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**“Central America and the Alliance for Prosperity:**  
**Identifying U.S. Priorities and Assessing Progress”**

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Mr. Chairman, Ranking Member Cardin, distinguished members of the committee, it is an honor and privilege to appear before you today to discuss the critical issue U.S. assistance to Central America.<sup>1</sup>

Thirty years after the guns of revolution fell silent in Central America, the region finds itself once again in the midst of a profound security crisis that directly impacts U.S. national security. Today, the challenges have less to do with ideology than about escalating criminality, corruption, and violence that are threatening countries’ sovereignty by undermining democratic institutions, rule of law, and public security — burdened as they already are with weak public institutions, pervasive corruption, and lack of resources.

Clearly, the United States has a strategic interest in a stable, democratic, and prosperous Central America, and principally the Northern Triangle countries of El Salvador, Guatemala, and Honduras. The United States has invested much over the past several decades to promote democracy and economic prosperity in the Americas because a peaceful, stable, and secure neighborhood benefits us all.

And, not to put too fine a point on it, it also bears mentioning that until we can make some progress in helping our neighbors in Central America deal with the current problems we have had a hand in creating — through our insatiable demand for illicit drugs — then the notion of securing our southwest border from transnational criminal organizations, terrorist groups, or migration surges will remain a pipe dream.

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<sup>1</sup> My testimony draws in part from a report by the Western Hemisphere Working Group of the John Hay Initiative, a network of foreign policy and national security experts who advise policymakers from a conservative internationalist tradition, of which I am a member.

Indeed, we have to recognize that the summer 2014 crisis that saw an unprecedented wave of migrants — including thousands of unaccompanied children — pour across the U.S. southern border was the culmination of long-festering problems that includes in part regional governments' inability to combat increased criminality and gang activity. It is a vicious circle: declining security conditions depress economic activity, which contributes to pushing people to leave their homelands for the dangerous journeys north.

## **Statistics**

The statistics are indeed grim. Due primarily to the drug trade, Central America is now considered the most violent non-war zone in the world. According to a United Nations report, the global average homicide rate stands at 6.2 per 100,000 population; Central America has a rate *more than four times that*, making it a sub-region with one of the highest homicide rates on record. For example, El Salvador's homicide rate this year is the highest in the world for a country not at war, with more than a 70 percent spike from the year before. Indices of crime in all its aspects — extortion, kidnappings, human trafficking — are all up; robberies in the region overall have tripled in the past 25 years, affecting one in five people. This explains why poll after regional poll invariably finds the greatest concern among the local populations is personal security.

The crime and violence has also exacted a heavy economic cost, unsurprisingly. Another U.N. report puts the financial costs of violence at over a 10 percent loss of gross domestic product in Honduras. With the International Monetary Fund projecting another lackluster year of Latin American economic growth, the loss of domestic and foreign investment due to security concerns will resonate even more drastically. Productivity will also be further impacted by the number of citizens who will seek refuge in other countries, including the United States. Driven by economic pressures and rising criminal violence, the number of Hondurans, Guatemalans, and Salvadorans attempting to cross the U.S. Southwest border increased 60 percent in 2013.

## **New routes and New Players**

The primary driver of this increasing regional insecurity has to do with the idiosyncrasies of the drug trade. Up until recently, Central America served mostly as a refueling stop for vessels moving cocaine northwards. But the region's misfortune is not only that the U.S. has largely impeded maritime routes from South America, but also that Colombia and Mexico have made huge strides in pressuring domestic cartels. As it became more hazardous for traffickers to ship the drug directly to Mexico, they began seeking more hospitable environments elsewhere, and that has meant exploiting more aggressively overland routes through the Central American isthmus. In the counter-narcotics trade, it's known as the balloon effect: push tough counter-narcotics one place and the drug traffickers relocate their operations elsewhere.

This, in turn, has translated into a perfect storm of criminal convergence between modern, sophisticated trans-criminal organizations (TCOs) and local gangs in a region already challenged by weak institutions. This has led to ever shifting alliances, competitions, and turf wars among these criminal elements that have overwhelmed local security forces and turned neighborhoods into war zones.

