

ASSESSING THE IMPACT OF CUTTING FOREIGN ASSISTANCE TO CENTRAL AMERICA

HEARING BEFORE THE SUBCOMMITTEE ON THE WESTERN HEMISPHERE, CIVILIAN SECURITY, AND TRADE OF THE COMMITTEE ON FOREIGN AFFAIRS HOUSE OF REPRESENTATIVES ONE HUNDRED SIXTEENTH CONGRESS

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ASSESSING THE IMPACT OF CUTTING FOREIGN ASSISTANCE TO CENTRAL AMERICA

Wednesday, September 25, 2019

**House of Representatives
Subcommittee on the Western Hemisphere,
Civilian Security, and Trade
Committee on Foreign Affairs**

Washington, DC

The subcommittee met, pursuant to notice, at 2 p.m., in room 2172 Rayburn House Office Building, Hon. Albio Sires (chairman of the subcommittee) presiding.

Mr. SIRES. Well, good afternoon. First of all, I want to thank everybody, all our witnesses for being here today. I convened this hearing to examine the damage caused by President Trump's decision in March to cut \$400 million in U.S. assistance to the Northern Triangle.

The Trump Administration did not consult with Congress before it decided to cut these funds. Moreover, administration officials have openly acknowledged that they did not even assess the effectiveness of our existing program or the impact of these programs on migrant flows for the United States before reaching their decision.

In other words, the Administration displayed an astonishing level of contempt for Congress and a blatant disregard for the will of the American people.

I think I speak for many of my colleagues in saying that this is not how the United States should conduct foreign policy. In my visit to the region, I have seen firsthand the impact of our programs on the ground. The U.S.'s strategy for Central America was designed to improve quality of life in Honduras, El Salvador, and Guatemala, in order to address the root causes of migration.

This strategy enabled important progress in a short period of time. Our assistance helped reduce homicide rates in El Salvador by more than 50 percent in municipalities where USAID operated.

In Guatemala, our programs helped create over 78,000 new jobs in the Western Highlands and Peten Department alone. In Honduras, our programs helped lift 90,000 people out of extreme poverty. These are certain areas where our strategy could be improved upon, and I would welcome an honest conversation about ways the U.S. could better advance our objectives in the region.

However, arbitrarily cutting assistance to the region is absolutely the wrong approach. I strongly oppose President Trump's decision to cut funding for this program. I commend my colleagues on both sides of the aisle who have spoken out against this illogical decision. It would directly undermine U.S. interests.

I represent a district that is nearly two-thirds Latino. Many of my constituents are first-generation and second-generation immigrants from Central America. I repeatedly hear from my constituents that they did not want to leave their home countries and leave behind family members. They migrated as a last resort.

The Trump Administration seems to believe that they can stop migration by eliminating the right to seek asylum, encouraging governments in the region into stopping people from leaving the countries at all. The Administration clearly does not understand the level of desperation felt by many of those who make the dangerous journey north. Criminalizing desperation will only make conditions more precarious for those who have decided that leaving home is the only option.

I believe that the U.S. must, instead, work as a partner to help create conditions whereby Hondurans, Guatemalans, and the Salvadorans can see a future in their home countries.

I was proud to be an original co-sponsor of the Northern Triangle Enhanced Engagement Act led by Chairman Engel and Ranking Member McCaul, which passed the House in July. And I urge my Senate colleagues to urgently pass this bill.

I also thank my friend, Congressman Yoho of Florida, for working with me on a resolution that highlighted the importance of continuing our engagement with the Northern Triangle. I appreciate the efforts of Ranking Member Rooney, who worked with me, along with Chairman Engel and Ranking Member McCaul, on the letter we sent to President Juan Orlando Hernandez of Honduras, urging him to extend the mandate of the mission to combat corruption and impunity in Honduras.

There is a tremendous and bipartisan agreement within Congress that we must engage the Northern Triangle countries in order to enhance security and prosperity and combat corruption.

I hope we can continue to work together on a bipartisan basis to ensure our policy toward the region advances U.S. interests and truly addresses the root causes of migration.

Thank you, and I now turn to Ranking Member Rooney for his opening statement.

Mr. ROONEY OF FLORIDA. Thank you, Mr. Chairman. Thank you for holding this important hearing.

The United States and the Central American countries of Guatemala, Honduras, and El Salvador—the Northern Triangle—are inextricably linked by geography and deep cultural roots. We have mutual concern about the illegal migration into the United States and the economic and security challenges which precipitate it.

