Latin America and the Caribbean: Key Issues for the 113th Congress

Mark P. Sullivan, Coordinator
Specialist in Latin American Affairs

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Summary

Geographic proximity has ensured strong linkages between the United States and the Latin American and Caribbean region, with diverse U.S. interests, including economic, political and security concerns. U.S. policy toward the region under the Obama Administration has focused on four priorities: promoting economic and social opportunity; ensuring citizen security; strengthening effective democratic institutions; and securing a clean energy future. There has been substantial continuity in U.S. policy toward the region under the Obama Administration, which has pursued some of the same basic policy approaches as the Bush Administration. Nevertheless, the Obama Administration has made several significant policy changes, including an overall emphasis on partnership and shared responsibility.

U.S. policy toward the region is conducted in the context of a Latin America that is becoming increasingly independent from the United States. Strong economic growth has increased Latin America’s confidence in its ability to solve its own problems. The region has also diversified its economic and diplomatic ties with countries outside the region. Over the past few years, several Latin American regional organizations have been established that do not include the United States.

Congress plays an active role in policy toward Latin America and the Caribbean. In the 112th Congress, legislative and oversight attention focused on the continued increase in drug trafficking-related violence in Mexico and assistance under the Mérida Initiative; efforts to help Central American and Caribbean countries contend with drug trafficking and violent crime; as well as continued counternarcotics and security support to Colombia. The 2010 earthquake that devastated Haiti focused attention on the enormous task of disaster recovery and reconstruction. As in past years, U.S. sanctions on Cuba, particularly restrictions on travel and remittances, remained a contentious issue in the debate over how to support change in one of the world’s last remaining communist nations. Another area of congressional oversight was the deterioration of democracy in several Latin American countries, especially Nicaragua and Venezuela. Congressional concern also increased over Iran’s growing relations in the region, especially with Venezuela, and about the activities of Hezbollah.

In the 113th Congress, these issues are likely to continue to be the focus of congressional attention. Congress may also complete action on FY2013 appropriations for foreign assistance, and soon will begin consideration of the Administration’s FY2014 foreign aid budget request, allowing for examination of ongoing and proposed foreign assistance and counternarcotics programs for the region. Other issues that could receive congressional attention include relations with Mexico under the new administration of President Enrique Peña Nieto and consideration of a trans-boundary energy agreement; the health status of Venezuelan President Hugo Chávez and implications for the United States; prospects of Colombia’s peace negotiations with the FARC and implications for U.S. policy; whether and how to strengthen relations with Brazil; progress on negotiations for the Trans-Pacific Partnership (TPP) that includes three Latin American countries (Chile, Mexico, and Peru); whether to extend trade preferences for Ecuador; and review of the operation and activities of the Organization of American States. Potential U.S. legislative action on comprehensive immigration reform and gun control efforts would likely be well received in the region, especially in neighboring Mexico.

This report provides an overview of U.S. policy toward Latin America and the Caribbean, including the Obama Administration’s priorities; examines changes in the region’s economic and
political environment that affect U.S. relations with the region; and analyzes U.S. policy toward the region and various recommendations made by policy analysts and think tanks. The report then examines the role of Congress and congressional interests in Latin America, looking at selected regional and country issues, including key issues that the 113th Congress could face.

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U.S. Policy toward Latin America and the Caribbean

U.S. interests in the Western Hemisphere are diverse, and include economic, political, security and humanitarian concerns. Geographic proximity has ensured strong economic linkages between the United States and the region, with the United States being the major trading partner and largest source of foreign investment for many countries. Free trade agreements (FTAs) have augmented U.S. economic relations with 11 countries in the region. Latin American nations, primarily Mexico and Venezuela, supply the United States with almost one-third of its imported crude oil. The Western Hemisphere is also the largest source of U.S. immigration, both legal and illegal, with geographic proximity and economic conditions being major factors driving migration trends. Curbing the flow of illicit drugs from Latin America and the Caribbean has been a key component of U.S. relations with the region and a major interest of Congress for some three decades, and in recent years has included close security cooperation with Mexico, Central America, and the Caribbean to combat drug trafficking and related violence. With the exception of Cuba, the region has made enormous strides in terms of democratic political development over the past three decades, but the rise of undemocratic practices in several countries, especially Venezuela, has been a U.S. concern. The United States has often taken the lead in responding to natural disasters in the region, as was demonstrated once again in the aftermath of Haiti’s catastrophic 2010 earthquake.

Four Priorities for the Region

The Obama Administration has set forth a broad framework for U.S. policy toward Latin America and the Caribbean centered on four pillars or priorities:

- promoting economic and social opportunity;
- ensuring citizen security;
- strengthening effective institutions of democratic governance; and
- securing a clean energy future.

The State Department maintains that these policy “priorities are based on the premise that the United States has a vital interest in contributing to the building of stable, prosperous, and democratic nations” in the hemisphere that can play an important role in dealing with global challenges. The Obama Administration has stressed that its policy approach toward the region is one that emphasizes partnership and shared responsibility, with policy conducted on the basis of mutual respect through engagement and dialogue. President Obama re-emphasized the theme of equal partnership at the sixth Summit of the Americas in April 2012 when he said that “in the Americas there are no senior or junior partners, we’re simply partners.” In remarks at the June

1 U.S. Department of State, Arturo Valenzuela, Assistant Secretary of State, Bureau of Western Hemisphere Affairs, “U.S.-Latin American Relations: A Look Ahead,” January 6, 2011.
2 Ibid.; and U.S. Department of State, Arturo Valenzuela, Assistant Secretary of State, Bureau of Western Hemisphere Affairs, “U.S. Foreign Policy in the Obama Era,” October 9, 2010. The same general policy approach has continued under current Assistant Secretary of State for Western Hemisphere Affairs Secretary Roberta Jacobson, who was confirmed by the Senate in March 2012.
3 White House, Office of the Press Secretary, “Remarks of President Barack Obama—As Prepared for Delivery—(continued...)
2012 Organization of American States (OAS) General Assembly meeting in Bolivia, Assistant Secretary of State for Western Hemisphere Affairs Roberta Jacobson reiterated the commitment of the United States to work with hemispheric nations “in the spirit of genuine and equal partnership to advance liberty and prosperity for all the citizens of the hemisphere.”

Economic and Social Opportunity

The policy priority of expanding economic opportunity focuses on one of the key problems facing Latin America: lingering poverty and inequality. At the end of 2012, an estimated 167 million people in Latin America were living in poverty—28.8% of the region’s population—while 66 million people or 11.4% were living in extreme poverty or indigence. These statistics reflect a significant improvement from 2002 when almost 44% of the region’s population lived in poverty. Moreover, the statistics show a considerable improvement from 2009 when the region faced an uptick in poverty because of the global financial crisis.

In addition to traditional U.S. development assistance programs focusing on health and education, expanding economic opportunity also has involved several innovative programs and initiatives. The Pathways to Prosperity Initiative, initially launched in 2008, is designed to help countries learn from each other’s experiences through the exchange of best practices and the goal of promoting inclusive growth, prosperity, and social justice. The Organization of American States’ Inter-American Social Protection Network began in 2009 with U.S. support to facilitate an exchange of information on policies, experiences, programs, and best practices in order to reduce social disparities and inequality and reduce extreme poverty. President Obama launched the 100,000 Strong in the Americas initiative in 2011 to increase the number of Latin American students studying in the United States as well as to increase the number of U.S. students studying in countries throughout the hemisphere. As part of the Obama Administration’s Feed the Future Initiative to combat global hunger and advance food security, three countries in the Americas—Guatemala, Haiti, and Honduras—receive targeted funding for the development of poor rural areas aimed at helping vulnerable populations escape hunger and poverty.

At the sixth Summit of the Americas held in Colombia in April 2012, President Obama announced several initiatives to expand economic opportunity. The Small Business Network of the Americas (SBNA) is an initiative designed to help small businesses participate in international trade by linking national networks of small business support centers. The

(...continued)
Women’s Entrepreneurship in the Americas (WEAmericas) program is a public-private partnership designed to increase women’s economic participation and address barriers to women starting and expanding small and medium enterprises.\(^{10}\) The Innovation Fund of the Americas, launched by USAID, is an initiative to help finance lower cost and more effective solutions to difficult development challenges.

**Citizen Security**

The policy priority of advancing citizen security reflects one of the most important concerns among Latin Americans. High levels of crime and violence, often associated with drug trafficking, is a significant problem in many countries. The Central America-Mexico corridor is the route for 95% of South American cocaine entering the United States, while murder rates in several Central American and Caribbean countries are among the highest in the world and drug trafficking-related violence in Mexico has risen to unprecedented levels.

U.S. support in this area includes a series of partnerships to help countries combat drug trafficking and organized crime such as the Mérida Initiative for Mexico, the Central America Regional Security Initiative (CARSI), and the Caribbean Basin Security Initiative (CBSI). The Colombia Strategic Development Initiative (CSDI) aligns U.S. assistance with the follow up strategy to Plan Colombia that is designed to develop a functioning state presence in remote, but strategically important, areas.

