[9] U.S. Department of State, "Venezuela: Change of Government," Press Statement, April 12, 2002.

[10] U.S. Department of State, International Information Programs, "White House Calls on Venezuela's Chavez to Preserve Peace, Democracy," Washington File, April 14, 2002.

budgets, moved to a floating exchange rate, obtained $41.5 billion from the International Monetary Fund (IMF), and imposed temporary energy rationing when a severe drought hampered hydroelectric energy production. Minister of Health Jose Serra emerged in mid-January 2002 as Cardoso's preferred candidate for the 2002 election, but it is not clear that he can generate enough support to prevent major coalition partners from running separate candidates in the first round in hopes of gaining greater political advantage. Perennial leftist presidential candidate Luis Inacio Lula da Silva of the Workers Party, while moderating past positions, is leading in public opinion polls at this early point in the race.

During the last 3 years, Brazil has had moderate economic success, generally maintaining tight fiscal and monetary policies, avoiding the projected economic contraction in 1999, growing at an encouraging 4.5% rate in 2000, and achieving a 1.6% rate of growth in 2001, despite an energy crisis and the threat of contagion from Argentina's economic uncertainties. In September 2001, Brazil negotiated a new $15.58 billion stand-by credit with the IMF for support through December 2002, with tough fiscal and monetary targets. Specialists are forecasting growth of 2.5% in 2002, assuming renewed growth in the United States, no worsening of conditions in Argentina, and no lack of resolve surrounding the elections.[11]

In the foreign policy area, Brazil's relations with the neighboring countries of Argentina, Uruguay, and Paraguay, which together with Brazil form the Southern Common Market (Mercosur), strengthened significantly in the 1990s, although Brazil's devaluation of the *real* and Argentina's economic difficulties are posing new challenges to the subregional bloc. Brazil and members of Mercosur have emerged as the major advocates of a slower approach to achieving an agreement on a Free Trade Area of Americas (FTAA), insisting that free trade must include agricultural products and must establish limits to unilateral actions of various sorts. Even so, relations with the United States have also warmed considerably as demonstrated by President Cardoso's visits with President Bush in Washington, D.C. and Quebec, Canada The two countries are cooperating in many areas, despite continuing trade disputes over many products, including President Bush's decision to impose some tariffs on foreign steel products on March 5, 2002.

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

Argentina

In December 2001, Argentina's financial collapse and escalating social unrest forced President Fernando de la Rua's resignation. On January 1, 2002, the Argentine Congress selected Eduardo Duhalde to complete the December 2003 presidential term and face the country's economic rebuilding. As Peronist Party leader, a former Vice President (under Menem), and Governor of Buenos Aires Province, Duhalde has been a longtime political force and vocal critic of Argentina's

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[11] "Brazil: Economic Forecast," *Economist Intelligence Unit*, February 15, 2002.

market-based reforms, which he at one time blamed for many of the current problems. The seeds of Argentina's financial and political crisis were planted in 1991 with adoption of its currency board to fight hyperinflation. The Convertibility Law legally guaranteed the convertibility of peso currency to dollars at a one-to-one fixed rate, and monetary policy was forcibly constrained to uphold that promise. Although this program achieved its goal of reducing inflation, to remain credible over the long run, it required continuing strong economic growth and disciplined macroeconomic policies, particularly if it were to weather the inevitable external shock.

Argentina proved unable to enforce the economic policies needed to support the convertibility plan and was eventually beset by numerous external shocks. Nagging fiscal deficits, growing debt obligations, and deteriorating current account deficits combined with the 1999 Brazilian devaluation, real appreciation of the U.S. dollar, rising interest rates, and the global downturn in 2001 effectively trapped the country in a four-year recession, with little room to effect a solution. Over time, and despite repeated assistance from the International Monetary Fund (IMF), confidence waned in Argentina's ability simultaneously to reverse its recession, correct its fiscal deficit, honor its foreign debt obligations, and maintain the convertibility plan. Last ditch financial policies, such as forced debt restructuring and limiting bank withdrawals, strained credibility abroad and incited rioting at home that culminated in the economic and political crisis.

