Order Code RL31726

Latin America and the Caribbean: Issues for the 108th Congress

Updated July 2, 2003

Mark P. Sullivan, Coordinator
Foreign Affairs, Defense, and Trade Division

J. F. Hornbeck, Nina M. Serafino,
K. Larry Storrs, Maureen Taft-Morales, and Connie Veillette
Foreign Affairs, Defense, and Trade Division

Latin America and the Caribbean: Issues for the 108th Congress

Summary

This report, which will be updated periodically, examines issues in U.S. policy toward Latin America and the Caribbean, focusing especially on the role of Congress and congressional concerns. For more details and discussion, see the listed CRS products after each section.

The Latin American and Caribbean region has made enormous strides over the past two decades in political development, with all countries but Cuba led by democratically-elected heads of state. But several nations face considerable challenges that threaten political stability, including economic decline and rising poverty, violent guerrilla conflicts, drug trafficking, and increasing crime.

Bush Administration officials maintain that U.S. policy toward Latin America has three overarching goals: strengthening security; promoting democracy and good governance; and stimulating economic development. Some observers argue that the Administration has not been paying enough attention to the region and to instability in several countries. They maintain that the United States, faced with other pressing foreign policy problems like the war in Iraq and the global anti-terrorist campaign, has fallen back to a policy of benign neglect of the region. In contrast, others maintain that the United States has an active policy toward Latin America and point to the considerable assistance and support provided to Colombia and its neighbors as they combat drug trafficking and terrorist groups. They also point to the momentum toward free trade in the region through negotiation of free trade agreements, and to increased bilateral and regional cooperation on security issues.

Congressional attention to Latin America in the 108th Congress has continued to focus on counter-narcotics and counter-terrorism efforts in the Andean region, trade issues, and potential threats to democracy and stability. U.S. counter-narcotics efforts focus on continuation of the Andean Regional Initiative supporting Colombia and its neighbors in their struggle against drug trafficking and drug-financed terrorist groups. With regard to trade, now that the United States and Chile have signed a bilateral free trade agreement, Congress will soon be considering implementing legislation for the agreement under fast track procedures. Congressional oversight also may focus on negotiations for a Free Trade Area of the Americas agreement, scheduled for completion in January 2005, and on negotiations for a free trade agreement with Central America. Congress may also pay increased attention to economic, social, and political tensions in South America that could threaten democratic order, particularly in the Andean region. In the Caribbean, Congress will likely continue to debate the appropriate U.S. policy approach to Cuba, the region's only holdout to democracy, as it has for the past several years, while Haiti's persistent poverty and political instability has remained a congressional concern. Finally, Congress has maintained an active interest in neighboring Mexico, with a myriad of trade, migration, border and drug trafficking issues dominating U.S.-Mexico bilateral relations.

Contents

Latin America and the Caribbean: Issues for the 108th Congress

Introduction

Conditions in the Region

Latin America has made enormous strides over the past two decades in political development, with all countries but Cuba led by democratically-elected heads of state. But several nations face considerable challenges that threaten political stability, including economic decline and rising poverty, violent guerrilla conflicts, autocratic leaders, drug trafficking, and increasing crime.

The region as a whole experienced slower economic growth over the past two years, and 2002 saw the worst economic performance in almost two decades. According to the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), gross domestic product (GDP) declined by 0.5% in 2002, while per capita income declined almost 2%. Argentina, Uruguay, and Venezuela suffered the deepest recessions, skewing the regional data downward, while many other countries had slow, but positive growth rates.[1] Some 44% of the region's population live in poverty, according to ECLAC.[2]

In South America, the economic downturn has increased political pressure on elected governments and led some in the region to question democracy and the democratic free-market model of development. Colombia is facing challenges not only from a troubled economy and from drug trafficking organizations, but also from two left-wing guerrilla groups and a rightist paramilitary group, all of which, combined, are responsible for thousands of deaths each year. The Andean governments of Bolivia and Peru have faced violent protests. Venezuela has been plagued by political polarization between supporters and opponents of President Hugo Chavez, although a recent political accord for a possible recall referendum has the potential of diffusing political tensions. Argentina's democratic political system was under considerable stress after social protests over economic conditions led to the resignation of a democratically elected President in December 2001. The political and financial situation has now stabilized, but the newly elected government of President Néstor Kirchner, inaugurated in May 2003, faces the task of building the

---

[1] U.N. Economic Commission for Latin America and the Caribbean. "Balance preliminar de las economías de América Latina y el Caribe, 2002," December 2002.

[2] U.N. Economic Commission for Latin America and the Caribbean. "Social Panorama of Latin America, 2001-2002."SEPAL News, November 2002.

political consensus needed for long-term reform efforts in order to ensure sustainable economic growth and financial stability.

In the Caribbean, the government of Jean-Bertrand Aristide in Haiti continues to be plagued with disputes over the 2000 elections. Political turmoil has increased in the country and both economic and human rights conditions have worsened. Cuban President Fidel Castro retains tight control over the Communist government of Cuba, with a poor human rights record that has deteriorated significantly in 2003.

U.S. Policy

Congressional attention to Latin America in the 108th Congress is continuing to focus on counter-narcotics and counter-terrorism efforts in the Andean region, security cooperation with Latin America, and trade issues, such as the bilateral free trade agreement with Chile and the regional Free Trade Area of the Americas. Congressional consideration of the annual foreign operations appropriations legislation that funds foreign aid will remain an important way for Congress to influence U.S. policy toward the region. Congress also will likely maintain an active interest in neighboring Mexico, with a myriad of trade, migration, border and drug trafficking issues dominating U.S.-Mexico bilateral relations.

U.S. counter-narcotics efforts in the region is focusing on continuation of the Administration's Andean Regional Initiative that supports Colombia and its neighbors with foreign assistance in their struggle against drug trafficking and drug-financed terrorist groups. Congress has been increasingly concerned about the thus far intractable problem of illegal narcotics in the Andean region and been divided over an appropriate policy. Congress has expressed repeated concerns over the capture and killing of various U.S. citizens by the Revolutionary Armed Forces of Colombia (FARC). In addition to the Andean region, President Bush determined on January 31, 2003 (pursuant to P.L. 107-228, Section 706), that Guatemala and Haiti had "failed demonstrably" to take action over the past year to counter international narcotics trafficking, but the President waived the suspension of foreign assistance to both countries. Subsequent U.S. statements on Guatemala, however, lauded the country's commitment to improving its counternarcotics operations.