While these programs only began in the last few years, U.S. support to counter drug trafficking and production in the region has been a key focus of U.S. policy toward the region for more than 30 years. The most significant U.S. support program was Plan Colombia, begun in FY2000, which helped the Andean country combat both drug-trafficking and terrorist groups financed by the drug trade.

**Democratic Governance**

The policy priority of strengthening democratic governance has the goal of building on progress that the region has made over the past three decades, not only in terms of regular free and fair elections, but also in terms of respect for political rights and civil liberties. Despite this progress, many countries in the region still face considerable challenges. The human rights group Freedom House compiles an annual evaluation of political rights and civil liberties in which it categorizes countries as free, partly free, and not free. In its 2013 report, the group ranked just one country as not free, Cuba; 10 countries as partly free—Bolivia, Colombia, Ecuador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Paraguay, and Venezuela; and the remaining 22 countries of the region as free.\(^{11}\)

The United States provides foreign aid to support the rule of law and human rights, good governance, political competition and consensus-building and civil society. Improving and strengthening democratic governance includes support to improve the capacity of state institutions to address citizens’ needs through responsive legislative, judicial, law enforcement


and penal institutions as well as support to nongovernmental organizations working on
democracy and human rights issues. It also includes defending press freedoms and democratic
rights, such as free and fair elections and the protection of minority rights.

U.S. officials have continued to speak out about human rights abuses in countries such as Cuba
and threats to political rights and civil liberties in other countries in the region. Assistant
Secretary of State Jacobson has spoken out about the erosion in the full respect for freedom of
expression in some countries, and has also contended that hemispheric nations should collectively
remain on guard against efforts to weaken the Inter-American human rights system.  

Clean Energy Future

The Obama Administration introduced the **Energy and Climate Partnership of the Americas**
(ECPA) in 2009 designed to strengthen inter-American collaboration on clean energy. Many
countries in Latin America and the Caribbean are vulnerable to climate change, and struggle with
energy security. ECPA includes voluntary bilateral and multi-country initiatives to promote clean
energy, advance energy security, and reduce greenhouse gas emissions. Some of the initiatives
involve international and regional organizations and the private sector. At the sixth Summit of
the Americas in April 2012, President Obama joined with Colombia in **Connecting the Americas
2022**, an initiative with the goal of achieving universal access in the hemisphere to reliable, clean,
and affordable electricity.  

Latin America’s Economic and Political Environment

U.S. policy toward the Latin American and Caribbean region is conducted in the context of
significant economic and political changes in the hemisphere as well as the region’s increasing
independence from the United States.

A Changed Region

The Latin American and Caribbean region has made
significant advances over the past three decades in terms
of both political and economic development. As noted
above, regular free and fair elections have become the
norm in most countries. In the early 1980s, 16 countries in
the region were governed by authoritarian regimes, both
on the left and the right, but today, all nations with the
exception of Cuba are elected democracies—six countries
in the hemisphere are scheduled to have elections in 2013 (see text box). Latin America appears
to be moving politically toward the ideological center, focusing on centrist, pragmatic polices
while the spread of unstable extremist politics has begun to wane. Such a focus on developing

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12 U.S. Department of State, “U.S. Policy Toward the Americas: The Summit and Beyond,” Remarks by Assistant
Secretary of State for Western Hemisphere Affairs Roberta Jacobson, May 11, 2012.
http://www.state.gov/p/wha/rls/fs/2012/191563.htm; also see the website of the ECPA at http://www.ecpamericas.org/
http://www.state.gov/p/wha/rls/fs/2012/199772.htm
pragmatic and realistic solutions tends to accompany an acceptance of the rules of democracy.\textsuperscript{15} Moreover, Colombia’s ongoing peace negotiations with the Revolutionary Armed Forces of Colombia (FARC) potentially could end the hemisphere’s oldest civil conflict that dates back to the 1960s.

Despite significant improvement in political rights and civil liberties, some countries in the region still face considerable challenges. In a number of countries, weaknesses remain in the state’s ability to deliver public services, ensure accountability and transparency, advance the rule of law, and ensure citizen safety and security. In recent years, there has been deterioration of media freedom in several countries, precipitated by the increase in drug trafficking-related violence (such as in Mexico) as well as by politically-driven attempts to curb critical or independent media (such as in Venezuela). Nevertheless, according to the public opinion survey group \textit{Latinobarómetro}, public support for democracy overall remains strong in the region, with 76% maintaining that, despite its problems, democracy is the best system of government.\textsuperscript{16}

The region has also undergone a significant economic transformation. While the 1980s were commonly referred to as the lost decade of development as many countries became bogged down with unsustainable public debt, the 1990s brought about a shift from a strategy of import-substituting industrialization to one focused on export promotion, attraction of foreign capital, and privatization of state enterprises. Latin America experienced an economic downturn in 2002 (brought about in part because of an economic downturn in the United States), but recovered with strong growth rates until 2009 when a global economic crisis again affected the region.\textsuperscript{17} While the economies of Latin America and the Caribbean contracted almost 2% in 2009 due to the global financial crisis, they rebounded in 2010 and 2011 with growth rates of 5.9% and 4.3% respectively, and the estimate for 2012 is 3.1% growth\textsuperscript{18} Some countries experienced deeper recessions in 2009, especially those more closely integrated with the U.S. economy, while other countries with more diversified trade and investment partners experienced lesser downturns.

For 2013, Latin America’s economic forecast is for 3.8% growth, according to the U.N. Economic Commission for Latin America and the Caribbean (ECLAC), buoyed by stronger growth rates in Argentina and Brazil and strong demand in several of the region’s economies. Economic growth prospects for a number of countries in the region, however, including Venezuela and several Caribbean countries, are less promising with much lower forecasts than the regional average. Moreover, external risks such as the deepening of the Eurozone crisis or growth slowdowns in the United States or China could affect Latin America’s growth potential.\textsuperscript{19}

As noted above, Latin America has made significant progress in combating poverty and inequality. Two key factors accounting for this decline are increasing per capita income levels and targeted public expenditures known as conditional cash transfer programs for vulnerable sectors. Brazil and Mexico were pioneers in these targeted programs that have spread to other countries. In terms of income distribution, while Latin America is still the most unequal region in the world, inequality has declined in many countries since 2002, and there has been a clear downward trend

\textsuperscript{17} Sidney Weintraub, “An Economic Storm Hits Latin America,” \textit{Current History}, February 2009.
\textsuperscript{18} U.N. Economic Commission for Latin America and the Caribbean (ECLAC), \textit{Preliminary Overview of the Economies of Latin America and the Caribbean}, December 2012.
\textsuperscript{19} Ibid.
in income concentration in the region over the past decade.\textsuperscript{20} Rising growth and income levels and progress in poverty reduction also have helped expand Latin America’s middle class by about 50% over the past decade, according to the World Bank. Now more than 150 million people in the region (about 30% of total population) are considered in the middle class.\textsuperscript{21}

**Latin America’s Increasing Confidence and Independence**

Latin America’s strong economic performance in recent years has increased the region’s confidence in solving its own problems, and has lessened the region’s dependency on the United States. The region’s growing ideological diversity in recent years has also been a factor in the region’s increased independence from the United States, as has Brazil’s rising regional and global influence.

Latin American and Caribbean countries have diversified their economic and diplomatic ties with countries outside the region. China, for example, has become a major trading partner for many countries in the region, ranking as one of the top two export and import markets. Total Chinese trade with the region grew from almost $18 billion in 2002 to about $240 billion in 2011.\textsuperscript{22} (Nevertheless, the United States remains the single largest trading partner for many countries; total U.S. trade with the region amounted $800 billion in 2011, more than three times that of China’s trade with the region.\textsuperscript{23})

Several Latin American regional integration organizations have been established in the past few years, a reflection of both the region’s increasing independence and its growing internal cooperation. In December 2011, 33 hemispheric nations—excluding the United States and Canada—met in Caracas to establish the Community of Latin American and Caribbean States (CELAC) to boost regional integration and cooperation. While some observers have concerns that CELAC could be a forum for countries that have tense or difficult relations with the United States, others point out that strong U.S. partners in the region are also members. Some observers have predicted that CELAC could diminish the role of the OAS, while others maintain that CELAC does not have a permanent staff or secretariat that could compete with the OAS. CELAC held its first summit in Santiago, Chile, on January 27-28, 2013 (preceded by a CELAC summit with the European Union) in which Cuban President Raúl Castro assumed the presidency of the organization for a year.

Some observers contend that CELEC’s establishment reflects declining U.S. influence in Latin America, but the United States still remains very much engaged in the region bilaterally and multilaterally through the OAS and its numerous affiliated organizations. In addition, the Summit of the Americas process remains an important mechanism for the United States to engage with Latin American nations at the highest level. While the sixth Summit of the Americas held in Colombia in April 2012 displayed U.S. divergence from the region in terms of policy toward Cuba and anti-drug strategy, the meeting also included a variety of initiatives to deepen


\textsuperscript{22} Trade figures cited are drawn from the *Global Trade Atlas*, using trade statistics reported by China.