President Duhalde's economic program initially centered on abandoning the currency board and the peso's 1-to-1 peg with the dollar in favor of a dual exchange rate system with a highly devalued peso. Bank loans were converted to pesos at the 1-to-1 rate, but dollar savings and checking accounts were guaranteed, although frozen as converted certificates of deposits for at least one year. Restrictions were also placed on bank withdrawals. The mismatch in the conversion rate of bank deposits and liabilities, and a Supreme Court ruling calling the bank withdrawal restrictions unconstitutional, forced Duhalde to abandon the dual exchange rate, let the peso float, convert all accounts to pesos, but convert deposits to pesos at the previous official rate of 1.4 pesos to the dollar. Although these changes were in keeping with IMF and U.S. policy preferences for Argentina, they represent only a beginning of the process of political and economic reconstruction the country faces. Duhalde must also restructure Argentina's massive foreign debt and is attempting to negotiate an IMF assistance package that will require creation of an acceptable economic plan to gain U.S. and IMF support. Tax reform, fiscal tightening, and establishing a monetary anchor to manage inflation are also cornerstones to Argentina's financial credibility, which has yet to materialize fully.

The new program faces many challenges, both political and economic, and is highly unpopular given the financial hardships it places on the Argentine people. Foreign investors are also unsure whether to continue operating in Argentina. Recapitalizing and eliminating restrictions on the banking system are critical aspects to restarting the economy and reducing social tensions. This will require IMF and other international assistance, which has been impeded by questions over Argentina's policy direction. In addition, the Argentine government faces deep institutional reform before it is likely to win back the confidence of the Argentine people, many of whom have expressed distrust of the state for abandoning fundamental social, legal, and economic contracts. The implications for broader policy issues, such as moving ahead on the Free Trade Area of the Americas (FTAA) and maintaining close ties with the United States, are now less certain. Under these circumstances, the world is watching to see if Argentina's economic and political situation deteriorates further, as many expect. The crisis has also raised questions about the role of the IMF and whether it might have encouraged a different course for Argentina at an earlier date, when the costs of transitioning from its convertibility plan would have been much lower.

For more information, see CRS Report RS21072, *The Financial Crisis in Argentina,* by J. F. Hornbeck, CRS Report RS21130, *The Argentine Financial Crisis: A Chronology of Events*, and CRS Report RS21113, *Argentina's Political Upheaval*, by Mark P. Sullivan.

Chile

U.S.-Chilean relations, which improved considerably with the nation's return to democracy in 1990, are close and are characterized by strong commercial ties and extensive consultations between the two governments on bilateral and other issues of mutual concern. Since 1994, U.S.-Chilean relations have centered on negotiating a free trade agreement, with the expectation initially that Chile would accede to the North American Free Trade Agreement. Although this did not come about, the United States and Chile did commence formal negotiations on a bilateral free trade agreement (FTA) on December 6-7, 2000, in Washington, D.C. The latest round of talks took place from April 9-12 in Santiago. Despite Chile's widely regarded economic track record and willingness to address a wide spectrum of issues, differences in how to address controversial provisions, such as those on labor, environment, and antidumping measures, are the main hurdles to clear. Negotiators currently appear to be expecting final U.S. legislative on action on trade promotion authority (TPA), also known as fast track authority, to provide guidance on these more controversial matters for a bilateral free trade agreement with Chile. Other topics at issue in the negotiations include market access, Chile's price band system on some agricultural products, intellectual property rights, and investor-state disputes.

Another issue in bilateral relations has been the sale of advanced combat fighter aircraft to Chile. In November 2001, a preliminary agreement was reached between the Chilean military and Lockheed Martin for the purchase of 10 F-16 fighter jets. President Lagos made his final decision in late January 2002 to go ahead with the sale, reportedly valued at $660 million. The purchase does not include the advanced medium-range air-to-air missiles (AMRAAM) in which Chile expressed interest. Some U.S. Senators had concerns that the inclusion of such missiles could spark an arms race in the region.

For background information see CRS Report RL30035, *Chile: Political/ Economic Conditions and U.S. Relations*, by Mark P. Sullivan. For information on U.S.-Chile trade relations, see CRS Report RL31144, *A U.S.-Chile Free Trade Agreement: Economic and Trade Policy Issues*, by J.F. Hornbeck; and CRS Issue Brief IB10077, *Agricultural Trade Issues in the 107th Congress*, by Charles E. Hanrahan, Geoffrey S. Becker, and Remy Jurenas.