Security issues became a higher-profile aspect of U.S. relations with Latin America in the aftermath of the September 11, 2001, terrorists attacks in the United States. Bilateral and regional cooperation on anti-terrorism issues increased, and the United States expanded its assistance to Colombia beyond a strictly counternarcotics focus to also include counterterrorism support. In June 2002, the United States and other members of the Organization of American States (OAS) signed an Inter-American Convention Against Terrorism that would improve regional cooperation. President Bush submitted the convention to the Senate for its advice and consent in November 2002.

U.S. officials maintain that the most effective and rapid means to stimulate economic development in Latin America is through trade, and have set the goal of strengthening trade linkages with the region. On June 6, 2003, the United States and Chile signed a bilateral free trade agreement (FTA) that had been completed in December 2002. This paves the way for congressional consideration of implementing legislation for the Chile FTA under so-called fast track procedures. The Administration also expects to complete by year end negotiations for a U.S.-Central America Free Trade Agreement (CAFTA) that began in January 2003, and the Administration is continuing to negotiate with other hemispheric nations for the establishment of a Free Trade Area of the Americas (FTAA) by 2005, a goal first agreed to at the 1994 Summit of the Americas. Congressional oversight may focus on negotiations for the FTAA and on negotiations for CAFTA.

In addition to trade policy, the United States supports development in the region through foreign assistance programs largely administered by the U.S. Agency for International Development (USAID). The agency supports such activities as education, poverty reduction, health care, conservation, natural disaster mitigation and reconstruction, counter-narcotics and alternative development, and HIV/AIDS prevention and education. In addition, the United States provides food assistance, anti-terrorism assistance, and security assistance. The Peace Corps is active in many Latin American and Caribbean nations. Overall U.S. foreign aid to the Latin America region amounted to about $862 million in FY2001, $1.5 billion in FY2002, and an estimated $1.6 billion for FY2003 (based on the Administration's request); $1.7 billion has been requested for FY2004.

The Bush Administration has proposed a new foreign aid initiative, the Millennium Challenge Account, that would significantly increase U.S. foreign assistance worldwide to countries that have strong records of performance in the areas of governance, economic policy and investment in people. If approved in the 108th Congress, the initiative could dramatically increase foreign assistance to several Latin American countries.[3]

Congress has continued to pay attention to potential threats to democracy and stability in the region. As noted above, while Latin America has made significant progress over the past two decades in strengthening institutions, several nations have economic and political crises that may threaten democratic order. The United States supported the OAS adoption of the Inter-American Democratic Charter in 2001, which made democracy a defining characteristic of hemispheric states and called for collective action whenever democracy is threatened. Since then, the charter has been used to help deal with the political situations in both Haiti and Venezuela. Haiti's persistent poverty and political instability has remained a concern for Congress as has the political situation in Venezuela. And as it has for the past several years, Congress will likely continue to debate the appropriate U.S. policy approach toward Cuba, although the Castro government's human rights crackdown in 2003 could slow the momentum behind legislative proposals to ease Cuba sanctions.

Some observers, including many from Latin America, maintain that the Bush Administration has not been paying enough attention to the region and to the problems of economic and political stability in several countries. U.S. policy is criticized for having returned to a policy of benign neglect as the Administration has focused its attention on such pressing problems as the global anti-terrorism

---

[3] For further information, see CRS Report RL31687, *The Millennium Challenge Account: Congressional Consideration of a New Foreign Aid Initiative*, by Larry Nowels.

campaign, the war in Iraq, and homeland security. They argue that the United States cannot afford to let the region become unstable politically or economically, because it is an important market for U.S. exports, and an important supplier of U.S. energy needs, and increased instability could lead to increased illegal migration.

Others suggest that despite its attention to crises and issues worldwide, the United States has maintained an active policy toward Latin America. They point to the momentum for free trade in the region and to the assistance and support provided to Colombia and its neighbors as they combat drug trafficking and terrorist groups in the Andean region. Moreover, they maintain that the new U.S. focus on security issues worldwide will only solidify U.S. ties to the region through increased bilateral and regional cooperation such as the Inter-American Convention Against Terrorism.

CRS Products:

CRS Report 98-684, *Latin America and the Caribbean: Fact Sheet on Leaders and Elections,* by Mark P. Sullivan,.

CRS Issue Brief IB95017, *Trade and the Americas,* by Raymond J. Ahearn.

CRS Report RL30971, *Latin America and the Caribbean: Legislative Issues in 2001-2002,* Coordinated by K. Larry Storrs.

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

CRS Report RS21166, *AIDS in the Caribbean and Central America*, by Mark P. Sullivan.

Regional Issues

Colombia and the Andean Regional Initiative

Congress is increasingly concerned about the thus far intractable problem of illegal narcotics in the Andean Region and divided over an appropriate policy. For over two decades, U.S. policy towards the Andean Region has focused almost exclusively on counternarcotics efforts, i.e., curbing the cultivation of coca leaf and its transformation into cocaine. Success in controlling coca and coca base production in Bolivia and Peru seemed to be offset in the mid-to-late 1990s by the expansion of coca cultivation into uncontrolled areas of Colombia, which previously had served only for the refinement of coca base into cocaine. In the last few years, drug traffickers have also begun to cultivate opium poppies and transform them into heroin in Colombia.

In 2000, the 106th Congress approved expanded political, economic, and military assistance to combat drug production and trafficking in Colombia under the Clinton Administration's "Plan Colombia" (P.L. 106-246). In 2002, it approved the Bush Administration's Andean Regional Initiative (ARI), the continuation of the Clinton policy in Colombia and a sizable expansion of assistance to six of Colombia's neighbors: Brazil, Bolivia, Ecuador, Panama, Peru, and Venezuela (P.L. 107-206 and P.L. 107-115). The 107th Congress also approved a major shift in U.S. Andean policy by authorizing, for the first time in recent years, the use of U.S. assistance to help Colombia counter threats to its stability from illegal armed groups of the left and right which substantially finance their operations through the drug trade.

The 108th Congress is continuing to scrutinize indicators of the ARI's effectiveness, and to debate the policy's effectiveness. According to United States and Colombian officials, coca cultivation has dropped 15% in Colombia during 2002, with aerial fumigation of 357,000 acres, a 30% reduction of total coca cultivation. This marked the first reduction in acreage devoted to coca cultivation in Colombia. Poppy cultivation was reduced by 10% in the same year. For the first five months of 2003, Colombian officials reported additional spraying of nearly 161,000 acres of coca, with the goal of eradicating 50% of all illicit coca cultivation by the end of 2003.

However, according to the Administration, during 2002, coca cultivation again picked up in Peru and Bolivia, reversing a declining trend there. As the overall cultivation in the Andean Region has appeared to have changed little over the past several years, despite changes in individual countries, some policymakers have argued that the "supply side" policy of stemming drug production at the source is inevitably a losing battle. They argue that policy should focus on the "demand side" because they view providing treatment for the users of illegal narcotics as the only permanent solution.

