

Testimony by Mark L. Schneider, Senior Vice President, International Crisis Group to the Senate Foreign Relations Committee on “Latin America in 2010: Opportunities, Challenges, and the Future of U.S. Policy in the Hemisphere”

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I want to express my appreciation to the Senate Foreign Relations Committee for the opportunity to testify today on “Latin America in 2010: Opportunities, Challenges, and the Future of U.S. Policy in the Hemisphere.” I particularly want to commend Senator Chris Dodd for his leadership and commitment to strengthening ties between the U.S. and the countries of the region. He has always understood that advancing justice for the peoples of the Americas puts the United States on the right side of history and advances U.S. national security.

The International Crisis Group has been recognized as the independent, non-partisan, non-governmental source of field-based analysis, policy advice and advocacy to governments, the United Nations, OAS and other multilateral organizations on the prevention and resolution of deadly conflict. Crisis Group publishes annually more than 80 reports and briefing papers, as well as the monthly *CrisisWatch* bulletin.

Our staff is located on the ground in twelve regional offices and seventeen other locations, covering over 60 countries.. We maintain advocacy offices in Brussels (the global headquarters), Washington, and New York, and we now have liaison presences in Moscow and Beijing.

In Latin America, the Crisis Group regional program headquarters are in Bogota, and Colombia’s civil conflict has been the central focus of our Andean project. However, we also have published reports on Venezuela, Ecuador and Bolivia identifying the drivers of conflict in those countries. We have also been in Haiti since 2004, and have just opened a project in Guatemala.

To assess U.S. relations with Latin America today, it is worth quickly looking backward. Both Senator Dodd and I served as Peace Corps volunteers in the late ‘60s in countries under authoritarian rule in the hemisphere—Senator Dodd in the Dominican Republic and me in El Salvador. We saw the desires of the people we worked with for decent futures for their families, better education for their children and greater freedom for their countries—opportunities that we took for granted.

Since then, many obstacles to those opportunities have been removed; most countries in the Americas are now democracies, and in 2001, the members of the Organization of

American States adopted an Inter-American Charter for Democracy that enunciated fundamental democratic principles. The exceptions to that norm are clearly seen as just that – exceptions.

The hemisphere is also largely free of the ideological conflict that sparked deadly violence for decades and cost tens of thousands of lives in Central America. And in Colombia the last remaining insurgency has been weakened and splintered, and the once powerful and equally brutal paramilitary has been largely demobilized. Still, serious concerns remain.

Hemisphere economies of many countries are solid and competitive. The financial structures of most countries were sufficiently resilient to do better than most of the world -- including the U.S. -- in withstanding and quickly recovering from the global financial crisis. The economies in the region have grown steadily during this century, averaging 5.5 percent annual growth until the 2008 financial crisis. However, this was far below Asia's 9 percent growth, and too low to make a sustainable impact on poverty reduction. After declining by nearly 2 percent in overall GDP in 2009, the Economic Commission on Latin America and the Caribbean now expects recovery to boost GDP by more than 5 percent this year, with Brazil leading the way at 7.6 percent. Unfortunately, in 2011 GDP growth is likely to slow to below 4 percent. Innovative social policies—from conditional cash transfer programs such as bolsa familia in Brazil or oportunidades in Mexico, to widespread access to microcredit and village banking—actually began in Latin America and spread across the globe and, along with growth, helped millions escape poverty for the first time, but still amounted to only .4 percent of regional GDP.

However serious challenges remain to the governments of the hemisphere, to the regional political and financial organizations, and to U.S. policy. The primary challenges are: (1) confronting inequality and exclusion; (2) combating crime and drugs; and (3) strengthening democracy and combating corruption.

First, there is inequality and exclusion. Despite economic growth, in 2009, some 183 million were report to live on less than \$2 per day and more than 74 million on less than \$1 per day. Many who climbed above the poverty line during the “boom” years fell back into poverty last year and have yet to feel the impact of the recovery.

The reality remains that 11 of the 18 worst countries in income inequality are in Latin America. UNDP and ECLAC report that on average, the top 10 percent of the population makes 48 percent of national income, while the bottom 10 percent only captures 1.6 percent. These income disparity figures not only reflect lost opportunities for millions, they also may make political extremes more attractive to a frustrated population that now has access to the voting booth—and the results are evident in Venezuela.

Indigenous peoples and Afro-Latin-Americans still face discrimination on a daily basis—not dissimilar from the discrimination that has scarred this country.