These countries are among the most violent and poorest in the world. The United States' foreign assistance to these countries is a critical tool that we can deploy to nurture a secure and stable Northern Triangle and improve security in the region. Between 2016 and 2018, the United States allocated over \$800 million in foreign assistance to the Northern Triangle, to confront the transnational gangs like MS-13 and to strengthen democratic institutions and try to spur economic development.

We have made some successes like the Feed the Future Initiative in Honduras, where beneficiaries are 78 percent less likely to immigrate than the Honduran population as a whole.

U.S. security assistance programs have provided technical assistance to prosecutors, and training for investigators, to strengthen the justice system in the Northern Triangle countries. In El Salvador, from 2015 to 2018, crime dropped 53 percent, in part because of U.S. assistance programs dealing with the prevention of violence and in support of local law enforcement to investigate and prosecute MS-13.

U.S. assistance programs have provided economic opportunities to young people, and provided help for victims of human trafficking, and have encouraged protection of human rights defenders, and have addressed food insecurity during times of critical drought.

Despite this good work, we must acknowledge where our efforts have fallen short. Regional migration is overwhelming our borders. Between 2018 and August 2019, immigration officials at our southern border apprehended approximately 590,000 migrants from the Northern Triangle, which has contributed to the ongoing crisis at the border.

Further, while violence in the Northern Triangle has been reduced, the homicide rate remains excessive—3,800 homicides per 100,000 citizens—one of the highest rates in the world, and the global average is only 6 per 100,000.

Systemic corruption plagues the region, and unemployment and limited access to jobs are pushing migrants to seek better opportunities abroad. We must remain committed to solving these issues, and U.S. foreign assistance is a big part of the solution.

In the last few months, about \$500 million of Fiscal Year 2017 and 2018 foreign assistance to the Northern Triangle has been cut. I am deeply concerned about the negative impact this will have on these countries and on flight migration toward the United States.

Congress is responsible for ensuring that any adverse results from these cuts are monitored and addressed with future funding. Strong oversight of our aid is essential, not only to guarantee responsible spending of taxpayer dollars but to ensure that we have clear objectives and are adjusting our aims for maximum results.

Moving forward, we need to make sure that our foreign assistance improves the region's physical and economic security and strengthens civil society. We need to support economic development and encourage private sector engagement in order to raise wages, create jobs, and boost the regional economies.

We must also recognize the need to address climate change and its impact on regional agriculture. Areas in the Northern Triangle have experienced five straight years of drought, leading to a continuous crop loss, depletion of food reserves, and an increase in the price of basic agricultural products.

The coffee sector, one of the region's most important export industries, has been devastated by a fungus called coffee leaf rust, which has led to a significant decline in coffee production.

Let me be clear: U.S. foreign assistance cannot solve all of these challenges alone. Ultimately, the governments of the Northern Triangle are responsible for addressing their domestic needs. New administrations in Guatemala and El Salvador offer opportunities for cooperation on issues of mutual importance.

Just last week President Bukele of El Salvador agreed on an asylum cooperation agreement with the United States. This will only

be successful if El Salvador has the support and resources to develop a really functioning asylum system. I am concerned about the void in withholding aid would create, a void that China is more than willing to fill at the expense of our interests, which would erode our regional credibility and allow China further to embed their hegemony in our hemisphere; for example, like the port that the State Department, fortunately, blocked in El Salvador.

This Congress, I was proud to be an original co-sponsor with Chairman Sires and the other leaders of the committee of the United States-Northern Triangle Enhanced Engagement Act, which authorizes funding and a strategy for addressing the drivers of illegal immigration. I hope to work further with the Administration to ensure that our foreign assistance is effective.

Lastly, I want to commend the Administration and the governments of the Northern Triangle for continuing to find ways to resume our assistance in the region.

I look forward to the testimonies and opinions of all of you today. Appreciate you coming.

And, Mr. Chairman, I yield back the rest of my time.

Mr. SIREs. Thank you very much, Ranking Member Rooney.

I will now introduce The Honorable Stephen McFarland, former U.S. Ambassador to Guatemala. McFarland served as Ambassador from 2008 to 2011. Prior to his appointment, Ambassador McFarland served as a U.S. Foreign Service Officer throughout Latin America for over 30 years, specializing in democratic transitions, peace processes, human rights, and security.

Most recently, Mr. McFarland directed the implementation of USAID's Access to Justice Activity Project in Columbia. We welcome you to the hearing.