The Bush Administration has, however, recast the debate, arguing that the United States faces not only a threat from drug production and trafficking in the Andean region, but also from the increasing instability that the drug trade brings. To the Bush Administration and its supporters, the assistance to Colombia is necessary to help shore up a democratic government besieged by drug-supported leftist and rightist armed groups. Substantial assistance to Colombia's neighbors is warranted, they argue, because of an increasing threat from the spillover of violence from Colombia, and the possible resurgence of drug cultivation in some countries and its spread from Colombia to others.

Although some critics agree with this assessment, they argue that the Bush plan overemphasizes military and counter-drug assistance and provides inadequate support for protecting human rights and encouraging a peace process in Colombia. In particular, they express concern that current military assistance is drawing the United States into Colombia's guerrilla conflict in support of armed forces which, they charge, have substantial ties to rightist groups guilty of gross violations of human rights. This concern grew with the August 2002 inauguration of President Alvaro Uribe, who is viewed by some as tolerating, if not favoring, the actions of rightist armed groups, despite his statements that he will neither tolerate violence against nor on behalf of the government. Critics also voice skepticism that U.S.-funded alternative development projects can provide adequate livelihoods to induce growers to voluntarily give up coca cultivation, and view the lack of such alternatives as fueling the growth in political power of opponents of U.S. policy in the region.

ARI Funding. The 108th Congress' first task regarding the ARI was to decide on funding for the President's FY2003 $979.8 million ARI request. In the omnibus FY2003 appropriations bill (H.J.Res.2/P.L. 108-7, signed into law February 20, 2003), covering the 11 unfunded FY2003 spending bills which includes foreign operations appropriations, Congress provided most of the requested funding for the key Andean Counterdrug Initiative (ACI) and the Foreign Military Financing (FMF) accounts. The bill also contains a variety of human rights and environmental conditions on the funding.

As of late April 2003, FY2003 allocations for ARI accounts are $928.5 million, some $51.3 million under the original request. Congress appropriated $700 million of the requested $731 million for the ACI account and provided that an additional $31 million can be transferred to ACI from the State Department's International Narcotics Control and Law Enforcement account. The ACI account funds, among other things, supports for the eradication of illegal crops and the destruction of laboratories, as well as economic and social development. Congress also appropriated $93 million of the requested $98 million for the FMF account. The FMF funding will be used to train and equip a Colombian Army brigade to protect the Caño-Limón oil pipeline in Colombia. Of the requested $102.8 million for development aid, $97 million has been allocated.

For Colombia, Congress appropriated some $526.2 million in regular appropriations for FY2003 (P.L. 108-7), of which $433.2 million was ACI funding and $93 million in FMF, as cited above. In the FY2003 Emergency Wartime Supplemental, Congress provided $105.1 million (H.R. 1559, P.L. 108-11, signed into law April 16, 2003). Of the supplemental appropriations, $34 million was in ACI funding, $37.1 million in FMF funding (although $20 million of this was earmarked as available for transfer to the ACI account), and $34 million was Department of Defense funding. House floor action on the supplemental appropriations bill appeared to indicate the increasingly contentious nature of funding for Colombia, as an amendment offered by Representative Jim McGovern to cut $61 million from Colombia's ACI funding lost by a close vote of 209-216.

Also, on July 1, 2003, the White House suspended military aid to a number of nations, including Colombia, that had not met a U.S. deadline for signing agreements with the United States exempting U.S. citizens from the jurisdiction of the International Criminal Court. Such a requirement was part of the American Service Members Protection Act of 2002. For FY2003, the decision would affect only unobligated funds that amounts to $5 million, according to the State Department. The full effect will be felt in regard to FY2004 funding, unless an agreement between the government of Colombia and the United States is reached.

For FY2004, the Bush Administration has requested $990.7 million for Andean Regional Initiative countries in the accounts comprising ARI funding, including military funding for Colombia that, for the first time since Plan Colombia was adopted, is not requested for a very specific purpose. (For FY2004, the Administration has not, as in previous years, labeled this amount as the "Andean Regional Initiative.") This includes some $731 million requested for the Andean Counterdrug Initiative, of which $463 million is for Colombia, $116 million for Peru, $91 million for Bolivia , $35 million for Ecuador, and the remaining $26 million for

Brazil, Panama, and Venezuela. It also includes $133.5 million in FMF, of which $110 million is for Colombia, $15 million for Ecuador, with the remaining $8.5 million requested for Bolivia, Panama, and Peru. The Administration request states that FMF for Colombia is intended "to support counter-terrorism operations and protect key infrastructure such as the oil pipeline." Other amounts, none of which is requested for Colombia, are $47.8 million in Development Aid, $43.4 million in Child Survival and Health programs, and $35 million in Economic Support funds.

The Killing and Capture of U.S. Citizens. Congress has expressed repeated concerns over the capture and killing of various U.S. citizens by the Revolutionary Armed Forces of Colombia (FARC), the most recent case occurred on February 13, 2003. On that morning, a Cessna 208 aircraft carrying four American contractors and a Colombian pilot crash landed in the Colombian province of Caquetá. The FARC claims that members of its Southern Bloc shot the aircraft down, and asserts that they were working for the CIA (as did Robert Novak in a column published in the *Washington Post*[4]); Bush Administration officials state that the aircraft experienced a mechanical problem, and that the Americans were Department of Defense (DOD) contractors. The Americans worked for California Microwave Systems, a subsidiary of the Northrup Grumman Corporation that provides surveillance systems for the U.S. military, according to a news report.[5] The pilot and one of the contractors were shot, the other three contractors were captured by the FARC. Subsequently, in March 2003, three more American contractors were killed in a plane crash as they were searching for the captured contractors. Both planes involved in these crashes were Cessna 208s, which some contract employees complained last year are not suitable for use in Colombia because they cannot perform the steep climbs required by mountainous terrain. A fifth American was killed in April 2003 when his T-65 air tractor crashed while spraying opium poppies.

Current U.S. law caps the number of military personnel and contractors at 400 each. However, military personnel engaged in search and rescue operations are not subject to the limit of 400 on the number of troops that can be deployed to Colombia at one time, as the cap applies only to personnel engaged in Plan Colombia operations. (P.L. 106-246, Section 3204(b)through(d) as amended by P.L. 107-115) In a February notification to Congress, the Administration reported that the number of military personnel would rise to 411 with the addition of personnel for search and rescue operations. In a letter to Congress dated June 20, 2003, the President reported that as of May 13, there were 358 temporary and permanent U.S. military personnel and 308 U.S. civilian contractors in support of Plan Colombia. Legislation in the House to authorize Department of Defense programs for FY2004 (H.R. 1588; Section 1208) raises the cap on military personnel to 500 while maintaining the number of contractors at 400. It includes exemptions for personnel involved in search and rescue operations, but their deployment may not exceed 30 days.