\textsuperscript{23} U.S. trade statistics are drawn from the *Global Trade Atlas*, using statistics reported by the U.S. Department of Commerce.
hemispheric integration and address key hemispheric challenges. The next summit is scheduled to be hosted by Panama in 2015, and several Latin American leaders have pledged that they will not attend if Cuba is not invited; such a scenario could be a significant policy dilemma for the Obama Administration.

Another new regional organization is the 12-member Union of South American Nations (UNASUR), established in 2008 (largely because of Brazil’s influence) to promote political, economic, and security coordination in South America. It has served as a forum for dispute resolution. For example, the organization played a role in defusing tensions between Colombia and Venezuela in 2008, and helped resolve internal political conflicts in Bolivia in 2008 and Ecuador in 2010. Some analysts, however, have raised questions about UNASUR’s overall efficacy, financial support, and ability to develop specialized capabilities and programs.24

The Venezuelan-led Bolivarian Alliance of the Americas (ALBA, originally established as the Bolivarian Alternative for the Americas), was launched by President Hugo Chávez in 2004 with the goals of promoting regional integration and socioeconomic reform and alleviating poverty. In addition to Venezuela, this eight-member group includes Bolivia, Cuba, Ecuador, and Nicaragua as well as the Caribbean island nations of Dominica, Antigua and Barbuda, and St. Vincent and the Grenadines. Some observers maintain that ALBA has lost its initial energy. Director of National Intelligence James Clapper maintained in January 2012 congressional testimony that ALBA was “created in part to spread Chávez’s influence in the region” but “is only muddling through.”25 Just as President Chávez’s battle with cancer has raised questions about Venezuela’s political future, the President’s health status could also affect the future of ALBA.

Continuity and Change in U.S. Policy

Under the Obama Administration, there has been significant continuity in U.S. policy toward Latin America from the Bush Administration. Some of the same basic policy approaches have been continued, although in many cases there has been a change of emphasis.

Like the Bush Administration, the Obama Administration has provided significant anti-drug and security support to Colombia and significant support to Mexico and Central America to combat drug trafficking and organized crime through the Mérida Initiative and CARSI. Assistance to Mexico, however, has shifted toward more support for rule of law programs (including police, judicial, and penal reform) and programs to help communities withstand the pressures of crime and violence. In anticipation of a potential “balloon effect” of drug trafficking shifting to the Caribbean region, the Obama Administration also established the CBSI, the origin of which, however, dates back to the Bush Administration. Assistance for Colombia has become more evenly balanced between enhancing rule of law, human rights and economic development programs on the one hand, and continuing efforts on security and drug interdiction on the other. Overall U.S. assistance levels to Colombia have begun to decline as the country is increasingly taking over responsibility for programs once funded by the United States.

25 Ibid.
Implementing bills for FTAs with Colombia and Panama that were negotiated under the Bush Administration ultimately were introduced and enacted into law in October 2011 after extensive work by the Obama Administration to resolve outstanding congressional concerns related to both agreements. Another trade initiative begun informally under the Bush Administration and continued by the Obama Administration through formal trade negotiations is the proposed Trans-Pacific Partnership (TPP) free trade agreement, which involves negotiations with Mexico, Chile and Peru and eight other Pacific countries. A framework for a TPP agreement was announced in November 2011—three more rounds of negotiations are planned for 2013, with the goal of reaching an agreement by October.

Just as the Bush Administration had, the Obama Administration has expressed support for comprehensive immigration reform, an especially important issue in U.S. relations with Mexico and Central America. Under the Bush Administration, reform efforts were stymied in 2007 when the Senate failed to invoke cloture and limit debate on two comprehensive reform measures, and Congress did not return to consideration of such measures. On January 28, 2013, however, a bipartisan group of eight Senators announced their efforts to draft comprehensive reform legislation for passage this summer. The bipartisan framework includes a pathway for citizenship for some 11 million undocumented immigrants living in the United States, including an estimated 6.7 million from Mexico.

In other areas, the Obama Administration has made policy changes on Latin America that have more clearly differentiated it from the Bush Administration. Early on, the Administration put more of an emphasis on partnership and shared responsibility in its policy toward the region. The Administration increased and sustained higher levels of development assistance to the region even in recent years as overall U.S. assistance to the region has declined. The Administration has also implemented several changes in Cuba policy by lifting restrictions on family travel, easing restrictions on other types of purposeful travel, and restarting semi-annual talks with Cuba (although talks have not been held since January 2011). At the same time, the Administration has continued the long-standing U.S. policy of maintaining economic sanctions on Cuba and speaking out about the poor human rights situation on the island.

In assessing U.S. policy toward Latin America under the Obama Administration, many observers and policy analysts have commended the Administration for its emphasis on partnership and multilateralism; for deepening security cooperation with Mexico, Central America, and the Caribbean focused on ensuring citizen security; for broadening relations with Colombia beyond counternarcotics and counterterrorism issues; and for a strong U.S. response to the earthquake in Haiti. According to a former State Department official, U.S. diplomacy in the region today “is focused on being relevant to practical needs widely felt by other peoples—the way it should be;” and that socioeconomic changes in the region, which the United States helped support, “are fostering a convergence of basic values and interests that can and should define relationships that are bright, cooperative, and productive for decades to come.”

On the other hand, a number of analysts have urged the Administration to articulate a strategic vision and more cohesive policy approach toward Latin America. In looking at President

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Obama’s first term, some analysts contend that as problems have arisen in the region, U.S. responses have been reactive rather than proactive, and can be characterized “as improvised and lacking a sense of strategic direction.”

Center for International and Strategic Studies (CSIS) senior associate Howard Wiarda argues that a “coherent, mature policy for the region” needs to be articulated, although he contends that the United States has accomplished a great deal at individual country-level policies in terms of democracy, development, modernization, and in fostering good bilateral relations.

Peter Hakim of the Inter-American Dialogue has described U.S. policy toward Latin America as adrift, with a growing separation of the United States from Latin America and a shrinking U.S. vision for Latin America. He contends that while U.S. leaders regularly affirm the importance of the region to the United States, they have not been able to devise a strategy to effectively exploit what former U.S. Secretary of State Hillary Clinton described as the “power of proximity.”

Many policy analysts and think tanks across the political spectrum have called for the Administration to elevate U.S. relations with both Brazil and Mexico, the two economic powerhouses of the region. Many advocate a deepening and broadening of U.S. relations with Brazil in the areas of defense and security, trade, energy, and also multilateral issues given Brazil’s rising global profile. With regard to Mexico, many argue that the Obama Administration should, in addition to continuing strong security cooperation, seize the opportunity to work with a new government in Mexico in deepening economic relations, including energy cooperation, and engaging Mexico on global issues.

On immigration, in particular, many Latin America policy analysts have called for U.S. efforts to fix its immigration system as a means of improving relations not only with Mexico, but with the region overall. Michael Shifter of the Inter-American Dialogue maintains that meaningful immigration reform would be welcomed throughout Latin America, especially in Mexico, “where the issue has long been a source of tension in the bilateral relationship.”

Think tanks and policy analysts have made numerous other recommendations for U.S. policy toward the region. With regard to drug policy, there are calls for the United States to re-evaluate...
its anti-drug strategy, pointing to efforts by some Latin American leaders and others to explore drug policy alternatives. While some stress the need to sustain a strong international drug control regime focused on eradication and interdiction, others appear to emphasize the need for more efforts to address U.S. domestic drug addiction and consumption. With regard to Cuba, some argue for moving away from the sanctions-based approach toward Cuba, while others contend that sanctions should be maintained as long as the government continues its harsh human rights violations. With regard to democracy promotion, some analysts argue that U.S. engagement with the region should include a more vibrant democracy promotion component, especially in countries facing challenges; others contend that the United States already has strong democracy and human rights programs; and some question the efficacy of such programs.

**Congress and Policy toward Latin America and the Caribbean**

Congress plays an active role in policy toward Latin America and the Caribbean. Legislative and oversight attention to the region during the 112th Congress focused on the increase in drug trafficking-related violence in Mexico and U.S. assistance to Mexico under the Mérida Initiative; efforts to help Central American and Caribbean countries contend with drug trafficking and violent crime; as well as continued counternarcotics and security support to Colombia. The 2010 earthquake that devastated Port-au-Prince, Haiti, continued to focus congressional attention on the enormous task of disaster recovery and reconstruction. As in past years, U.S. sanctions on Cuba, particularly restrictions on travel and remittances, remained a contentious issue in the debate over how to support change in one of the world’s last remaining communist nations. Another area of congressional oversight was the deterioration of democracy in several Latin American countries, especially Nicaragua and Venezuela. Congressional concern also increased about Iran’s growing relations in the region, especially with Venezuela, and about the activities of Hezbollah.