We will then hear from Mr. Juan Gonzalez, former Deputy Assistant Secretary of State for Western Hemisphere Affairs. Mr. Gonzalez has spent his career specializing in Western Hemisphere policy. Prior to his appointment, he served as the National Security Director for Western Hemisphere Affairs under the Obama-Biden administration.

He was instrumental in the creation of the U.S. strategy for engagement in Central America. Mr. Gonzalez holds a master's degree from Georgetown University's Walsh School of Foreign Service where he is an adjunct faculty member in the Center for Latin American Studies. Thank you for being here.

We will then hear from Mr. Richard Jones, the senior technical advisor in Latin America and the Caribbean for the Catholic Relief Services. Jones has lived and worked in Latin America for nearly three decades and has spent the past 20 years with Catholic Relief Services, directing programs on violence prevention and migration.

He holds a master's in international relations from Johns Hopkins School for Advanced International Studies. Thank you for joining us.

Finally, we will hear from Mr. Matthew Rooney—no relation to Mr. Francis Rooney—a former Foreign Service Officer and Deputy Assistant Secretary then responsible for relations with Canada and Mexico, and for regional economic policy. He also served as counselor for economic and commercial affairs at the U.S. Embassy in El Salvador and as counsel general in Munich.

Mr. Rooney holds a master's degree in international management at the University of Texas at Dallas. Thank you for your service, and thank you for joining us.

I ask the witnesses to please limit your testimony to 5 minutes. And without objection, your prepared statements will be made part of the record.

Ambassador McFarland, I now turn to you.

**STATEMENT OF THE HONORABLE STEPHEN McFARLAND,
FORMER U.S. AMBASSADOR TO GUATEMALA**

Mr. McFARLAND. Thank you, Mr. Chairman. Mr. Chairman, Mr. Ranking Member, distinguished members of this committee, it is a real honor to be present at this hearing, along with my esteemed former colleagues, Juan Gonzalez and Matthew Rooney, as well as Mr. Rick Jones.

My work in Central America began in the 1980's under President Reagan, continued up to President Obama, and I can attest that U.S. policy in that region is strongest when it has bipartisan congressional involvement and support.

As foreign service officer and as an ambassador, I spent a lot of time outside the traditional power centers—in the countrysides, in poor neighborhoods of Guatemala and El Salvador, not to mention Iraq and Afghanistan. I met with ordinary people who lacked power and influence, and I came to understand how Central Americans become frustrated with governments, how many of them migrate to the United States, not just for income and safety but also to achieve hope and dignity.

One time in 2002 I joined a USAID-funded acute child malnutrition project, working in Guatemala's countryside. The team identified a child who was dying of hunger. We convinced the mother and the father to take the girl to the feeding station. Two years old, she only weighed 9 pounds, about 40 percent of what she should weigh.

As we hiked from the farm to the town, the parents told me their story. There was a drought. Their crop had failed. There was no government assistance. They had five children, and they gave what little food there was to the older boys who could work in the fields.

Droughts returned to Central America this year. One can imagine how a family now in a similar situation would decide to migrate to the United States, because no matter how risky the trip, how harsh the conditions, it is better than watching your family starve.

I also found the fact that an ambassador would go to these places and that the U.S. would help these people actually helped us to secure Guatemalan respect and support for unrelated U.S. policy objectives. The U.S. assistance cutoff, sadly, abandons that moral high ground.

In my written statement, I detailed how the assistance cutoff would actually undermine the Administration's migration policy, since it would stimulate more migration. I also laid out why the cutoff does not provide leverage for the U.S. to use effectively with the governments of Central America.

The aid cutoff not only harms economic and social development and civil society, it is also undermining U.S. interests in law enforcement, citizen security, and counter narcotics by ending U.S. support for police, prosecutors, and the courts, even as narcotraff-

ficking and corruption, which is an indirect cause of migration, are spreading.

In the case of Guatemala, this is particularly dangerous given the Administration's decision to support the termination of the successful anti-corruption effort known as CICIG, and the controversy surrounding ongoing efforts to replace that country's Supreme Court.

Earlier this year, DEA arrested a then-Presidential candidate in Guatemala for alleged narcotics trafficking. Similar arrests have occurred in Honduras. Ongoing efforts to retaliate against Guatemalan judges and prosecutors who handled anti-corruption cases will inevitably harm the prosecutions of narcotics trafficking and organized crime cases of interest to the United States.