---

[4] Robert Novak, "America's Forgotten War," *Washington Post*, February 20, 2003, p. A39.

[5] "Rebels: Americans May Die in a Rescue Try," *Associated Press*, February 27, 2003.

CRS Products:

CRS Report RL31383, *Andean Regional Initiative (ARI): FY2002 Supplemental and FY2003 Assistance for Colombia and Neighbors*, by K. Larry Storrs and Nina M. Serafino.

CRS Report RS21213, *Colombia: Summary and Tables on U.S. Assistance, FY1989-FY2003*, by Nina M. Serafino.

CRS Report RL31016, *Andean Regional Initiative (ARI): FY2002 Assistance for Colombia and Neighbors*, by K. Larry Storrs and Nina M. Serafino.

U.S.-Latin American Trade Relations

Since the North American Free Trade Agreement (NAFTA) took effect in January 1994, its mixed reviews were one factor that caused the U.S. Congress to adopt a more cautious attitude toward future trade negotiations. This outlook was reflected in the spirited debate over Trade Promotion Authority (TPA), which continued for eight years before legislation permitting "fast-track" approval of trade agreements was passed in August 2002. In the meantime, select free trade agreements have been pursued by the Executive Branch and currently there are three potential FTAs with Latin American countries in different stages of development. Since all will require passage of implementing legislation before they can take effect, the 108th Congress will likely follow each closely.

U.S.-Chile FTA. On June 6, 2003, the United States and Chile signed a long anticipated bilateral free trade agreement in Miami, Florida, concluding a 14-round negotiation process that began on December 6, 2000. At this juncture, Congress has begun to hold hearings on the agreement and is expected to take up implementing legislation according to the TPA process defined in the Trade Act of 2002 (P.L. 107-210). As proposed, the FTA would allow 85% of all consumer and industrial goods to be traded duty free immediately. Also, 75% of tariffs on farm goods and Chile's luxury tax on automobiles would be eliminated within the first four years, and tariffs on sensitive goods traded between the two countries would be phased out over a period of up to 12 years. Chile's rules governing investment, services trade, intellectual property rights, labor, environment, dispute resolution, and other issues critical to the United States would also be clarified and made more transparent. Importantly, there was no chapter on antidumping and countervailing duties, a trade issue of chief concern for Chile and Latin America in general. Because multiple FTAs are now being contemplated, there is a concern over the implications of one bilateral becoming a "template" for others that follow. In the case of the U.S.-Chile FTA, attention is focused on language governing dispute resolution treatment of labor and financial transfers, as well as the temporary entry for business persons.

U.S.-Central American FTA. On January 8, 2003, the Bush Administration announced that the United States would begin negotiating an FTA with the five Central American Common Market (CACM) nations — Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. The first of nine scheduled negotiation rounds began January 27, 2003 in San Jose, Costa Rica and both sides have expressed optimism that an agreement can be concluded by year end. The U.S.-Central American Free Trade Agreement, or CAFTA, presents a complicated challenge to bilateral negotiations because the five republics must agree among themselves to bring unified positions to the negotiating table. Although the CAFTA countries currently qualify as beneficiaries under the Caribbean Basin Initiative (CBI), an FTA with the United States would potentially allow for further reduction in trade barriers, make permanent benefits in CBI legislation that requires periodic reauthorization, and provide a more conducive environment for U.S. foreign investment. In the United States, proponents of the agreement see CAFTA as supporting U.S. exports and providing less expensive imports, while also advancing the FTAA agenda and solidifying regional political and economic reforms that strengthen democracy and promote stability. Still, Central America accounts for only 1% of U.S. trade and so CAFTA will have only a small effect on the U.S. economy overall. CAFTA critics also note that Central America suffers from pervasive economic and social inequality, which could be addressed in part in the labor and environment chapters, and that the agreement could create adjustment issues for certain import competing firms.

Free Trade Area of the Americas. The Free Trade Area of the Americas is a regional trade proposal among 34 nations of the Western Hemisphere that would promote economic integration by creating a comprehensive (WTO-plus) framework for reducing tariff and nontariff barriers to trade and investment. Formal negotiations commenced in 1998 and the process so far has led to two draft texts, with a third draft expected to be completed for the eighth trade ministerial scheduled for November 17-21, 2003, in Miami. The negotiating schedule calls for a final agreement to be adopted by January 2005, with its entry into force to occur no later than year end. Five major milestones were reached in the most recent trade ministerial in Quito: 1) Brazil and the United States became co-chairs of the Trade Negotiations Committee (TNC), which will guide the final phase of the overall negotiation process; 2) a new Hemisphere Cooperation Program (HCP) was established to develop resources to help small countries "strengthen their capacity to implement and participate fully in the FTAA;" 3) the second draft of the FTAA agreement was released; 4) a time line was established for the critical market access negotiations; and 5) the final rotation of chairs for the various negotiating groups was completed.

The most important recent negotiating milestone was the initiation of detailed market access talks, which involve five separate groups. Initial market access offers were due by February 15, 2003, with responses to final revised offers to begin by July 15, 2003. The United States submitted its proposal on February 11, 2003, making "differentiated offers" in which tariff phase outs would be quicker for different parts of Latin America based on the development level of each country. The Mercosur countries, and particularly Brazil, expressed deep dissatisfaction with the U.S. proposal because it isolated their countries, offering little trade barrier relief for their exports in the first five years of the agreement. Brazil has also expressed unhappiness with the U.S. trade strategy of pursuing subregional pacts and putting off certain topics to the WTO negotiations (antidumping and agricultural subsidies). Brazil has responded with its own "Three Track Proposal," which would include bilateral market access talks between Mercosur countries and the United States, adding more issues to be sent to the WTO (government procurement, investment), and remaining issues being negotiated in the FTAA. The United States has not agreed to this approach and bridging the gap between the two offers by November 2003 trade ministerial would seem to be necessary if the FTAA is to achieve its January 2005 deadline.

CRS Products:

CRS Report RL31144, *A U.S.-Chile Free Trade Agreement: Economic and Trade Policy Issues*, by J. F. Hornbeck.

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

CRS Report RL31870, *The U.S.-Central America Free Trade Agreement (CAFTA): Challenges for Sub-Regional Integration*, by J. F. Hornbeck.

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

CRS Issue Brief IB95017, *Trade and the Americas*, by Raymond J. Ahearn.