Many of these same issues are likely to continue to be the focus of congressional oversight and potential legislative action in the 113th Congress. At the beginning of a new Congress and President Obama’s second term, the relevant congressional committees may examine the current status of U.S. relations and policy toward Latin America and the Caribbean. Early in the first session, Congress will face action on FY2013 appropriations for foreign assistance, and soon will begin consideration of the Administration’s FY2014 foreign aid budget request. Congressional hearings on the President’s budget request, and subsequent consideration of appropriations legislation, can be an important means for Congress to examine ongoing and proposed foreign assistance programs for the region. Potential U.S. legislative action on comprehensive immigration reform would likely be well received in Latin America and the Caribbean, but especially in neighboring Mexico. U.S. gun control efforts would also likely be welcomed by Mexico, along with Caribbean and Central American countries concerned about the illicit flow of arms from the United States.
Other issues that could be the subject of oversight in the new Congress, and are addressed in the sections below, include relations with Mexico, and the status of reforms, under the new administration of President Enrique Peña Nieto; potential consideration of a trans-boundary energy agreement with Mexico; the health status of President Hugo Chávez and the potential...
effect of a government change on U.S. relations; prospects of Colombia’s peace negotiations with the FARC and the potential ramifications for U.S. policy and foreign aid; whether and how to strengthen relations with Brazil, including boosting U.S. exports; progress on negotiations for the Trans-Pacific Partnership (TPP) that includes three Latin American countries (Chile, Mexico, and Peru); whether to extend Andean Trade Preference Act (ATPA) benefits for Ecuador; the scope and direction of the region’s counternarcotics relationship with the United States; and the operation and activities of the Organization of American States.

Regional Issues

U.S. Foreign Aid

Although many Latin American and Caribbean nations have made significant development progress in recent years, foreign aid remains an important tool for advancing U.S. policy priorities in the hemisphere. Current aid programs reflect the diversity of the region. Some nations receive a broad range of U.S. assistance, with projects in areas such as democracy promotion, economic reform, basic education, human health, environmental protection, citizen security, and counternarcotics. Others have largely outgrown U.S. assistance but continue to receive low levels of aid, usually targeted toward strengthening security capabilities. Absolute assistance levels for the region have declined each year since FY2010. In FY2012, the United States provided an estimated $1.9 billion of aid to Latin American and Caribbean nations through the U.S. Agency for International Development (USAID) and the State Department. Some countries in the region received additional assistance through the Department of Defense, the Inter-American Foundation, the Millennium Challenge Corporation, and the Peace Corps.

Key Policy Issues: Members face a number of policy choices early in the 113th Congress that could have significant implications for U.S. foreign assistance to Latin America and the Caribbean. On March 1, 2013, across-the-board spending cuts resulting from the Budget Control Act of 2011 (P.L. 112-25) are scheduled to take effect. If Congress allows the cuts (known as sequestration) to go forward as currently formulated, most foreign assistance accounts could see an estimated 5.3% reduction in gross budget authority. Likewise, the FY2013 Continuing Appropriations Resolution (P.L. 112-175), which is currently funding foreign aid programs, is scheduled to expire on March 27, 2013. Funding for aid programs for the second half of FY2013 will depend on a new appropriations measure. Congress will also face consideration of the Administration’s forthcoming FY2014 request for foreign aid. These congressional decisions would set broad budget outlines, which in turn would likely influence the amount of foreign aid dedicated to specific countries and programs in Latin America and the Caribbean. As Congress deliberates on these issues, questions may arise regarding how constraints on the aid budget could affect U.S. foreign policy and national security interests, which countries and programs are the highest priorities for U.S. foreign aid, and how U.S. assistance might be used more effectively.

For additional information, see CRS Report R42582, U.S. Foreign Assistance to Latin America and the Caribbean: Recent Trends and FY2013 Appropriations, by Peter J. Meyer and Mark P. Sullivan.

34 Congressional Budget Office, The Budget and Economic Outlook: Fiscal Years 2013 to 2023, February 2013, Table 1-2, p. 14.
Trade Policy

The Latin America and Caribbean region is one of the fastest-growing regional trading partners for the United States. The average rate of growth in trade between the United States and the region since 1998 surpasses that of U.S. trade with Asia and the European Union. Despite challenges such as diplomatic tensions or violence in certain countries, economic relations between the United States and most of its trading partners in the region remain strong. The United States accounts for roughly 40% of the region’s imports and exports. Most of this trade is with Mexico, which accounts for 60% of U.S. imports from and 54% of U.S. exports to the region. In 2012, total U.S. exports to Latin America and the Caribbean were valued at $398 billion, while U.S. imports were valued at $448 billion (see Appendix).

The United States has strengthened economic ties with the region over the past two decades through the negotiation and implementation of free trade agreements (FTAs). Starting with the North American Free Trade Agreement (NAFTA), which entered into force in 1994, the United States has entered into a total of six FTAs involving 11 countries in the region, including Mexico, Chile, Colombia, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama, and Peru. Some of the largest economies in South America, however, such as Argentina, Brazil, and Venezuela, have resisted the idea of forming trade integration agreements with the United States. As a result, there are numerous other bilateral and plurilateral trade agreements throughout the Western Hemisphere that do not include the United States. In addition to FTAs, the United States extends unilateral trade preferences to some countries in the region through trade preference programs, including the Andean Trade Preference Act (ATPA), which is set to expire on July 31, 2013 (Ecuador is the only remaining beneficiary); and the Caribbean Basin Trade Partnership Act (CBTPA), which expires September 30, 2020.

As wages rise in East Asia and productivity increases in countries that have an FTA with the United States, such as Mexico, numerous analysts have proposed that the United States employ trade policy to further hemispheric cooperation and focus on improving regional supply networks. The next possible step toward trade integration may be the proposed Trans-Pacific Partnership (TPP), which could have significant implications for U.S. trade and investment ties with the three Latin American countries participating in the negotiations—Mexico, Chile, and Peru—as well as with Canada and seven other countries in the Pacific involved in the negotiations (other Latin American countries could also join in the future). The proposed TPP may open some issues related to NAFTA and strengthen provisions in areas such as intellectual property rights (IPR) protection, labor rights, and environmental protection.

Key Policy Issues. The TPP negotiations are likely to continue to be of congressional interest in 2013, especially in the areas of services trade, IPR protection, worker rights, environmental issues, and regulatory cooperation. Given that only three countries from Latin America are participating in the negotiations, this could raise questions as to whether the United States should consider broadening trade policy efforts to the region as a whole. Congress may also consider an extension of ATPA for Ecuador, and evaluate whether it is meeting the eligibility criteria for an extension of preferences. Congress may also be interested in possible energy reform in Mexico and the implications for U.S. oil imports from Mexico and for investment opportunities for U.S. companies. Congress also could consider trade policy with Brazil in an effort to boost U.S. exports, especially now that there is a possibility of trade talks between Mexico and Brazil. (Also see sections on “Brazil” and “Mexico” below.)
Drug Policy

Latin America and the Caribbean feature prominently in U.S. counternarcotics policy due to the region’s role as a source and transit zone for several illicit drugs destined for U.S. markets—cocaine, marijuana, methamphetamine, and opiates. Contemporary drug trafficking and transnational crime syndicates in the region have contributed to degradations in citizen security and economic development, often resulting in record levels of violence and drug trafficking-related homicides. Despite significant efforts to combat the drug trade, many governments in Latin America continue to suffer from overtaxed criminal justice systems and overwhelmed law enforcement and border control agencies. Moreover, extensive government corruption, entrenched by deeply influential criminal kingpins, frustrates efforts to interdict drugs, investigate and prosecute traffickers, and recover illicit proceeds. There is a widespread perception, particularly among many Latin American observers, that continuing U.S. demand for illicit drugs is largely to blame for the Western Hemisphere’s ongoing crime and violence problems.

With few exceptions, governments in the region have long committed to participation in the international community’s prohibitionist-oriented and UN-led drug control regime, an approach strongly endorsed by the U.S. federal government, including the Obama Administration. (Two notable exceptions are Bolivia and Venezuela, currently identified by the Administration as having “failed demonstrably” during the previous year to fulfill their international counternarcotics obligations.) As noted above, major U.S. counternarcotics assistance programs in the region currently include the Mérida Initiative in Mexico, CARSI in Central America, CBSI in the Caribbean, and CSDI in Colombia.

Ongoing struggles to deal with the violent and destabilizing effects of the illicit drug trade, however, have spurred some Latin American leaders and others to explore drug policy alternatives. In 2009, the Latin American Commission on Drugs and Democracy (later renamed the Global Commission on Drug Policy) advocated the decriminalization of drug consumption and treatment of drug addiction as a public health matter as well as a redoubling of law enforcement efforts to crack down on drug trafficking-related organized crime. At the sixth Summit of the Americas held in April 2012, several Latin American presidents criticized current international drug control efforts. As a result, Summit participants tasked the OAS Inter-American Drug Abuse Control Commission (CICAD) to prepare two inter-related reports, to be completed by mid-2013, to evaluate current Latin American drug policies and provide policy options for alternative drug control approaches.