A World Bank study found indigenous men earn 65 percent less than whites in the seven countries with the highest numbers of indigenous people. Indigenous women have the

least access to potable water, education and employment in the hemisphere. In Bolivia, almost 500 years of exclusion and discrimination had barred its indigenous majority from meaningful participation in national life. Turning to Evo Morales was an expression of the success of expansion of the democratic franchise even as it reflected the failure of economic and social policies, and of democratic leadership.

Response: There are at least three ways the U.S. can significantly reduce inequity and exclusion: (1) expand help for rural development and small farmers; (2) expand quality education; and (3) encourage tax reform. Re-examining and prioritizing U.S., Inter-American Development Bank and World Bank assistance in these areas would contribute significantly to altering inequity and exclusion in the Americas.

Rural investment: It is in the rural areas that investing in physical infrastructure, land reform, income generating opportunities and social services can make the greatest direct impact on growth and poverty reduction. And there are well-proven ways to do so:

- Support ways to expand access of the rural poor to land through land markets, land funds and what Brazil calls “land market-assisted land reform”, by expropriating unproductive land, or using a land tax mechanism that encourages making more land available to small farmers.
- Help provide secure title to the land that the poor own so they can acquire working capital for their farming and micro and small loans for off-farm activities;
- Invest substantially more in micro- and small-credit facilities. In 1999, USAID was financing credit for close to 1 million microentrepreneurs and the IDB, World Bank and others did the same for another 1 million. But 50 million needed such credit. Today the need is even greater.
- Invest in human capital formation—in schools, health, nutrition—and in social capital, cooperatives, joint ventures, and small and medium businesses to create formal sector employment and increase funding for labor rights enforcement.
- Invest in technology and rural infrastructure—so that rural roads, electricity, water and sewers and information technology actually reach the rural poor.

As part of the “New Deal”, the U.S. made a massive investment in rural infrastructure. The same needs to happen in Latin America. Let me highlight the reasons these actions are in the U.S. national interest:

The flow of illegal migration from Central America and Mexico originates in the poorest rural communities of those countries. Coca cultivation takes place in the poorest regions of the Andean ridge countries. Those are the same regions where the FARC and the illegal armed groups have found a home in the past—and today. They also are the regions where the indigenous live.

Quality education: Promoting access to quality education reduces inequality. The USAID FY2011 \$2 billion budget request only included \$55 million for basic education. Yet, education—especially girls’ education—remains one of the most cost effective investments in the region’s future. More needs to be done. The real question is how to partner with the IDB, World Bank and donors to press for some kind of matching increase in Latin American governments’ education spending for strengthening teacher training, keeping children in school longer and improving educational quality.

Tax reform: A third avenue is to generate adequate tax revenues to fund some of these needs and to do it in a way that promotes greater equity. Despite all of the commitments to increase tax revenues in the Guatemala 1996 peace accord, tax revenues still represent barely 10 percent of GDP. Not surprisingly the state's ability to offer education and health, or reach the rural population with basic infrastructure, is severely limited. In Colombia, tax revenues are not much higher. And in both countries --and most of the region -- the structure is hugely regressive, depending significantly on indirect taxes that makes little distinction between rich and poor. Even then, tax evasion is extremely high. Hopefully, Secretary Clinton's strong statement on the need for the rich to pay their fair share of taxes will be heeded.

A second challenge is combating crime and drugs. Organized crime and drug cartels directly assault state institutions and citizen security in the Andes, Central America and Mexico. There is a war against the state going on just across our southern border in Mexico, which has become the final jumping off point to carry the bulk of Colombian cocaine into the U.S.

Well-armed drug cartels—with assault rifles and grenade launchers made or purchased in the U.S.—kill each other for control over drug corridors, and combat Mexican state and municipal police and the army for control over city halls and state capitals. Since 2005, some 28,000 Mexicans have been killed in the violent waves across Mexico. Despite Mexican troops patrolling streets, mayors and governors have been kidnapped and killed, and entire regions live in fear. Mexico is by no means a failed state, but it is a democracy under siege.

Charges of human rights abuses have proliferated against Mexico's armed forces since these are not forces trained to undertake the task of civilian law enforcement.

It is also clear that while the response of the Mexican state, with U.S. support under Plan Merida, has blocked the cartels from acquiring full control over border regions, it has also pushed more of the drug flow to Central America. In 2008, drug traffickers shifted their first stop from the Andes to the U.S. market from Mexico to Central America, and those governments are far less able to defend themselves.

Crisis Group has reported that for many years, Guatemala was the domain of the Sinaloa cartel. That era came to an end when the Gulf cartel arrived to challenge those territorial rights, bringing with it paid assassins, the "Zetas". From 2004 to 2008, homicides rose by 50 percent according to the UN-sponsored International Commission against Impunity (CICIG). Last year, the death toll climbed to more than 6,000, matching the toll in Mexico, a country with a population nearly 10 times larger. Impunity is starkly evident when fewer than four percent of the murder cases result in convictions.