Terrorism

In the aftermath of the September 2001 terrorist attacks on New York and Washington D.C., U.S. attention to terrorism in Latin America has intensified, with an increase in bilateral and regional cooperation. Latin American nations strongly condemned the attacks, and took action through the Organization of American States to strengthen hemispheric cooperation. In June 2002, OAS members signed an Inter-American Convention Against Terrorism that would improve regional cooperation, including a commitment by parties to deny safe haven to suspected terrorists. President Bush submitted the convention to the Senate in mid-November 2002 for its advice and consent. In the aftermath of 9/11, the OAS reinvigorated the Inter-American Committee on Terrorism (CICTE), which has cooperated on border security mechanisms, controls to prevent funding of terrorist organizations, and law enforcement and counterterrorism intelligence.

The State Department, in its annual report on worldwide terrorism (*Patterns of Global Terrorism)*, highlights terrorist threats in Colombia, Peru, and the tri-border region of Argentina, Brazil, and Paraguay. In the aftermath of 9/11, U.S. attention focused on potential links in the region to the Al Qaeda terrorist network, but the Patterns report maintains there is no confirmed, credible information regarding an established Al Qaeda presence in the region. The State Department also has designated four terrorist groups (three in Colombia and one in Peru) as Foreign Terrorist Organizations, and Cuba has been listed as a state sponsor of terrorism since 1982.

Through the State Department, the United States has provided Anti-Terrorism Assistance (ATA) training and equipment to Latin American countries to help improve their capabilities in such areas as airport security management, hostage negotiations, bomb detection and deactivation, and countering terrorism financing. ATA financing is generally provided through the annual foreign operations appropriations measure. In FY2002, a total of $27.5 million was provided for the region, with $25 million for an anti-kidnapping program in Colombia (appropriated through an FY2002 supplemental appropriations measure, P.L. 107-206) and $2.5 million for the regular Western Hemisphere program. For FY2003, the Administration requested $8.4 million for the Western Hemisphere, and for FY2004 it requested almost $2.3 million. The State Department announced in December 2002 that up to $1 million would be provided for counter-terrorism finance training for the tri-border area because of concerns that illicit activities are funding terrorism.[6]

In the 108th Congress, the Senate Foreign Relations Committee report (S.Rept. 108-56) to S. 1161, the Foreign Relations Authorization Act for FY2004, urges the Department of State to pay particular attention to training and related equipment for countering terrorist financing, transitional crime intelligence sharing, and border security in the tri-border area.

For background information, see "The Americas' Response to Terrorism," on the OAS web site at [http://www.oas.org/OASpage/crisis/crisis_en.htm].

CRS Products:

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

Country Issues

Argentina

On December 20, 2001, Argentina's financial collapse and escalating social unrest forced President Fernando de la Rua's resignation from office. After several interim presidents, on January 1, 2002, the Argentine Congress selected Eduardo Duhalde to complete de la Rua's December 2003 term. For a year and a half, Duhalde struggled to find a credible response to deep-seated economic and political problems, the seeds of which were planted in 1991 when Argentina adopted a currency board to fight hyperinflation (under former President Carlos Menem), a plan that rested on the guaranteed convertibility of peso currency to U.S. dollars at a one-to-one fixed rate. Argentina, however, proved unable to enforce the economic policies needed to support the convertibility plan and when it was beset by numerous external shocks, it went from prolonged recession to default and financial crisis, despite repeated financial assistance from the International Monetary Fund (IMF).

[6] "U.S. Concerned that Tri-Border Area of South America Funds Terrorism," U.S. Department of State, International Information Programs, Washington File, December 20, 2002.

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. This soon gave way to a floating exchange rate system, but included bank deposits and loans being converted at different rates. A freeze on bank deposits was also maintained. The mismatch in the conversion rate between bank loans (assets) and deposits (liabilities) caused banks to become technically bankrupt despite government assurances that it would provide assistance. This arrangement, among other structural problems, proved to be an obstacle both to developing a credible plan to rebuild the financial system and to working out a major new IMF assistance package. By the close of 2002, the economy had declined by 11%, leaving 60% of the population below the poverty line and 18% unemployed.

By July 2003, Argentina's political and economic life has begun to stabilize. The IMF approved, with some reservations, a seven-month "transitional" $6.6 billion stand-by arrangement on January 24, 2003. This arrangement, however, only bought a little time for Argentina to conclude its presidential elections and work out a longer-term agreement, which will be needed for Argentina to make a $2.9 billion payment to the IMF due September 9, 2003. Argentina has made strides in fixing its economy. In part because of court orders, the remaining dollar deposits have been unfrozen and the treasury is also mopping up many of the regional bonds that have been used as currency over the past few years. The government is issuing new bonds to pay for the related costs of both efforts. These are major steps in returning the country's financial system to a credible position and should also help defuse some of the social tensions that sparked the crisis. Economic growth, largely export driven, has returned, but long-term stability is not guaranteed.

Argentines went to the polls on April 27, 2003, choosing two Peronist Party leaders to advance to a runoff election on May 18, which never transpired because former president Menem, facing a clear electoral defeat, dropped out of the race. Governor Néstor Kirchner was inaugurated president on May 25, 2003, winning only 24% of the votes cast. The new administration faces a daunting challenge of having to make politically difficult decisions, if Argentina is to return to economic health, and it may be some time before it is clear that Kirchner will be able to maintain the political coalition he needs to manage Argentina's long-term economic and social problems.

CRS Products:

CRS Report RS21072, *The Financial Crisis in Argentina*, by J. F. Hornbeck.

CRS Report RL31582, *The Argentine Financial Crisis: A Chronology of Events*, by J. F. Hornbeck.

CRS Report RS21113, *Argentina: Political Conditions and U.S. Relations*, by Mark P. Sullivan.

Brazil

Luis Inácio Lula da Silva of the leftist Workers' Party (PT) was inaugurated as President of Brazil on January 1, 2003, pledging to bring fundamental change to the country while maintaining sound economic policies. He won the October 2002 elections decisively, with twice as many votes as the runner-up in the first round election, and with 61.3% in the second round election, with the support of leftist parties and a variety of centrist elements. He defeated José Serra who was running as the favored candidate of two-term President Fernando Henrique Cardoso (1995-2002) with support from the center-left Brazilian Social Democratic Party (PSDB) and the centrist Brazilian Democratic Movement Party (PMDB). Since his election, President Lula da Silva has sought to fashion support for his programs in Congress by reaching out beyond the parties that supported him in the election to other centrist parties, including the PMDB.