Some countries in Latin America have already begun the process of modifying domestic drug laws to decriminalize and reduce or alter the penalties and consequences of certain aspects of the drug control regime, such as for drug possession and consumption. Bolivia has also sought a different approach to counternarcotics policy, including a reduced reliance on U.S. counternarcotics support and the decriminalization of certain activities involving coca leaf.

Advocates of counternarcotics policy reform have hailed recent Latin American initiatives as a breakthrough, praising such efforts as overdue, given the perception that existing policies have not translated into enduring counterdrug progress for the region. Others, however, consider the
prospect of a growing divide between U.S. and Latin American drug control policy as one of the most serious threats to the integrity of the global drug control regime. Such critics are concerned that variations in national drug control policies could provide criminal elements additional opportunities to exploit gaps in drug enforcement. It remains unclear whether such policy debates may translate into lasting improvements to reduce the production, trafficking, use, and consequences of illegal drug trade. Many stakeholders anticipate that the forthcoming OAS/CICAD study, due to be completed by mid-2013, may spur further consideration of alternative drug policy options. Some have suggested that the debate may be motivated, at least in part, by the desire of some Latin American countries to receive more counternarcotics aid from the United States for police, border security, and interdiction.

**Key Policy Issues:** The future direction of regional debates on drug policy reform may have implications for the 113th Congress as it evaluates the Obama Administration’s counternarcotics goals in the Western Hemisphere, including counternarcotics and foreign aid budget plans. The 113th Congress may also address this issue as it evaluates the distribution of domestic and international drug control funding, and the relative balance of civilian, law enforcement, and military roles in regional anti-drug efforts.

For additional information, see CRS Report RL34543, *International Drug Control Policy: Background and U.S. Responses*, by Liana Sun Wyler; and CRS Report R41215, *Latin America and the Caribbean: Illicit Drug Trafficking and U.S. Counterdrug Programs*, coordinated by Clare Ribando Seelke.

**Terrorism Issues**

U.S. attention to terrorism in Latin America intensified in the aftermath of the September 2001 terrorist attacks on New York and Washington, with an increase in bilateral and regional cooperation. In its 2011 *Country Reports on Terrorism* (issued in July 2012), the State Department maintained that the threat of a transnational terrorist attack remained low for most countries in the hemisphere. It reported that the majority of terrorist attacks in the hemisphere were committed by two Colombian terrorist groups—the Revolutionary Armed Forces of Colombia (FARC) and the National Liberation Army (ELN)—and other radical groups in the Andean region. With regard to Mexico, the report asserted that there was no evidence of ties between Mexican drug trafficking organizations and terrorist groups, and no evidence “that these criminal organizations had aims of political or territorial control, aside from seeking to protect and expand the impunity with which they conduct their criminal activity.”

Cuba has remained on the State Department’s list of state sponsors of terrorism since 1982 pursuant to Section 6(j) of the Export Administration Act. Both Cuba and Venezuela are on the State Department’s annual list of countries determined to be not cooperating fully with U.S. antiterrorism efforts pursuant to Section 40A of the Arms Export Control Act. U.S. officials have expressed concerns over the past several years about Venezuela’s lack of cooperation on antiterrorism efforts, its relations with Iran, and potential support for Colombian terrorist groups, although improved Venezuelan-Colombian relations have resulted in closer cooperation on antiterrorism and counter-narcotics efforts and border security.

Over the past several years, policymakers have been concerned about Iran’s increasing activities in Latin America. Concerns center on Iran’s attempts to circumvent U.N. and U.S. sanctions, as well as on its ties to the radical Lebanon-based Islamic group Hezbollah. Both Iran and Hezbollah are reported to be linked to two bombings against Jewish targets in Argentina in the early 1990s.
As in past years, the State Department’s 2011 terrorism report maintains that there are no known operational cells of either Al Qaeda or Hezbollah in the hemisphere, but noted that “ideological sympathizers in South America and the Caribbean continued to provide financial and moral support to these and other terrorist groups in the Middle East and South Asia.” The 112th Congress continued its strong oversight of Iran and Hezbollah in Latin America, with hearings in both houses. Most significantly, the 112th Congress enacted the Countering Iran in the Western Hemisphere Act of 2012 (P.L. 112-220) in December 2012, which requires the Administration within 180 days to conduct an assessment and present “a strategy to address Iran’s growing hostile presence and activity in the Western Hemisphere.” The report may be submitted in classified form, but is to include an unclassified summary of policy recommendations to address the growing Iranian threat in the hemisphere.

Key Policy Issues. The 113th Congress may continue its oversight of terrorism concerns in the Western Hemisphere, especially the activities of Iran and Hezbollah in the region. Congress may evaluate the forthcoming State Department assessment of Iranian activities in the region and a strategy to address them, which is due to Congress by mid-2013.

For additional information, see CRS Report RS21049, Latin America: Terrorism Issues, by Mark P. Sullivan and June S. Beittel.

Organization of American States

Since its foundation in 1948, the Organization of American States (OAS) has served as a forum through which the United States has sought to foster regional cooperation and advance U.S. priorities in the Western Hemisphere. OAS actions reflected U.S. policy for much of the 20th century as other members sought to closely align themselves with the dominant economic and political power in the region. As the other 34 members have developed more independent foreign policies, however, the OAS has become less receptive to U.S. initiatives and more prone to inaction. A number of Members of Congress have expressed concern about the organization’s direction in recent years. Some assert that the OAS advances policies counter to U.S. interests and argue that the United States should no longer fund the organization. Others assert that the OAS continues to be an important hemispheric institution but worry that administrative and financial problems are preventing it from effectively carrying out its core missions of democracy promotion, human rights protection, economic and social development, and regional security cooperation. They argue that reforms may be necessary to ensure the organization’s continued relevance.

Key Policy Issues: The 113th Congress may continue to track developments at the OAS, focusing in particular on the organization’s financial and administrative challenges, how the OAS responds to ongoing efforts by some countries to weaken the inter-American human rights system, and the organization’s policies toward countries where leaders are undermining liberal democratic institutions. In terms of legislation, the 113th Congress will face consideration of U.S. funding for the OAS through the annual State Department and foreign operations appropriations bill, which traditionally provides the assessed contribution (membership dues) of the United States as well as additional funds for specific OAS programs. As Members exercise their oversight responsibilities, they might consider how the OAS fits into broader U.S. foreign policy toward the hemisphere, the organization’s effectiveness in carrying out its core missions, and how strengthening or weakening the OAS might alter regional dynamics.
For additional information, see CRS Report R42639, *Organization of American States: Background and Issues for Congress*, by Peter J. Meyer.

**Selected Country and Sub-Regional Issues**

**Argentina**

The United States and Argentina have had a long history of economic cooperation, but economic relations have become increasingly tense since the 2001 financial crisis that led to a default on $81.8 billion of sovereign debt. Argentina has restructured this debt twice, and although this resolved 92% of outstanding debt, it left the remainder subject to court-ordered judgments and attachment orders. A U.S. federal appellate court decision expected in February 2013 could determine whether Argentina will finally be compelled to deal with the holdout investors. In addition, Argentina owes the Paris Club countries, including the United States, over $6 billion of principal and past due interest that was also part of the 2001 default.

U.S. firms also have cases against Argentina before the World Bank’s International Centre for the Settlement of Investment Disputes (ICSID). They are related to post-crisis changes in utility contracts and regulations that caused losses to U.S. firms and investors, which Argentina has declined to honor. Argentina has increased export taxes and import restrictions (contrary to world trading rules and hurting U.S. business), raised capital controls (managing inflows and outflows and discouraging profit repatriation to the United States), and limited dollar exchanges (to ensure government access to dollars when inflation encourages capital flight). The government has also expropriated majority Spanish holdings of YPF, the largest petroleum firm in the country, raising broader foreign investor concerns. The International Monetary Fund (IMF) has warned Argentina that it must begin to report inflation and economic growth data accurately or face sanctions, and Argentina has also declined to submit to an Article IV review of its economy, a requirement of all IMF members.

**Key Policy Issues:** The 113th Congress may follow developments in Argentina, particularly if the economy begins to struggle under its current macroeconomic policy framework. It may also review new or earlier measures taken against Argentina, including the Obama Administration’s 2012 decision to decertify Argentina as eligible for benefits under Generalized System of Preferences (GSP) because of Argentina’s failure to adhere to ICSID judgments involving U.S. companies. The United States has filed trade restriction cases against Argentina in the World Trade Organization (WTO), and Argentina has responded in kind. With regard to the debt issue, the 110th, 111th, and 112th Congresses introduced versions of the Judgment Evading Foreign States Accountability Act, which would have cited Argentina for ignoring multiple judgments and would have required that such “judgment evaders” be prohibited from issuing debt in the United States, and that any future debt offerings carry a warning label. Similar legislation could be introduced in the 113th Congress.