The unprecedented expansion of these criminal networks and violent gangs in the Americas is having a corrosive effect on the integrity of democratic institutions and the stability of several of our partner nations. TCOs threaten citizen security, undermine basic human rights, cripple rule of law through corruption, erode good governance, and hinder economic development. Speaking of these criminal groups that have invaded Central America, General John Kelly, the recently retired commander of Southcom, not long ago described them to Congress as, “These networks conduct assassinations, executions, and massacres, and with their enormous revenues and advanced weaponry, they can outspend and outgun many governments. Some groups have similar and in some cases, superior training to regional law enforcement units. Through intimidation and sheer force, these criminal organizations virtually control some areas.”

Indeed, awash in cash, these criminal organizations can pay off or suborn anyone and everyone they come in contact with in pursuing their illicit activity — from border agents to judges, police officers, the military, politicians, and government officials — allowing them to create permissive environments, safe havens for free mobility; to meet and seal deals with other criminal groups; allowing them to expand into legitimate and other illegitimate businesses; and facilitating money laundering.

Ultimately distressing is when the activities of organized crime cross the line into politics and governance. We are increasingly seeing some of these groups and gangs undermining democracy by replacing functions of the state and wielding more control over civilian life, especially in areas where central government presence and oversight is limited. This constitutes the most profound threat to the integrity and effectiveness of Central American democracy today.

### **Alliance for Prosperity**

In response to this untenable situation and the outflow of migrants, the three governments of the Northern Triangle, with the assistance of the Inter-American Development Bank, developed a “road map” titled the *Plan for the Alliance for Prosperity in the Northern Triangle*. This strategy is mostly an economic development plan, and it contains a fairly honest assessment of the challenges confronting the three countries as well as a number of broad categories requiring improvement. Overall, the plan is a good step in the right direction. However, there are some serious flaws that require attention: it lacks a sustained focus on addressing the dangerous

security situation, rampant corruption, and widespread impunity, and it falls short on dealing with weaknesses in local governance and on demonstrating a robust political commitment.

### **The Role of the United States**

To help our neighbors confront the situation, the omnibus budget deal recently reached by Congress and approved by the president included \$750 million in assistance for these Central American countries, which represents a step in the right direction. Understandably, however, many lawmakers will be wary new assistance programs to Central America due to justified concerns about institutional weakness, corruption, and political will. With drug syndicates and gangs working to undermine, infiltrate, and suborn governments, especially in the judicial and law enforcement sectors, there will be significant questions about with whom exactly we are working and what we are truly capable of achieving with our investment. Needless to say, Congress must demand strict accountability, transparency, and set benchmarks to achieve demonstrable results.

Before proceeding to a series of specific recommendations that should guide and condition U.S. assistance to Central America, I would like to step back for a moment to outline several lapidary assumptions that must — must — serve as the foundation of any U.S. approach:

1. There is no way this will be nice and tidy. Taking down drug networks and gangs is messy business and not for the faint of heart. As the Daniel Day-Lewis movie put it: “There will be blood.” We cannot be intimidated by this. There will be successes and there will be setbacks. We have to remain focused on our goals.
2. There are no silver bullets. It is not a question of the hard side or the soft side; for example, Blackhawk helicopters versus economic development. It’s going to take all sides; a holistic package that increases security, promotes the rule of law, targets corruption, and improves governance in each of these countries.
3. We cannot want it more than they do. In other words, there is no substitute for political will on the part of our partners. We must ensure their total commitment to doing what is required to resolve this situation. And not just central governments, but local governments and private sector elites as well, who must all be willing to make the sacrifices necessary to rescue their own countries. We are not the Lone Ranger. We can only help them if they are committed to helping themselves.
4. We must be clear on sequencing: security doesn’t follow from solving social and economic problems. It is only by first creating effective security that the conditions are then created by which social and economic problems can be addressed.

5. A strong commitment to human rights is not a hindrance, it is essential. It creates legitimacy and support among the people you are trying to help, improving not only your capacity for action, but your chances for success. If the people fear security forces as much as they do gang members and other criminals, then that is simply a recipe for failure.

### **Current U.S. Policy**

Clearly, it is not accurate to say that the Obama administration is not doing anything about the mounting problems in Central America. They are *doing something*. It's just that they are not doing enough and it lacks prioritization.