During the campaign, while advocating a change in policy and greater attention to social issues, Lula da Silva promised to maintain the restrained fiscal and monetary policies associated with Brazil's $30 billion IMF loan, announced in August 2002, that was provided to guarantee that Brazil would be able to continue to pay its considerable foreign debt. During the first months of his administration, President Lula da Silva has pursued cautious economic policies and has met IMF targets, while stressing that one of his main priorities will be the eradication of hunger in the country through a program called Zero Hunger. As a result of his policies, the country has experienced lower inflation, a strengthening of the currency, and a dramatic lowering of Brazil's credit risk rating. President Lula da Silva has indicated that his legislative priorities include reforming the social security system to make it self sustaining, and modifying the tax system to be more effective and fair.

In the foreign policy area, President Lula da Silva has met with most of the presidents in the region and seems to be working to create a strong South American bloc that would merge the Southern Common Market (Mercosur), composed of Argentina, Paraguay and Uruguay (with Bolivia and Chile as associate members) with the Andean Community, composed of Venezuela, Colombia, Ecuador, Peru and Bolivia. He wants to revitalize Mercosur, even though the regional economies have been struggling, and Argentina and Paraguay are experiencing leadership changes.

Despite past criticisms of U.S. policy, Presidents Lula da Silva and Bush indicated at an early point that they want a constructive relationship. United States Trade Representative Zoellick visited Brazil in January 2003 and Treasury Secretary Snow visited in April, with much of the discussion relating to the Free Trade Area of the Americas (FTAA). Since November 2002, Brazil and the United States have had responsibility for co-chairing the FTAA Trade Negotiation Committee in the final phase of negotiations that are scheduled to conclude by January 2005. In the past, Brazil has taken the position that the FTAA must include measures to curtail agricultural subsidies and to reduce the use of anti-dumping and countervailing duties to be acceptable. Brazil complains that the United States has utilized protectionist measures, including the recent Farm Bill subsidies and the steel safeguard tariffs, to erect barriers to Brazilian shoes, orange juice, steel, and other products. On counter-terrorism issues, while Brazil demonstrated solidarity with the United States following the September 2001 terrorist attacks by leading the effort within the

Organization of American States (OAS) to invoke the collective security Rio Treaty, President Lula da Silva favored a more multilateral effort to disarm and to reconstruct Iraq.

On June 20, 2003, President Lula da Silva made an official visit to Washington, D.C., and the countries' leaders resolved "to create a closer and qualitatively stronger [bilateral] relationship." Leaders agreed on a framework for regular high-level discussions on a wide range of issues, including agreements to enhance cooperation in science and nuclear energy; to jointly promote HIV/AIDS treatment in the Portuguese-speaking African countries of Mozambique and Angola; and to establish an energy partnership for cooperation on alternative energy sources.

CRS Products:

CRS Report RL30121, *Brazil under Cardoso: Politics, Economics, and Relations with the United States*, by K. Larry Storrs.

CRS Report 98-987, *Brazil's Economic Reform and the Global Financial Crisis*, by J. F. Hornbeck.

CRS Report RL31637, *Spreading Financial Instability in South America*, by J. F. Hornbeck and Martin A. Weiss.

Cuba

Cuba remains a hard-line Communist state, with a poor record on human rights that has deteriorated significantly in 2003. Fidel Castro has ruled since he led the Cuban Revolution, ousting the corrupt government of Fulgencio Batista in 1959. With the cutoff of assistance from the former Soviet Union, Cuba experienced severe economic deterioration in the early 1990s, although there has been some improvement since 1994 as Cuba has implemented limited reforms.

In March 2003, the government began a massive crackdown that resulted in the imprisonment of some 75 independent journalists and democracy activists, who received sentences between 6 and 28 years. On April 11, 2003, the government executed three men who had hijacked a ferry in an attempt to reach the United States. The executions, conducted after a swift and secret trial, were condemned around the world.

Since the early 1960s, U.S. policy toward Cuba has consisted largely of isolating the island nation through economic sanctions, including a trade embargo, and the Bush Administration has essentially continued this policy. The sanctions were made stronger with the Cuban Democracy Act (CDA) of 1992 (P.L. 102-484, Title XVII) and the Cuban Liberty and Democratic Solidarity Act of 1996 (P.L. 104-104) , often referred to as the Helms/Burton legislation. The 106th Congress enacted legislation allowing for commercial food and medical exports to Cuba (P.L. 106-387, Title IX), and since late 2001, Cuba has purchased more than $185 million in U.S. agricultural products. 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. In May 2002, President Bush announced a new initiative that includes several measures designed to reach out to the Cuban people.

There appears to be broad agreement on the overall objective of U.S. policy toward Cuba — to help bring democracy and respect for human rights to the island. But there are 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.

Congress is continue its high level of interest in Cuba in the 108th Congress, with a variety of legislative initiatives introduced regarding sanctions, human rights, drug interdiction cooperation, and broadcasting to Cuba. The final version of the FY2003 omnibus appropriations measure, H.J.Res. 2 (P.L. 108-7), included funding for Radio and TV Marti broadcasting to Cuba and democracy and human rights projects for Cuba. However, the measure did not include funding for U.S.-Cuban anti-drug cooperation or provisions that would have eased Cuba sanctions. The White House had threatened to veto the omnibus bill if it contained provisions weakening the embargo on Cuba. While policy debate in the 107th Congress focused on whether to lift restrictions on travel and on financing for agricultural exports, Cuba's human rights crackdown in 2003 could slow momentum behind legislative proposals to ease Cuba sanctions. In early April 2003, both houses approved resolutions, S.Res. 97 and H.Res. 179, condemning the recent crackdown in Cuba and calling for the release of political prisoners, and in late June 2003, the Senate approved S.Res. 62, calling on OAS and U.N. human rights bodies, the European Union, and human rights organizations around the world to call attention to the human rights situation in Cuba.

CRS Products:

CRS Report RL31740, *Cuba: Issues for the 108th Congress*, by Mark P. Sullivan.

CRS Trade Briefing Book, *Cuba Sanctions*, by Mark P. Sullivan [http://www.congress.gov/brbk/html/ebtra108.html].

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

CRS Issue Brief IB10061, *Exempting Food and Agriculture Products from U.S. Economic Sanctions: Status and Implementation*, by Remy Jurenas.

Haiti

The main issues for U.S. policy toward Haiti during the 108th Congress continue to be how to promote democratic development, economic growth, and political stability in hopes of alleviating poverty, limiting illegal immigration from Haiti, and reducing drug trafficking through Haiti. Almost two years into President Jean-Bertrand Aristide's five-year term, election disputes from 2000 remain unresolved, political turmoil has increased, the economy is in crisis, and human rights conditions have worsened. Opposition parties and international observers said the electoral council manipulated the results of the 2000 elections to give President Aristide's Lavalas party 10 more Senate seats in the first round than they had won. Over domestic and international objections, the Lavalas government treated the disputed results as final.