For additional information, see CRS Report R41029, *Argentina’s Defaulted Sovereign Debt: Dealing with the “Holdouts”*, by J. F. Hornbeck.

**Brazil**

U.S. policy toward Brazil remains in flux as officials adjust to the country’s increasingly global reach. Brazil has enjoyed strong economic growth over the past decade and is now the world’s
seventh-largest economy. The country has utilized its newfound economic clout to consolidate its power in South America and exert more influence on global matters. As a result, the United States and Brazil increasingly engage on international issues in addition to bilateral concerns. The changing relationship has occasionally frustrated U.S. policymakers as the two multicultural democracies’ shared values have not always translated into common approaches to international affairs. Some analysts assert that the independent foreign policies and occasionally divergent national interests of Brazil and the United States will inevitably lead to disputes, but that the countries can maintain a constructive partnership through transparent and respectful engagement. To this end, Brazil and the United States have established at least 25 bilateral dialogues designed to improve collaboration on issues such as defense, energy, and trade.

**Key Policy Issues:** The 113th Congress may continue to maintain considerable interest in Brazil, with trade relations receiving particular attention. A number of Members have expressed interest in Brazil’s growing consumer market and its potential to serve as a destination for increased U.S. exports. Congress may explore current impediments to bilateral trade and consider legislative options for addressing them. A long-running trade dispute with Brazil regarding the U.S. cotton program will also be on the agenda of the 113th Congress. As Members consider reauthorization of the farm bill, which is scheduled to expire on September 30, 2013, they may debate the appropriate level of support for U.S. cotton farmers and how to balance that support with the program modifications necessary to settle the dispute with Brazil. Should Congress choose not to modify the cotton program in a manner acceptable to Brazil, the WTO has authorized the Brazilian government to impose retaliatory measures such as higher tariffs on U.S. goods and the suspension of intellectual property rights obligations. In terms of oversight, Congress may wish to explore the strategic implications of Brazil’s changing global role and whether or not a stronger U.S.-Brazilian partnership would be possible or beneficial to U.S. interests.

For additional information, see CRS Report RL33456, *Brazil-U.S. Relations*, by Peter J. Meyer; and CRS Report RL32571, *Brazil’s WTO Case Against the U.S. Cotton Program*, by Randy Schnepf.

**Caribbean**

Because of their geographic location, many Caribbean nations are transit countries for illicit drugs from South America and the Caribbean destined for the U.S. and European markets. Currently, of the 15 countries in the Caribbean region, President Obama identified four—the Bahamas, the Dominican Republic, Haiti, and Jamaica—as major drug-producing or drug-transit countries in September 2012 pursuant to annual legislative drug certification requirements. Many other Caribbean nations, particularly in the Eastern Caribbean, are also vulnerable to drug trafficking and associated crimes. Homicide rates in several Caribbean countries have increased in recent years because of gangs and organized crime, competition between drug trafficking organizations, and the availability of firearms.

In 2009, the Obama Administration developed the Caribbean Basin Security Initiative (CBSI) through a process of dialogue with Caribbean countries with the goal of reducing illicit trafficking in the Caribbean, advancing public safety and security, and promoting social justice. U.S. funding for the program from FY2010 through FY2012 amounted to $203 million with assistance in the following five areas: maritime and aerial security cooperation; law enforcement capacity building; border/port security and firearms interdiction; justice sector reform; and crime prevention and at-risk youth.
Key Policy Issues: The 113th Congress will face completing action on FY2013 foreign aid appropriations, including the Administration’s $59 million assistance request for the CBSI, and will soon turn to consideration of the Administration’s forthcoming FY2014 budget request. Oversight questions for congressional consideration include what have been the results to date of three years of assistance under the CBSI? To what extent has U.S. support to Caribbean countries under the CBSI helped reduce drug trafficking and high homicide rates in the region? To what extent are Caribbean countries themselves investing in CBSI-related activities? Some observers have also called for a broader emphasis on economic development and trade in Caribbean beyond a focus on security-related issues.

For additional information, see CRS Report R41215, Latin America and the Caribbean: Illicit Drug Trafficking and U.S. Counterdrug Programs, coordinated by Clare Ribando Seelke.

Central America

U.S. policymakers have expressed significant concerns about security and human rights conditions in Central America. Countries in the region—particularly El Salvador, Guatemala, and Honduras—have struggled for years to deal with rising levels of crime and violence, which analysts have linked to inter-related factors such as widespread social exclusion and weak and corrupt security and justice sector institutions. These problems have been compounded by transnational criminal organizations seeking to control Central American territory in order to transport illicit narcotics from producers in South America to consumer markets in the United States and Europe. The U.S. government has sought to assist countries in the region through the Central America Regional Security Initiative (CARSI). The initiative provides partner nations with equipment, training, and technical assistance to support immediate law enforcement operations, build long-term institutional capacity, and address underlying socio-economic challenges. Congress appropriated an estimated $496.5 million for CARSI between FY2008 and FY2012.

Key Policy Issues: Given the persistent high levels of crime and violence in the region, Central America is likely to remain a focus of congressional attention during the 113th Congress. Members face a decision on FY2013 funding levels for CARSI since the continuing resolution (P.L. 112-175) currently funding the initiative expires on March 27, 2013, and will also need to consider the Administration’s forthcoming FY2014 funding request for CARSI. Members also face a decision whether or not to maintain human rights conditions on aid to certain security forces in the region. In terms of oversight, the 113th Congress might consider questions such as: What has been accomplished with the nearly $500 million in CARSI funds appropriated thus far? To what extent are Central American nations undertaking the fiscal and policy reforms necessary to consolidate gains and sustain efforts? Are additional conditions on U.S. assistance or a greater focus on sequencing aid efforts necessary in order to ensure that the United States does not end up assisting police and military forces that are engaged in corruption and human rights abuses?

Colombia

A key U.S. ally in the region, Colombia has endured an internal armed conflict for nearly half a century. Drug trafficking has helped to perpetuate Colombia’s conflict by funding both left-wing and right-wing armed groups. Over the years, Colombia and the United States forged a close partnership focused initially on counternarcotics and later counterterrorism. Building on that cooperation, the U.S.-Colombia partnership has broadened to include development, human rights, and trade.

The Colombian government, in close cooperation with the United States through a strategy known as Plan Colombia, has reestablished government control over much of its territory, reduced poverty, and made significant headway in combating drug trafficking and terrorist activities. Colombia’s achievements in improved citizen security and economic stability are notable, but some observers continue to raise concerns about human rights conditions in the country. Between FY2000-FY2012, Congress provided Colombia more than $8 billion in assistance to carry out Plan Colombia and its follow on strategies. This support, provided through U.S. State Department and Department of Defense accounts, is gradually being reduced as programs are being turned over to Colombian control.

Current President Juan Manuel Santos, elected in June 2010 from a center-right party, has governed with the backing of almost 90% of the Colombian Congress in a “national unity” coalition. In his first two years in office, President Santos launched a number of reforms and expanded trade relations with the United States, Colombia’s largest trade partner, and others. In late August 2012, he announced that exploratory peace talks were underway with the main leftist insurgent group in the country, the Revolutionary Armed Forces of Colombia (FARC). Formal peace negotiations with the FARC began in Norway in October 2012, and moved to Cuba in November 2012 where they are ongoing.

**Key Policy Issues.** The 113th Congress may continue to maintain a strong interest in Colombia’s progress in security, counternarcotics, human rights, and trade. In October 2011, the U.S. Congress approved implementing legislation for the U.S.-Colombia Free Trade Agreement, which went into force on May 15, 2012. The agreement will eventually eliminate most tariffs and barriers to bilateral trade. Congress may continue to monitor implementation of the associated Action Plan Related to Labor Rights that addressed U.S. concerns related to labor rights and violence against labor union members in Colombia. Members also may monitor Colombia’s peace negotiations and their effect on security conditions within the country, and consider the U.S. role in the peace negotiations and their aftermath. Members may want to consider what role the United States should continue to play in Colombia’s ongoing struggle with drug trafficking and illegal armed groups. With regard to consideration of continued U.S. foreign aid to Colombia, key issues include funding levels for Plan Colombia’s follow-on strategies, allegations of human rights abuses, and the future of counternarcotics policies such as aerial eradication and alternative development.

For additional information, see CRS Report RL32250, *Colombia: Background, U.S. Relations, and Congressional Interest*, by June S. Beittel; and CRS Report RL34470, *The U.S.-Colombia Free Trade Agreement: Background and Issues*, by M. Angeles Villarreal.
Cuba

Since the early 1960s, U.S. policy has consisted largely of isolating Cuba through economic sanctions. A second policy component has consisted of support measures for the Cuban people, including U.S. government-sponsored broadcasting (Radio and TV Martí) and support for human rights and democracy activists. In light of Fidel Castro’s official departure as head of government in 2008, and the economic policy changes that have been made by the government of Raúl Castro, many observers called for a reexamination of policy. Two broad approaches have been at the center of debate. The first is to maintain the dual-track policy of isolating the Cuban government while providing support to the Cuban people. The second approach advocates lifting economic sanctions and focusing largely on increasing engagement with Cuba with the goal of changing attitudes in the Cuban government and society.