The signature program in this regard is the Central America Regional Security Initiative (or CARSI), although that was originally created in FY2008 under the Bush administration as part of the Mérida Initiative, the Mexico-focused counterdrug and anticrime assistance package — before it was broken off as a separate effort.

Based on lessons learned — in many ways, Plan Colombia — CARSI takes a comprehensive, multi-dimensional approach to promoting security. In addition to providing equipment, training, and technical assistance to support immediate law enforcement and interdiction operations, according to the State Department, CARSI seeks to strengthen the capacities of governmental institutions to address security challenges and the underlying conditions that contribute to them. Since FY2008, Congress has appropriated an estimated \$1 billion for Central America through Mérida/CARSI.

Launched in March 2011, the Central American Citizen Security Partnership encompasses all U.S. federal efforts to help combat drug trafficking, gangs, and organized crime in the sub-region. This includes: drug demand reduction programs and domestic anti-gang and counterdrug efforts, law enforcement and military cooperation with partner governments, bilateral and regional assistance provided through CARSI, and U.S. involvement in the Group of Friends of Central America donors group. Also formed in 2011, the Group of Friends is working with Central American governments and the Central American Integration System (SICA) to implement a Central American Security Strategy.

But despite these efforts, the singular void has been the perception that the administration is merely checking the policy boxes — that its heart isn't really into the effort. There is very little ownership, as if people are reluctant to get their hands dirty dealing with drugs and thugs. As a result there is precious little public diplomacy and PA efforts making the argument — both here and there — that it is in *everyone's* interests to combat criminality, because expanding criminality means the steady loss of a country's sovereignty, in its political and economic system

— and it warps the social structures of countries, corrupting youth and compromising theirs and their country's future.

### **A More High-Profile Response**

There is no substitute for U.S. leadership in ensuring a more secure, stable, and prosperous Central America. To that end, the Obama administration must make a more public, more concerted effort to re-engage on Central America with a sense of mission and purpose. Beyond the security and economic challenges, among the core issues it must address is the lack of strong institutions to provide for public security. Certainly, the countries of Central America need better trained and equipped police forces, but they also need to tackle frontally the twin evils of corruption and impunity.

- That means improving the effectiveness of criminal justice procedures and practices. Turning around the extremely low conviction rates, through, for example, faster, fairer, more efficient and independent courts, better investigatory skills, improved prosecutorial capacity, and rooting out corrupt judges.
- It means dismantling the financial networks of criminal organizations. Targeting and confiscating their assets by developing effective asset forfeiture laws. And then funding and supporting security programs through the use of seized property and assets. Strengthening financial investigation units to uncover and put a stop to money laundering and illicit campaign contributions.
- It means rooting out corruption by improving government accountability, transparency, and citizen participation. Using the electronic information revolution and new data mining techniques to improve oversight of the use of public resources.
- It means improving penal systems, specifically prisons. The prison systems in Central America are horror stories. Prisons must be overhauled to stop crime and rehabilitate inmates, not to aid and abet crime from virtual safe havens.
- It is also critical that we promote the use of extraditions as a deterrent for crime and a means to reinforce national security.

The most important contribution that can be made to cutting crime and violence and strengthening rule of law in Central America is precisely this kind of institution-building and reform. Again, there are no silver bullets. Only with a long-term program of state building and development can we diminish the opportunities for TCOs to thrive and to allow democratically elected authorities to govern. In the short-term, the imperative is establishing order, and that means reducing the capacity and incentives of criminal actors to confront and subvert the state.

### **An Economic Prosperity Agenda**

Central American economies' dependence on and integration into the U.S. market means the region stands apart from the gloomy economic forecasts for the rest of Latin America over the next few years. Still, there is much to be done to maximize the opportunities moving forward.

In terms of jump-starting renewed economic assistance to the region, I would single out several areas where U.S. policy can make a demonstrable difference.