The U.S. should remember that a major factor that led to Chavez's takeover in Venezuela was the public's perception that their institutions were increasingly corrupt; Venezuela of course is now in the throes of one of the largest mass migrations in recent history.

Finally, the aid cutoff reduces U.S. credibility. Central Americans expect the U.S. to know what it is doing, and assistance cutoff that undermines the Administration's own policy sends the mistaken message that the U.S. is not serious.

I believe the Administration should take the following steps. One, restore the programs affected by the assistance cutoff. Two, seize the opportunity to engage with the newly elected president of El Salvador, Mr. Bukele, and the president-elect of Guatemala, Mr. Giammattei. Three, support anti-corruption efforts, given that corruption indirectly stimulates migration. Four, reshape U.S. policy toward Central America to reemphasize progress on the systemic factors that drive migration and use migration to the U.S. as a pressure relief valve.

The Administration should engage the region's governments, civil societies, and private sectors on what has to change and how each can contribute more, because what is happening now is not sufficient. There should be greater accountability, and the Administration should review sanctions as well as incentives to stimulate appropriate change.

Thank you very much, Mr. Chairman.

[The prepared statement of Mr. McFarland follows:]

Testimony of Ambassador (ret.) Stephen McFarland
Former U.S. Ambassador to Guatemala (2008-2011)

Hearing before the:

House Committee on Foreign Affairs

Subcommittee on the Western Hemisphere, Civilian Security, and Trade

“Assessing the Impact of Cutting Foreign Assistance in Central America”

September 25, 2019

Chairman Sires, Ranking Member Rooney, and distinguished members of the Committee, I thank you for the privilege of testifying before you on “Assessing the Impact of Cutting Foreign Assistance in Central America.” I am honored to join the other witnesses and to share my personal views, which draw upon eight years in the region as a Foreign Service officer, including three years as Ambassador to Guatemala. In my assignments to Central America I worked in the administrations of Presidents Reagan, George H.W. Bush, Clinton, George W. Bush, and Obama; I can attest that U.S. policy in that region and elsewhere is strongest when it has bipartisan Congressional involvement and support.

Central America is a complex region that elicits a range of assessments on what is happening, and how the U.S. should respond in order to achieve U.S. objectives in a sustainable way. My approach draws upon experience in the region in wartime and in peacetime, and on how the various elements of diplomacy, development, and security reinforce one another in the implementation of strategy, leadership, engagement, and cooperation. Overall, the assistance cut-off is very counterproductive in terms of the Trump administration’s own objectives; the cut-off will tend to spur migration, it will weaken efforts against narcotics traffickers and organized crime, and it increases the risk that in the future, more radical political options, such as Chavez’ rise in Venezuela, will gain strength. I will conclude with a recommendation to restore U.S. assistance within a new policy construct that seeks long term reforms in the Northern Triangle to reduce migration as well as to reinforce other USG objectives.

Why are Central Americans migrating to the U.S.?

The sharp increase in migration from Central America to the U.S. reflects four “push” factors; I believe U.S. policies to reduce this migration should be assessed in terms of how they would address these factors:

- 1) **The economic systems in the sending countries:** the three countries have a gap each year between the number of young men and women who enter the labor force, and the number of new jobs created. In Guatemala, for example, the formal economy can absorb about 30 % of the persons entering the labor market. In addition, salaries are extremely low. Governments have few resources to intervene; Guatemala, for example, has a tax to GDP ratio of about 10 %, the second lowest in the hemisphere. The formal private sectors either lack incentives or face obstacles to generate more and better-paid employment. Emigration to the U.S. serves as a “pressure relief valve” that also provides an estimated \$8.0 billion each year in remittances to Guatemala. Emigration is not a defect in the economic system but rather an important and integral part of it.
- 2) **Humanitarian emergencies:** in 2019 the sharp decline in coffee and sugar prices eliminated many part-time jobs that agricultural workers relied upon to make ends meet. In addition, there have been severe droughts in all three countries, which some observers attribute to climate change. Both factors motivate migration.
- 3) **Security:** Gang violence fluctuates throughout the three countries. Much of Guatemalan migration, and some Honduran migration, comes from lower crime regions. While homicide rates have dropped in recent years in Guatemala, there is anecdotal information that extorsions have increased. In addition, the current government of Guatemala has removed many of the senior police who had worked with the U.S. to improve police performance and to provide security to citizens. Intra-family violence and sexual violence are pervasive in Guatemala, and I believe they are a factor in stimulating migration.
- 4) **Lack of hope versus the “American dream:”** Conversations with Guatemalans indicate that many young people, including some in the middle class, are discouraged by the corruption, security problems, and the

country's inability to progress. Informed by social media, and aware of the success that many compatriots have had in the U.S., they choose to migrate even when they have economic opportunities at home.