Since taking office, the Obama Administration has essentially followed the first approach. While the Administration has lifted all restrictions on family travel and remittances, eased restrictions on other types of purposeful travel, and moved to reengage Cuba on several bilateral issues, it has also maintained U.S. economic sanctions. The Administration welcomed the release of many political prisoners in 2010 and 2011, but it has also criticized Cuba’s continued repression of political dissidents through thousands of short-term detentions and targeted violence. The Administration has continued to call for the release of U.S. government subcontractor Alan Gross, detained in 2009 and sentenced to 15 years in prison in March 2011. His continued detention has been a major impediment toward improved relations.

Key Policy Issues: The 113th Congress may continue to maintain a strong interest in economic and political developments in Cuba, especially the human rights situation, and U.S. policy toward the island nation. The continued imprisonment of Alan Gross may continue to be a key concern for many Members. Early in the first session, Congress will face action on State Department, Foreign Operations, and Related Programs appropriations for the second half of FY2013, which includes funding for Cuba democracy programs and Cuba broadcasting, while Congress will also soon be considering the Administration’s FY2014 funding request for both programs. For many years, U.S. sanctions, particularly restrictions on travel to Cuba, have been a topic of congressional debate and the subject of legislative initiatives, and this could be possible again in the 113th Congress. Some observers also have called for a reexamination of U.S. policy toward Cuban migrants under the Cuban Adjustment Act of 1966 (P.L. 89-732), whereby Cubans who reach the United States are allowed to apply for permanent resident status in one year.

For additional information, see CRS Report R41617, Cuba: Issues for the 112th Congress, by Mark P. Sullivan; and CRS Report RL31139, Cuba: U.S. Restrictions on Travel and Remittances, by Mark P. Sullivan.

Haiti

Three years after an earthquake devastated its capital, Haiti is making some progress in its overall recovery effort, but enormous challenges remain. Criticism abounds that reconstruction aid and efforts are moving too slowly. That perception among Haitians has added to mounting public frustration with international donors and the government. According to the United Nations, international public donors have disbursed just over half of the $5.3 billion pledged for recovery projects between 2010 and 2012. While donors acknowledge the problems, they also point out the difficulty of operating in an environment like Haiti, where obstacles to more effective distribution of funds include the limited capacity within the Haitian government, which was considerably
diminished by the earthquake, and political fragility. A cholera epidemic that broke out in late 2010 diverted early recovery efforts and continues to require substantial resources.

In addition, weak coordination among the donors and between donors and the Haitian government were exacerbated by the demise of an international foreign aid-coordinating mechanism (that had limited results), and the failure of the Haitian government to replace it with a domestic one for about a year, until late 2012. Concerns about corruption also make donors wary. Officials in Haiti and the Dominican Republic have been investigating corruption allegations linked to President Martelly, triggering protests against the President, but Martelly has denied the charges. By the end of 2012, the Haitian government had turned its focus to further strengthening the Haitian National Police. Plans for re-creating an army, as initially proposed by President Martelly, appear to be on the back burner, and envision a limited, emergency response role if one were to be revived. The inability of the executive, legislative, and judicial branches to agree on the composition of an electoral council to organize already-overdue elections is contributing to political tensions.

The main priorities for U.S. policy regarding Haiti are to strengthen fragile democratic processes, continue to improve security, and promote economic development. Other issues include the cost and effectiveness of U.S. aid; protecting human rights; combating narcotics-, arms-, and human-trafficking; and alleviating poverty. The Obama Administration granted Temporary Protected Status to Haitians living in the United States at the time of the earthquake, and in December 2012 extended it for another 18 months.

**Key policy issues:** The key interest for the 113th Congress regarding Haiti may continue to be how U.S. aid to Haiti can be disbursed and utilized most effectively. Congress may want to explore issues regarding U.S. aid programs, including the following: How can Haitian institutions of governance and rule of law be further strengthened in a context of political gridlock between the Haitian executive and parliament? Should more aid be transferred directly to local institutions, and if so, how can donors do so while addressing concerns about capacity and corruption? What lessons learned since the earthquake might improve aid implementation? Another issue will likely include how best to continue to improve security in Haiti. Some Members of Congress may continue to express concern about basic human rights, including the problem of gender-based violence. They may also want to see that overdue legislative and local elections are held soon in a free, fair, and transparent manner.


**Mexico**

Congress has maintained significant interest in Mexico and played an important role in shaping bilateral relations. Recently, the centrist Institutional Revolutionary Party (PRI) that governed Mexico from 1929 to 2000 retook the presidency after 12 years of rule by the conservative National Action Party (PAN). PRI President Enrique Peña Nieto, a former governor of the state of Mexico, took office on December 1, 2012, pledging to enact bold structural reforms and broaden relations with the United States beyond security issues. U.S. policymakers are closely following
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what the return of a PRI government portends for Mexico’s domestic policies and relations with the United States.

President Peña Nieto has announced a reformist agenda with specific proposals under five broad pillars: reducing violence; combating poverty; boosting economic growth; reforming education; and fostering social responsibility. He signed a “Pact for Mexico” with the leaders of the PAN and leftist Party of the Democratic Revolution (PRD) containing legislative proposals for implementing an agenda that includes energy and fiscal reform. Education reforms have already been enacted. The success of Peña Nieto’s presidency is likely to be judged, at least in part, by the extent to which his agenda gets implemented.

As Mexico is experiencing a major domestic shift in power, U.S.-Mexican relations could also be in for some changes. At a pre-inaugural meeting in November 2012, President Obama embraced President Peña Nieto’s desire to bolster economic ties and focus on a broad array of bilateral issues rather than focusing predominantly on security matters. President Peña Nieto has vowed to continue U.S.-Mexican security cooperation, albeit with a stronger emphasis on reducing violent crime in Mexico than on combating drug trafficking; this shift in emphasis is likely to have implications for bilateral efforts under the Mérida Initiative. If implemented, the Trans-Boundary Hydrocarbons Agreement signed in February 2012 on managing oil resources in the Gulf of Mexico could create new opportunities for energy cooperation. The Peña Nieto government is likely to strongly encourage any efforts to enact comprehensive immigration reform and gun control in the United States.

**Key Policy Issues:** This year, Congress is likely to closely follow the policies implemented by the Peña Nieto government, particularly in the security realm. The 113th Congress is likely to continue funding and overseeing the Mérida Initiative and related domestic initiatives, but may also consider supporting new programs. Congressional action may soon be required in order for the U.S.-Mexico Trans-boundary Hydrocarbons Agreement to take effect. Migration and border security cooperation could also be substantially overhauled should Congress consider comprehensive immigration reform. Mexico’s role in the negotiations for a Trans-Pacific Partnership Agreement and what that agreement might mean for the North American Free Trade Agreement (NAFTA) is also likely to generate congressional interest.

Potential oversight questions that Congress might consider include How effectively is the Peña Nieto government implementing its reformist agenda? Will the government be able to reduce violence in Mexico while still combating organized crime? How might this government support efforts to enact comprehensive immigration reform in the United States? Will the Mexican economy perform better under this PRI government than under the PAN?


**Venezuela**

While historically the United States has had close relations with Venezuela, a major supplier of oil, friction in bilateral relations has risen over the past decade under the populist government of President Hugo Chávez. Among the concerns of U.S. policymakers has been the deterioration of
human rights and democratic conditions, Venezuela’s significant military arms purchases, lack of cooperation on anti-terrorism efforts, limited bilateral anti-drug cooperation, and Venezuela’s relations with Cuba and Iran. In September 2012, President Obama issued the eighth annual determination (as part of the annual narcotics certification process) that Venezuela had “failed demonstrably” to meet its obligations under international counternarcotics measures. The State Department maintains that individual members of the Chávez government and security forces were credibly reported to have engaged in or facilitated drug trafficking activities. The United States has imposed financial sanctions on six current Venezuelan government and military officials for allegedly helping the Revolutionary Armed Forces of Colombia (FARC) with drug and weapons trafficking, including General Henry Rangel Silva, who Chávez appointed as defense minister in January 2012. The United States has also imposed sanctions on three Venezuelan companies for alleged support to Iran and on several Venezuelan individuals for providing financial support to Hezbollah. Despite these tensions, the Obama Administration had maintained that the United States remains committed to seeking constructive engagement with Venezuela.