- 1) If President Obama can rally his Cabinet ministers and sub-cabinet officials to fan out in support of his Cuba initiative, he ought to be able to do the same for struggling democratic countries who actually have an affinity for the United States. Specifically, the President could instruct the secretary of the treasury to form a regional working group of finance ministers to develop a *prosperity agenda* for aggregating and channeling private capital and international lending to private-sector entrepreneurs; setting benchmarks for liberalizing internal markets, accommodating business creation, and modernizing infrastructure; identifying best practices to maximize energy production; and helping people from all walks of life benefit from expanding international trade.
- 2) Re-examine the Central America Free Trade Agreement to determine how our partners can maximize even more the opportunities it has brought them. That is to say, CAFTA has successfully integrated them into the U.S. market, but what impact has it had on trade relations *within* Central America? How can the countries in Central America exploit their competitive advantages as a bloc to improve efficiencies and opportunities/
- 3) Rising oil and gas production in the United States present an incredible opportunity to boost economic growth and U.S. interests in the Western Hemisphere. With the ending of U.S. restrictions on energy exports, including oil and liquefied natural gas (LNG), we must find economically feasible ways to help our neighbors in Central America who struggle with high energy costs. The lack of easy access to U.S. oil and natural gas makes it harder to meet the electricity demand that accompanies growth in manufacturing and tourism.
- 4) Among Central America's primary exports are agricultural goods such as fruit, coffee and sugar. This is not a hindrance, but a gateway to extraordinary opportunities. We should be engaging through our assistance programs to reform these countries' agricultural sectors, shifting from traditional crops like maize and beans with minimum yields to more value-added crops that appeal to the more refined American palette.

### **Conditionality on U.S. Assistance**

Moving past broad imperatives, there are also a number of specific proposals to condition U.S. assistance to ensure accountability and that our goals and objectives are achieved:

- Implement reporting requirements for State Department or USAID, working with the three governments (reflecting broad societal agreement) on priorities: providing performance benchmarks, timelines, and metrics for determining impact, as well as mechanisms for regular, substantive consultations with civil society entities.
- This plan should include specific actions to strengthen civilian police forces and judicial systems, including the prison systems. A specific amount should be allocated to include vetting and other anti-corruption efforts directed at law enforcement and judicial authorities.
- Consultations shall be conducted regularly with national and international civil society organizations, the private sector, and labor and religious organizations about the development, implementation, monitoring, and evaluation of the program.
- Any assistance through a central government entity must be subject to transparency standards. No funds should be permitted for budget support.
- Designate an amount to strengthen democratic governance, especially municipal capacity, through U.S.- and regional-based non-profit or civil society organizations to build and improve:
  - municipal capacity for “smart” governance by exposing local officials and citizens to best practices that promote transparency, accountability, responsiveness and efficiency, and where appropriate, through the use of information communication technologies (ICTs);
  - municipal capacity in the area of migrant re-insertion, including democratic participation of returning migrants;
  - community policing efforts by strengthening municipal or community security commissions legitimized under corresponding national legislation to be inclusive and representative and to interact both with citizens and public authorities, including police, to devise and implement violence prevention strategies; and
  - the capacity of independent media and independent journalists to safely conduct investigative reporting and reporting of corruption, including illicit campaign finance, and to conduct reporting that is sensitive to and inclusive of marginalized populations.
- Require each of the three Central American governments to strengthen financial accountability,<sup>2</sup> including publicizing the entirety of their respective national budgets and matching every U.S. dollar of assistance with at least three dollars from state revenues through better tax collection and enactment of a “security tax.”<sup>3</sup>

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<sup>2</sup> While Honduras has already taken steps towards this end, this effort must be sustained. In each country, this local funding should be directed to the communities with the highest rates of out-migration to the United States.

<sup>3</sup> One of the principal reasons that Plan Colombia and the Merida Initiative with Mexico have been successful is the willingness of the governments and citizens to bear a larger degree of financial responsibility through the payment of taxes. In the case of Colombia, a specific tax was placed on the wealthiest, with their agreement, to help fund efforts against the guerrillas. In Mexico, the government matched each U.S. dollar with \$5-8 dollars in state funding.