Traffickers control municipalities and local authorities through money and coercion. These same well-financed and well-armed networks of traffickers have also penetrated the high echelons of law enforcement institutions. In fact, CICIG has been one of the last bastions of the rule of law and has probably saved Guatemala's justice system from itself.

While the U.S. has marginally increased its support to those countries through the Central American Regional Security Initiative, the reality is that Central America, once the center of ideologically-based cold war violence, now finds itself the arena for a new and equally deadly conflict.

While Plan Colombia has strengthened the capacity of the Colombian state to defend itself against the FARC and the ELN, tangentially encouraged paramilitary demobilization, we have yet to see more than a limited start to sustainably extending state presence. There also is yet to be a real breakthrough in halting the pattern of drug cultivation and trafficking which continues to fuel violence in Colombia. The upswing in coca cultivation in Peru and the continuing trafficking-driven violence in Central America underscores the patchwork progress the Plan has made in achieving its counterdrug objectives. Even while arguments over coca cultivation statistics persist between UNODC and the U.S., there appears to be little argument, according to the Inter-Agency Assessment of Cocaine Movement (IACM), that the amount of cocaine being moved north – not to mention east to Europe through West Africa, continues at levels above 1,000 metric tons year in and year out.

One other thing to note is that the Colombia drug flow remains in the hands of the FARC, of some un-demobilized paramilitary, of new illegal armed groups and of “pure” drug traffickers. There were 12 departments where coca was grown in 1999, and while it now appears in smaller plots of lands, coca is cultivated today in 22 of 34 departments.

Response: In Colombia under President Santos, we are seeing a welcome set of new initiatives on land restitution, eliminating a rogue intelligence agency, expanding victim rights, and recognizing the important role of an independent judiciary. Crisis Group report last month *Colombia: President Santos’s Conflict Resolution Opportunity* argued that now is the time for a more-integrated and comprehensive conflict resolution strategy, focused not only on the military, but also on advancing justice reforms to protect human rights, economic reforms to reduce inequalities, and political reforms to strengthen the country's institutions. The roots of Colombia's conflict need to be frontally tackled.

Respect for human rights needs to be more fully integrated into the fabric of Colombia's security forces, starting with pursuing the perpetrators of almost 2,300 civilian extra-judicial executions. Those responsible should be prosecuted vigorously in civilian, not military, courts.

The president must broaden his focus beyond the FARC and ELN to include combating new illegal armed groups. In particular, he should investigate ties between illegal armed groups and state security forces, which undermine government legitimacy. President Santos' political support is at a peak now, and that backing, coupled with the relative weakness of the FARC and ELN, gives him a real chance to put a permanent end to the country's armed insurgency. Convincing progress on key reforms could lay the groundwork for a negotiation with the guerrillas that ends the Colombian insurgency once and for all, and does so while respecting the rights of victims.

Tackling drugs and crime will require fundamental changes in the counter-drug strategy which do a better job of reducing cocaine production and trafficking and combating an organized criminal network that reaches from the Andes to corrupt government officials across the Caribbean and Central America and Mexico.

Demand reduction policies need to be addressed as a public health issue, not a crime enforcement issue, and must move away from a one-size-fits-all approach to criminal incarceration. Treating chronic users through a public health prism and mainly traffickers as criminals would produce more effective policy, and perhaps allow law enforcement to do a better job breaking up the trafficking combines. This will require a high-level review of current counterdrug policies by the Administration and Congress. That effort needs to focus on strengthening demand reduction here and relevant rule of law institutions throughout the Americas.

It also needs to include much more stringent measures to end arms trafficking from the U.S. to illegal groups in Latin America. And a far stronger effort must be made to follow the money laundering that permits dirty money from dirty drugs to line the pockets of organized crime.

A third challenge is strengthening democracy and confronting corruption. We have seen the end—hopefully forever—of the era of military dictatorships, some of which this country supported in reacting to the Cold War. Democratic partners are the best guarantors of our values, our interests and our security. In most of the region there is a basic acceptance of the core values and institutions of governance—all underlined in the Inter-American Democratic Charter. Yet key elements of pluralism, checks and balances, and separation of powers are no longer considered essential in a few countries. And political parties are failing the job of representation in others.