OAS members, including the United States, the Haitian government, and the Haitian opposition have agreed that holding elections is key to resolving the 2000 election dispute and Haiti's resulting political impasse. OAS Resolution 822, passed in September 2002, called for elections to be held in 2003. A high-level OAS/Caribbean Community (CARICOM) delegation said in April that the Haitian government must take immediate steps to improve public security and that the opposition must help form the Provisional Electoral Council, or the opportunity to hold elections this year would be lost. More than 180 civil society groups, comprising thousands of members, say the conditions for safe, free, transparent, and credible elections have not been established. Haitian bishops, labor unions, and student groups are among those calling for President Aristide to carry out serious reforms quickly or resign. Aristide says he will not step down before his term ends in February 2006. The OAS warned the opposition that it would not support efforts to remove President Aristide through violence.

Major donors, including the United States, have directed aid to Haiti through non-governmental organizations, withholding direct aid to the government until Aristide enacts promised political, judicial, and economic reforms. Critics argue that withholding aid to the government is contributing to Haitian poverty, instability, and illegal migration. The 108th Congress passed the FY2003 consolidated appropriations bill (P.L. 108-7/H.J.Res. 2, signed into law February 20, 2003) with three provisions regarding Haiti. The Foreign Operations bill (Division E, Sections 551 a) and b)) allows Haiti to purchase defense articles and services for the Haitian Coast Guard, and provides for "not less than $52.5 million" from food assistance funds to be allocated to Haiti. The legislation contains no other conditions on aid to Haiti. The Commerce, Justice, State, and Judiciary appropriations bill (Division B, Federal Prisons section) makes available an amount "not to exceed $20 million" of Contract Confinement funds for the care and security in the United States of Haitian (and Cuban) entrants.

Congress may have to decide whether to authorize additional FY2004 funding to support the OAS Special Mission for Strengthening Democracy in Haiti. The mission currently has pledges from 17 countries, including the United States, for less than half of the $12 million it says is needed to fulfill its mandate. The mission was created to support, monitor, and report on the Haitian government's implementation of commitments it made in OAS agreements to strengthen democratic institutions and processes. This includes helping the government to improve security, investigate political crimes, and prepare for elections.

CRS Products:

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

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

Mexico

Congressional interest in Mexico in the 108th Congress is focusing on trade, migration, border, and drug trafficking issues. Mexico is the United States' second most important trading partner, with two-way trade tripling since 1994 under the North American Free Trade Agreement (NAFTA). Mexico shares a busy border with the United States and it is the source of numerous undocumented migrants, and a major transit point for the flow of illicit narcotics to the United States. Relations between Mexico and the United States were especially warm during the visits of President Bush and President Fox in 2001, when hopes were high for some sort of migration agreement between the countries. Relations cooled to some extent when migration talks stalled following the September 2001 terrorist attacks, when Mexico brought a case against the United States in the International Court of Justice on grounds that Mexican nationals had been sentenced to death without consular notification, and when Mexico failed to support U.S. policy toward Iraq. In the cabinet-level bilateral meetings in November 2002, both countries reaffirmed the intention to continue talks toward a migration agreement; Mexico indicated concern about the impending reduction of tariffs on sensitive agricultural products; and the United States indicated concern about Mexico's continuing failure to provide water in South Texas as required by a 1944 treaty.

Most Recent Developments. On April 4, 2003, the United States and Mexico signed the ten-year Border 2012 plan to protect public health and the environment along the U.S.-Mexico border, and on April 23, 2003, Secretary of Homeland Security Tom Ridge and Secretary of Government Santiago Creel issued a joint statement on enhanced bilateral cooperation to create a smart border that facilitates the transit of goods and people while protecting against crime and terrorism.

On May 7, 2003, Mexican Foreign Minister Luis Ernesto Derbez met with Secretary of State Colin Powell to strengthen the bilateral relationship, after Minister Derbez indicated in a speech at the Center for Strategic and International Studies that security was the number one priority for Mexico.

In mid-May 2003, 19 migrants from Mexico and Central America, including women and a child, died from asphyxiation and heatstroke, and were discovered near Victoria, Texas, after being crammed with 50-100 people in an insulated trailer truck.

Several of the smugglers were arrested in the following days for involvement in what was reported to be the worst such tragedy recorded in the United States.

On May 16, 2003, the House International Relations Committee reported out the Foreign Relations Authorization for FY2004-FY2005 (H.Rept. 108-105, Part 1), with a provision in Section 731 stating the sense of Congress that the United States should as soon as practicable commence negotiations to reach a migration accord with Mexico that addresses the key issues of concern in both countries, that opens PEMEX (the state oil monopoly) to reform and investment by U.S. oil companies, and that addresses extradition and law enforcement issues.

On May 27, 2003, the *Washington Post* reported on an interview with President Fox in which the President appealed for U.S. action on the long-delayed immigration accord and emphasized the partnership with the United States, despite disagreement on policy toward Iraq.

On June 3, 2003, U.S. and Mexican officials announced a joint effort, named Operation Desert Safeguard, to save lives by deploying more and better-equipped Border Patrol agents west of Nogales, Arizona, by increasing Spanish language warnings of the dangers, and by taking more forceful measures against smugglers.

The mid-June 2003 capture in Mexico of Andrew Luster, a convicted rapist and heir to the Max Factor fortune, highlighted the bilateral cooperation and difficulties in dealing with U.S. suspects who flee to Mexico.

CRS Products:

CRS Report RL31876, *Mexico-U.S. Relations: Issues for the 108th Congress, by K. Larry Storrs.*

CRS Report 98-174, *Mexican Drug Certification Issues: U.S. Congressional Action, 1986-2002*, by K. Larry Storrs.

CRS Report RL31412, *Mexico's Counter-Narcotics Efforts under Fox, December 2000 to April 2002,* by K. Larry Storrs.

CRS Report RL30852, *Immigration of Agricultural Guest Workers: Policy, Trends and Legislative Issues*, by Ruth Ellen Wasem and Geoffrey K. Collver.

CRS Electronic Briefing Book, *Terrorism*, "Border Security," by Lisa Seghetti and William Krouse. [http://www.congress.gov/brbk/html/ebter124.html]

CRS Electronic Briefing Book, *Trade*, "NAFTA," by J. F. Hornbeck. [http://www.congress.gov/brbk/html/ebtra42.html].