- Encourage the three countries to work with international financial institutions (IFIs), especially the Inter-American Development Bank and the World Bank, to improve tax collection.
- The U.S. executive directors in the IFIs should be directed to use their “voice and vote” in support of municipal fiscal strengthening.<sup>4</sup>
- Require a specific funding amount from the U.S. assistance package for the completion of homicide investigations and successful prosecution of criminal offenders.
- Provide specific funding for the establishment of an independent, investigative organization in each of the three countries, similar to the International Commission against Impunity in Guatemala (CICIG), to review professional competence, ensure accountability, uphold the rule of law, implement anti-corruption measures, deliver judicial reforms to address impunity, and participate in the preparation of legal cases against corrupt actors.
- While the presumption should be in favor of civilian leadership and institutions in terms of law enforcement, military forces should not be excluded from receiving U.S. assistance for selected missions. Until civilian law enforcement capacity, performance, and vetting begin to achieve tangible results, our Central American partners do not have the luxury of choosing which government institutions to employ in stabilizing their environments. The overriding imperative must be to establish security to allow for economic opportunity and democratic development. Respect for human rights, and vetting of military units, should be a prerequisite to receive U.S. assistance.
- Require a semi-annual report, coordinated and submitted by the Department of State and USAID, detailing the expenditure of U.S. provided assistance, from all funding streams (e.g., State, USAID, DoD, Inter-American Foundation, Millennium Challenge Corporation, etc.), detailing the impact of the assistance measured against the plan and benchmarks submitted by the three Central American governments, and showing “tangible progress” in:
  - Strengthening the effectiveness of local governance and delivery of necessary social services;
  - Reducing corruption and impunity, including anti-corruption vetting of law enforcement and other security forces;
  - Increasing the completion of homicide investigations and case resolution of criminal offenders;
  - Reducing the flow of migration from these countries to the United States;
  - Reducing overall levels of violence and homicides in these countries; and
  - Reducing the flow of drugs to the U.S. from these countries.
- Prohibit the use of U.S. assistance for budget support or as cash transfers to the governments of El Salvador, Guatemala, or Honduras.

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<sup>4</sup> This exception is made because, traditionally, loans from the World Bank and Inter-American Development Bank are arranged with national authorities that may discriminate against municipalities for political motives.

- Ensure that U.S. embassies receive adequate funding to ensure oversight of the provided assistance, including the ability to report on expenditures, impact, and funding pipelines. The State Department should compile and provide this reporting to the U.S. Congress (to the authorizing and appropriations committees) on a semi-annual basis.
- Require the three countries, separately, to sign agreements with Transparency International.
- Create an interagency task force to work with Latin American counterparts to target corrupt Latin American officials and designate a single focal point for the express purpose of assisting Latin American law enforcement agencies to combat corruption.
- The United States must insist on tangible results in partner countries' efforts to end impunity, hold corrupt officials accountable, and prosecute human rights violations. The Executive Branch can be supportive in these tasks by being more active in using existing authorities to combat corruption and criminality, such as the use of Treasury Department designations and the withdrawing of U.S. visas under Proclamation 7750 (2004). Employing these authorities will send a strong signal that the United State is serious about the issue and encourage partner governments to muster the political will to act.

## **Conclusion**

U.S. leadership, access, and interests in our very own neighborhood, where our past engagement has made a real and lasting difference, is very much at stake here. The same criminal networks operating with impunity today in Central America can move just about anything through their smuggling pipelines. And with many of these pipelines leading directly to our borders, they can be exploited by anyone looking to do us harm. This crime-terror convergence is a very real vulnerability we cannot afford to ignore. All it takes is one corrupt official who can be bribed to procure official documents such as visas or citizenship papers and facilitate travel of special interest aliens.

Beyond that, our own neighborhoods are already being affected by these criminal networks. International drug traffickers have a presence in up to 1,200 American cities, as well as criminal enterprises like the violent transnational gang Mara Salvatrucha, or MS-13, that specialize in extortion and human trafficking.

We must up our game in response, engaging through resources and transferring lessons learned from our own experiences, based on our successes and our failures. Strengthening governance and fostering accountable, transparent, and effective institutions throughout the Americas, while improving the security situation and contributing to economic growth must remain the core of U.S. policy. Right now, our friends in Central America are confronting a crisis every bit as dangerous to their stability as the threats in the early 1980s. The difference then was an administration that was willing to step to the plate. There is still time for the current administration to get more engaged. I sincerely hope it is not too late.