Foreign policy and foreign assistance programs still pay insufficient attention to issues of governance. Despite the 1996 adoption of the Inter-American Convention Against Corruption and follow-up mechanisms, in 2005, the Latinobarómetro, a hemisphere-wide poll, found that more than 68 percent of respondents believed that their public officials were corrupt, ranging from 41 percent in Uruguay to 82 percent in Ecuador. Over the past 15 years in Latin America and the Caribbean, we have seen 15 elected presidents who did not finish their term of office, some removed with only minimal legal trimmings.

The twin to corruption is the impunity that enables the elites in their countries to evade paying taxes, fail to treat their employees with dignity, receive favored access to contracts and buy their way out of any brush with the law. The consequent popular belief that those with power operate with impunity undercuts the democratic ethos. It violates the social contract. A few years ago, a poll found that 66 percent of Latin Americans said they had little to no confidence in their judicial system.

Response: Strengthening the rule of law has to be a high priority for anyone interested in political stability, sustaining economic reform policies and strengthening social cohesion. It also is critical to addressing underlying causes of conflict in many of the countries of the region. They need more competent police, an impartial judiciary and access to justice for the poor.

To date, the U.S. has not been well-organized enough to provide that kind of integrated assistance in countries, either before or after conflict occurs. Nor have the international financial institutions been brought on board fully when it comes to helping countries invest in police, criminal justice reform, prison construction and correctional services. Democracy, stability and economic development require a functioning, fair and independent criminal justice system. The U.S. needs to do more bilaterally as well as with institutions like the IDB, the UN, the World Bank and the OAS, the latter being specifically charged with the monitoring observation of the Inter-American Democratic Charter.

CICIG's success in Guatemala has prompted both El Salvadoran and Honduran presidents to express interest in similar support. Finding a way to replicate CICIG in other Central American countries should be high on everyone's agenda.

In countries where the distance is greatest between the principles of democracy and national realities, it is essential that the U.S. link itself to other democracies in trying to design new more effective policies and programs that can help close the gap as soon as possible. The Inter-American Commission and Court of Human Rights are valuable independent agencies that should be supported in promoting the full range of rights under the convention. The OAS itself should be supported to strengthen its own analytic capabilities with respect to identifying compliance failures under the Democratic Charter. Those failures more often than not also constitute warning signs of future conflict.

In a hemisphere where a third of the population is under the age of 15, new ways must be found to encourage young people to see the value in political participation and to offer more opportunities for youth to exercise their rights as citizens more fully.

Haiti: Mr. Chairman, I was also asked to speak to the current situation in Haiti. The election last Sunday in Haiti appears to constitute a step backward in the state-building task that must accompany any successful earthquake reconstruction effort.

Many things went wrong in many places around the country. An undetermined number of voters could not find their names on the lists; voter verification telephone lines were saturated; party agents were denied access to polling stations due to limited space or manipulation; ballots did not arrive in time in some places, some voters who had registered to obtain new ID cards never received them and were turned away from polling places, some polling places opened late, others not at all. The initial reaction of a dozen of the opposition candidates, including Michel Martelly, Mirlande Manigat, Jean Henry Ceant, Jacques Edouard Alexis, Charles H. Baker, and independent Josette Bijou was to call for an annulment of the election, and for the population to mobilize in peaceful

protest. Subsequently the two leading opposition candidates Manigat and Martelly, decided to await the results of the tabulation, and their names reportedly were not on the formal request for annulment submitted to the provisional electoral council (CEP) last night by others.

The CEP has acknowledged some irregularities, but believes the elections met acceptable standards. The elections results, which are now being tallied by the CEP at the Vote Tabulation Center, are expected to be published on 5 December. But charges of fraud in some sites and obvious procedural problems in many polling places, have already opened up further questions about the credibility of the process. The dispute resolution process, which should begin today, must be completely transparent. Parties must be prepared to come forward with proof of the alleged fraudulent acts using the legal channels provided by the electoral law. The CEP and international partners supporting the elections must hold the process up to full scrutiny if the results of the polls are to be accepted, and a government with some measure of legitimacy elected.

The OAS/CARICOM international coordinating monitoring group issued a statement that despite the irregularities, which the CEP had claimed affected four percent of the 1500 voting sites but an undetermined number of tables, the initial call for annulment was viewed as “precipitous”. They urged calm and for everyone to await the results of the tabulation and dispute resolution process. The crucial question is the numbers and percentage of eligible voters who were disenfranchised.