Since mid-2011, President Chávez’s precarious health situation has raised questions about Venezuela’s political future. Chávez won reelection to another six-year term in October 2012, capturing about 55% of the vote compared to 44% for opposition candidate Henrique Capriles. On December 11, 2012, however, Chávez faced a fourth difficult operation in Cuba for an undisclosed form of cancer. Because of significant health complications, Vice President Nicolás Maduro announced on January 8, 2013 that President Chávez would not be sworn into office on January 10 as planned, but that he would be sworn into office at a later date, a decision supported by Venezuela’s Supreme Court. Looking ahead, if President Chávez does not recover, Venezuela’s constitution calls for a new election to be held within 30 days if the president dies or is incapacitated during the first four years of his term.

**Key Policy Issues:** The 113th Congress may continue strong congressional oversight on the status of human rights and democracy in Venezuela as well as drug trafficking and terrorism concerns, including the extent of Venezuela’s relations with Iran. Of particular interest will be the ramifications of President Chávez’s health status on Venezuela’s political future and on U.S.-Venezuelan relations. Early in the first session, Congress will face action on State Department, Foreign Operations, and Related Programs appropriations for the second half of FY2013, which includes funding for Venezuela democracy projects, while Congress will also soon be considering the Administration’s FY2014 foreign aid funding for such assistance.

For additional background, see CRS Report R40938, *Venezuela: Issues for Congress*, by Mark P. Sullivan.
## Appendix. U.S. Trade with Latin America and the Caribbean, 2006-2011

### Table A-1. U.S. Imports from Latin America and the Caribbean (LAC) 2006-2012

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>198,253</td>
<td>210,714</td>
<td>215,942</td>
<td>176,654</td>
<td>229,908</td>
<td>262,864</td>
<td>277,653</td>
<td>5.63</td>
</tr>
<tr>
<td>Venezuela</td>
<td>37,134</td>
<td>39,910</td>
<td>51,424</td>
<td>28,059</td>
<td>32,707</td>
<td>43,256</td>
<td>38,726</td>
<td>-10.47</td>
</tr>
<tr>
<td>Brazil</td>
<td>26,367</td>
<td>25,644</td>
<td>30,453</td>
<td>20,070</td>
<td>23,958</td>
<td>31,736</td>
<td>32,097</td>
<td>1.14</td>
</tr>
<tr>
<td>Colombia</td>
<td>9,266</td>
<td>9,434</td>
<td>13,093</td>
<td>11,323</td>
<td>15,659</td>
<td>23,113</td>
<td>24,632</td>
<td>6.57</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>3,844</td>
<td>3,942</td>
<td>3,938</td>
<td>5,612</td>
<td>8,697</td>
<td>10,119</td>
<td>12,042</td>
<td>19.01</td>
</tr>
<tr>
<td>Ecuador</td>
<td>7,094</td>
<td>6,135</td>
<td>9,048</td>
<td>5,273</td>
<td>7,451</td>
<td>9,622</td>
<td>9,485</td>
<td>-1.43</td>
</tr>
<tr>
<td>Chile</td>
<td>9,565</td>
<td>8,999</td>
<td>8,196</td>
<td>5,949</td>
<td>7,009</td>
<td>9,074</td>
<td>9,381</td>
<td>3.38</td>
</tr>
<tr>
<td>Trinidad &amp; Tobago</td>
<td>8,362</td>
<td>8,790</td>
<td>9,030</td>
<td>5,180</td>
<td>6,613</td>
<td>8,113</td>
<td>8,159</td>
<td>0.56</td>
</tr>
<tr>
<td>Peru</td>
<td>5,880</td>
<td>5,272</td>
<td>5,812</td>
<td>4,223</td>
<td>5,057</td>
<td>6,605</td>
<td>6,426</td>
<td>-2.70</td>
</tr>
<tr>
<td>Honduras</td>
<td>3,717</td>
<td>3,912</td>
<td>4,041</td>
<td>3,319</td>
<td>3,932</td>
<td>4,501</td>
<td>4,649</td>
<td>3.29</td>
</tr>
<tr>
<td>Total LAC</td>
<td>331,874</td>
<td>345,458</td>
<td>375,763</td>
<td>284,726</td>
<td>360,725</td>
<td>436,484</td>
<td>448,464</td>
<td>2.74</td>
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<tr>
<td>World</td>
<td>1,853,938</td>
<td>1,956,962</td>
<td>2,103,641</td>
<td>1,559,625</td>
<td>1,913,160</td>
<td>2,207,824</td>
<td>2,275,392</td>
<td>3.06</td>
</tr>
</tbody>
</table>

**Source:** U.S. Department of Commerce, Census Bureau, *Global Trade Atlas.*

**Notes:** Provides statistics on top 10 countries followed by total U.S. imports from Latin America and the Caribbean. Prepared by Dindi R. Robinson, CRS Information Research Specialist.
Table A-2. U.S. Exports to Latin America and the Caribbean (LAC), 2006-2012

<table>
<thead>
<tr>
<th>Partner Country</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>% Change</th>
</tr>
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<tbody>
<tr>
<td>Mexico</td>
<td>133,722</td>
<td>135,918</td>
<td>151,220</td>
<td>128,892</td>
<td>163,473</td>
<td>198,378</td>
<td>216,331</td>
<td>9.05</td>
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<tr>
<td>Brazil</td>
<td>18,887</td>
<td>24,172</td>
<td>32,299</td>
<td>26,095</td>
<td>35,425</td>
<td>42,944</td>
<td>43,717</td>
<td>1.80</td>
</tr>
<tr>
<td>Chile</td>
<td>6,586</td>
<td>8,148</td>
<td>11,857</td>
<td>9,346</td>
<td>10,905</td>
<td>15,986</td>
<td>18,886</td>
<td>18.14</td>
</tr>
<tr>
<td>Venezuela</td>
<td>9,002</td>
<td>10,201</td>
<td>12,610</td>
<td>9,315</td>
<td>10,649</td>
<td>12,343</td>
<td>17,631</td>
<td>42.84</td>
</tr>
<tr>
<td>Colombia</td>
<td>6,709</td>
<td>8,558</td>
<td>11,437</td>
<td>9,451</td>
<td>12,069</td>
<td>14,320</td>
<td>116,395</td>
<td>14.48</td>
</tr>
<tr>
<td>Argentina</td>
<td>4,776</td>
<td>5,856</td>
<td>7,536</td>
<td>5,569</td>
<td>7,395</td>
<td>9,917</td>
<td>10,336</td>
<td>4.23</td>
</tr>
<tr>
<td>Panama</td>
<td>2,660</td>
<td>3,669</td>
<td>4,887</td>
<td>4,293</td>
<td>6,063</td>
<td>8,248</td>
<td>9,924</td>
<td>20.32</td>
</tr>
<tr>
<td>Peru</td>
<td>2,927</td>
<td>4,120</td>
<td>6,183</td>
<td>4,919</td>
<td>6,754</td>
<td>8,336</td>
<td>9,357</td>
<td>12.26</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>4,132</td>
<td>4,580</td>
<td>5,680</td>
<td>4,700</td>
<td>5,180</td>
<td>6,062</td>
<td>7,198</td>
<td>18.74</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>5,351</td>
<td>6,084</td>
<td>6,594</td>
<td>5,269</td>
<td>6,579</td>
<td>7,317</td>
<td>7,097</td>
<td>-3.01</td>
</tr>
<tr>
<td>Total LAC</td>
<td>221,217</td>
<td>241,830</td>
<td>287,015</td>
<td>237,381</td>
<td>301,255</td>
<td>365,455</td>
<td>397,782</td>
<td>8.85</td>
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<tr>
<td>World</td>
<td>1,025,967</td>
<td>1,148,199</td>
<td>1,287,442</td>
<td>1,056,043</td>
<td>1,278,263</td>
<td>1,480,432</td>
<td>1,546,455</td>
<td>4.46</td>
</tr>
</tbody>
</table>


Notes: Provides statistics on top 10 countries followed by total U.S. exports to Latin America and the Caribbean. Prepared by Dindi R. Robinson, CRS Information Research Specialist.
Author Contact Information

Mark P. Sullivan, Coordinator
Specialist in Latin American Affairs
msullivan@crs.loc.gov, 7-7689

June S. Beittel
Analyst in Latin American Affairs
jbeittel@crs.loc.gov, 7-7613

J. F. Hornbeck
Specialist in International Trade and Finance
jhornbeck@crs.loc.gov, 7-7782

Anne Leland
Information Research Specialist
aleland@crs.loc.gov, 7-4704

Peter J. Meyer
Analyst in Latin American Affairs
pmeyer@crs.loc.gov, 7-5474

Dindi R. Robinson
Information Research Specialist
drobinson@crs.loc.gov, 7-9174

Clare Ribando Seelke
Specialist in Latin American Affairs
cseelke@crs.loc.gov, 7-5229

Maureen Taft-Morales
Specialist in Latin American Affairs
mtmorales@crs.loc.gov, 7-7659

M. Angeles Villarreal
Specialist in International Trade and Finance
avillarreal@crs.loc.gov, 7-0321

Liana Sun Wyler
Analyst in International Crime and Narcotics
lwyler@crs.loc.gov, 7-6177