Peru

Peru maintained a remarkable level of stability as it navigated serious constitutional and political crises in 2000-2001, and continued its transition back to democratic processes in 2002. After President Alberto Fujimori fled the country in the wake of scandals, an interim government began to restore public confidence in democratic institutions, and President Alejandro Toledo, elected in June 2001, followed suit. Peru has restored confidence in the electoral process, reestablished a free press, increased transparency in governance, and is attacking corruption. Nonetheless, President Toledo has been widely criticized as having weak leadership skills, and his image has been damaged by personal issues. In a major setback for Toledo, his Peru Posible party was soundly defeated in elections for new regional governments in November 2002 by left-leaning former Peruvian President Alan Garcia's American Popular Revolutionary Alliance (APRA) and other opposition parties.

Peru has been more stable economically than its neighbors. Under Toledo, Peru has exhibited one of the highest growth rates in Latin America, with an increased economic output of over 4% expected for 2003, following four years of stagnation under his predecessors. The public is impatient, however, for a rapid improvement in its standard of living: 54% of the population lives in poverty, and 43% are underemployed. Public protests and opposition in Congress — where no party holds a majority — may limit the President's ability to push through his economic reforms.

Peru is a major illicit drug-producing and transit country. According to the State Department's March 2003 international narcotics report, Peru made progress on many components of the U.S.-Peru counternarcotics program. The Bush Administration hopes to resume a U.S.-Peruvian aerial drug interdiction program in 2003, which was suspended following an accidental shootdown in 2001 that killed a U.S. missionary woman and her infant, after enhanced safeguards and procedures are in place to prevent the reoccurrence of such an incident. The FY2003 Andean Counterdrug Initiative sets forth expanded health and safety guidelines for aerial coca fumigation (FY2003 Consolidated Appropriations Resolution, Div. E, Foreign Operations, P.L. 108-7(H.J.Res. 2) signed into law February 20, 2003). The United States and Peru signed a five-year cooperative agreement in September 2002 that links alternative development to coca eradication more directly than past programs have. After weeks of unrest in which thousands of coca growers protested against forced coca eradication, the government and growers signed an agreement calling for the "gradual and fixed" reduction of coca leaf cultivation.

Several U.S. initiatives involving Peru currently exist. These include 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, and 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. In January 2003, the U.S. Embassy in Lima reportedly delivered classified documents to the Truth Commission. The trial of Vladimiro Montesinos, Fujimori's spy chief who had ties to U.S. agencies, began in February, on the first of dozens of charges ranging from influence peddling to directing a death squad.

The Peace Corps program was re-established in Peru in 2002, after a 27-year absence. Under a debt-for-nature agreement, signed in June 2002, part of Peru's foreign debt was cancelled in return for the Peruvian government's commitment of resources to conserve and maintain wildlife reserves and other protected areas. The Andean Trade Preference Act, which President Toledo had pressed for, was reauthorized, expanded, and signed into law (P.L. 107-210) on August 6, 2002. The case of Lori Berenson, an American jailed in Peru is an ongoing issue in bilateral relations. Berenson's 1996 conviction by a secret military tribunal was overturned but she was convicted again by a civilian court on charges of collaboration with terrorists. The Inter-American Court of Human Rights agreed in September 2002 to consider her case. Peru's highest court released a review of four Fujimori-era anti-terrorism decrees in January 2003, rejecting one completely, and ruling parts of the others unconstitutional. Several analysts said they did not believe Berenson's case would be affected, although many other retrials would probably occur.

Venezuela

Since the election of Hugo Chavez as President in 1998, Venezuela has undergone enormous political changes, with a new constitution and revamped political institutions. Although Chavez remained widely popular until mid-2001, his popularity has eroded significantly since then as a result of his inability to improve living conditions and opponents' fears that he is trying to impose a leftist agenda on the country. Following massive anti-Chavez protest in April 2002, the Venezuelan military took Chavez into custody, and business leader Pedro Carmona declared himself interim President, but Chavez was restored to power in days with support of the military. From early December 2002 until early February 2003, the opposition orchestrated a general strike that severely curtailed Venezuela's oil exports and disrupted the economy, but was unsuccessful in getting President Chavez to agree to a non-binding referendum on his rule or early elections.

OAS Secretary General Cesar Gaviria began in October 2002 to facilitate negotiations between the government and the opposition in order to resolve the crisis through democratic mechanisms under the Constitution. A breakthrough was reached on April 11, 2003, when Gaviria announced that an agreement had been reached for a possible recall referendum on Chavez's rule after the halfway point of his term, August 19, 2003. The agreement was ultimately signed by the government and the opposition on May 29, 2003. In the accord, both parties agreed to adhere to the Venezuelan Constitution, to undertake a campaign to disarm the civilian population, and to urge the National Assembly to establish a Truth Commission to investigate the outbreak of violence in April 2002.

Most significantly, the parties agreed to resolve the political crisis through application of Article 72 of the Constitution, which provides for potential recall referenda on officials holding elected positions. For such a referendum to take place, Article 72 requires a petition with 20% of registered voters, which would require the signature of 2.4 million voters out a registry of 12 million. For the official to be recalled, the number of voters must be equal to or greater than the number of votes that the official received when elected. This would mean that for Chavez to lose the presidency, more than 3.75 million voters (the amount that Chavez received in the July 200 election) would have to reject him in the referendum. Observers point out that while Chavez received almost 60% of the vote in 2000, some 43% of Venezuela's registered voters abstained.[7] The abstention rate for a recall referendum would likely be much lower.

While President Chavez lauded the agreement as an indication that the opposition was returning to democratic means to express their dissatisfaction, many members of the opposition are disgruntled with the agreement. They are concerned that there are no binding commitments in the accord and fear that the Chavez government will find ways perpetuate its control of the government.

If the opposition succeeds in recalling President Chavez in a referendum, the next step would be for new elections to be held. One of the problems that has plagued the opposition is that it has not had a well organized or coherent political coalition. As a result, it could be difficult for the opposition to present a single candidate that could defeat Chavez in new elections. Moreover, polls indicate that Chavez retains core support of about 30-36% of Venezuelans who are loyal and generally from the poorer classes.

The Bush Administration has expressed strong support for the work of the OAS and helped establish a group of nations called the "Friends of Venezuela" (consisting of the United States, Brazil, Chile, Mexico, Portugal, and Spain) to lend support to the work of the Secretary General. U.S. officials welcomed the political accord ultimately signed on May 29, 2003, and maintained that the United States would continue to work to facilitate a peaceful, constitutional, democratic, and electoral solution to Venezuela's political impasse.

In addition to the preservation of democracy, key U.S. interests in Venezuela include continued U.S. access to Venezuelan oil reserves, the largest outside of the Middle East, and continued close anti-narcotics cooperation.

CRS Products:

CRS Report RS20978, *Venezuela: Political Conditions and U.S. Policy*, by Mark P. Sullivan.

[7] Mike Ceaser, "Some in Opposition Unhappy with Success; Chavez Recall Vote Too Weak," *Washington Times*, June 1, 2003.