Crisis Group’s report *Haiti: the Stakes of the Post-Quake Elections* assessed election preparations a month ago, We recalled that the task was daunting even before the earthquake that had destroyed infrastructure and displaced 1.5 million people. Three quarters of the population lived in poverty, most urban income earners relied on the informal economy, and the inequalities of the elite-dominated society were the most glaring in the hemisphere. The weak institutional infrastructure was reflected in the protracted makeshift status of the (CEP); a ramshackle political system featuring scores of parties unable to generate coherent policy choices for voters; an often corrupt judiciary and limited public security. Unresolved discord between the executive and opposition parties over the CEP’s composition and perceived bias in favour of outgoing President René Préal added to the credibility challenge. All this lies at the root of a perpetual crisis of confidence in the electoral process.

The tragic earthquake produced neither the change in the “all or nothing” style of politics nor the broad national consensus on reconstruction that would have eased the way to elections.

The parties and candidates, even with international technical and financial assistance, struggled to energize and facilitate voting for 4.5 million citizens, some whom lost their identification cards in the earthquake, and many of whom are among the IDPs living in spontaneous and insecure camps.

Beyond the difficult logistics, Crisis Group had underscored the confusion that was likely to affect the voters themselves. Some 400,000 new national ID cards had to be distributed to voters who had recently turned 18, moved, or lost their cards in the earthquake, even if their names were already on the voting lists. Training of some 35,000 poll workers to handle the eligible voters was completed the day before the election. Voters had to choose a president from among 19 candidates, and 110 parliamentarians from close to 1000 candidates. They were voting at 1500 polling locations around the country, which were for many were completely new polling places since old ones were destroyed in the earthquake, or because they themselves were displaced in camps or communities far from their usual neighborhoods.

To compound this difficult situation, the response to the cholera epidemic likely added to the pressures on an already weakened public administration and over-stretched international agencies. For the past month, they were forced to manage emergency treatment of cholera victims, water purification, sanitation disposal and public health education, and they still had to carry off the final logistics for Sunday's election.

Cholera still threatens Port-au-Prince's tent camps teeming with more than a million earthquake victims and the city slums surrounding them, where several dozen deaths have already been recorded. More than 70,000 people have been infected, 31,000 treated in hospitals or centers, and 1650 people have died. Those numbers are expected to more than double over coming months, before water purification, basic sanitation, rapid treatment and behavioral changes based on public health messages can begin to stem the epidemic.

It is a nightmare scenario that many feared after January's quake, the region's worst natural disaster in history. Early on, it appeared that the massive outpouring of volunteers, money and civilian and military emergency workers would be able to stave off a cholera outbreak as they treated the trauma and performed triage as well as possible. However, the UN emergency appeal for \$150 million just to stem the current death toll has generated barely 19 per cent response.

Unfortunately, there is no panacea to quickly end to the epidemic, but the rapid expansion of treatment centers and distribution of ORT and medicines can save lives. The failure of both national and international institutions to move more quickly to adopt a resettlement policy for the 1.5 million displaced persons is impacting Haiti's chances for long-term recovery. It has also created rising frustration and anger among the population that over the last two weeks exploded in violence directed at UN peacekeepers and government public health centers. Today, seven months after it was pledged, only a tiny amount of the \$5.3 billion promised for the first 18 months of recovery has materialized in Haiti in the form of projects that people can actually see and benefit from.

More work must be done to quickly move displaced people from tents to stable housing and from joblessness to employment. Haitians need to see progress being made on building transitional and permanent housing, on removing more rubble faster, with more equipment imported for that purpose if need be. More Haitian laborers need to be hired –

and paid -- to help. Delays on making these policy decisions have to end, and donors need to quicken the pace in funding this reconstruction. Some \$300 m. of the U.S. funds, after delays of several months following enactment, have been made available for disbursement and the remainder of the \$1.15 billion pledged last March can be obligated once projects are approved.

With all of Haiti's complicated and seemingly herculean challenges, a few things remain clear:

- **More than a million Haitians in the 21st century should not be living in misery in tent cities, some dying of a disease whose origins were known more than a century ago, and which is preventable with that knowledge and access to clean water and sanitation.**
- **Donors who have promised reconstruction help need to fulfill those promises—no matter what other demands on their time and money.**
- **Personal power struggles need to end now with a commitment by every political leader to a national consensus on recovery and reconstruction, backed by an international community that demands no less.**
- **And the next government's reforms must include electoral reforms spanning the electoral registry, civil service and non-partisan elections management, a permanent electoral council and reducing the frequency of elections.**

Immediately, Haiti needs to forge a political consensus and agreement on completing the current electoral process. The country needs to insure that this process of electing a new government is viewed in the end as acceptable. Under the current emergency legislation, until next May, there is a constitutional president and 19 elected Senators. Even before a second round, which still is likely to be required, the IHRC and the international community and the opposition political parties and other sectors, need to come together for the good of the country and forge a path to a new government and an accelerated rebuilding of their country.