What is the broader political context for Central American and U.S. goals?

It is important to place the migration issue into the broader context of challenges to the democratic and free enterprise model in Central America:

- 1) **Increasing public discontent with corruption.** In El Salvador, public rejection of corruption in the two traditional parties led to the impressive victory of President Bukele. In Honduras, DEA investigations and arrests of figures linked to the government, including the president's brother, have sparked frequent protests. In Guatemala, two former presidents have been jailed, and the attorney general and the International Commission Against Impunity in Guatemala (CICIG) have accused the current president of illegal campaign financing (he denies the charge). The non-renewal of the CICIG mission, with the acquiescence of the U.S., is a blow to anti-corruption efforts. A major challenge for all three countries is to identify how states with serious corruption problems can reduce corruption.
- 2) **Increasing narcotics trafficking.** The U.S. calculates that traffickers moved over 1,400 tons of cocaine through Guatemala in 2018, while seizures were barely above one percent. High-profile DEA arrests of politicians from Honduras and Guatemala for alleged drug smuggling suggest local and state institutions are vulnerable to traffickers. The example of Colombia in the 1990s suggests that drug traffickers will seek to expand further their political, social, and economic influence. The challenge for all three states is to agree on how governments identify and counter narcotics corruption in the executive, legislative, judicial, and local government sectors, as well as in other parts of the nation.
- 3) **Uneven economic opportunities.** National economies' overall adequate performance mask significant disparities in wages, opportunities, and basic services such as health, education, and security. As a long-time Venezuela watcher, there is a worrisome similarity between the deteriorating Venezuela of the pre-Chavez years, and the Northern Triangle of today.

The 2019 cut-off of U.S assistance:

The stated intent of the Trump administration's cutoff of U.S. assistance (USAID and State, including State/INL) to the Northern Triangle countries of El Salvador, Guatemala, and Honduras is to leverage U.S. assistance to obtain those governments' cooperation to reduce migration to the U.S. in the short term. To withhold U.S. assistance as leverage can be effective sometimes, but in the current situation of Central American migration this approach has severe limitations:

- 1) Borders are porous, and it is not illegal in Central America for a citizen to try to leave his or her country (indeed it is a human right the U.S. extolled during the cold war);
- 2) The systemic drivers of migration require long term investments of leadership, strategy, political will to implement reforms, and resources;
- 3) And, most importantly, it's very unlikely that the leverage will work on the three Central American governments. U.S. assistance programs address U.S. objectives, most of which the host countries share, but the programs' implementation often impose political and resource costs on the governments. The governments do not get to spend U.S. assistance funds. In the case of the current government of Guatemala, for example, there is no public indication that it seeks to restore the assistance that the USG has cut.

In my view, President Trump's decision to cut U.S. assistance to Central America in order to pressure the "Northern Triangle" countries of El Salvador, Guatemala, and Honduras to reduce migration to the U.S. works against the Trump administration's own objectives on migration. This is because U.S. assistance -- economic development, governance, humanitarian, and law enforcement -- helps farmers improve crop yields and market crops; works with youth and community groups and the private sector to create employment opportunities; promotes public-private partnerships with the private sector; supports civil society; helps local governments provide needed services more effectively; supports community policing, anti-gang police work, and intrafamily and sexual violence reduction efforts; and advances human rights and the rule of law.

The Trump administration's cutoff of assistance also inadvertently undermines traditional bipartisan U.S. objectives in the region on rule of law and transparency, democracy, security, and counter-narcotics. And, it goes against an American tradition of helping the region's poorest and most vulnerable, a tradition that distinguishes U.S. foreign policy from that of non-hemispheric powers such as China or Russia.

While the U.S. has signed agreements recently with Guatemala and El Salvador to return third-country asylum seekers to those nations, it does not appear that the assistance cut-off played a role in those decisions. (I note that the agreements are based on dubious host country abilities to process asylum requests and to ensure asylum seekers have appropriate security. While the agreements may deter some migration, I believe that many new and returned migrants will keep trying to enter the U.S. given the lack of employment or security.)

I understand current USAID and State assistance programs have cut back substantially their activities; most can survive till early 2020 but will then run out of funding. Let me share some experiences to illustrate what such a cut-off means on the ground:

--Near Camotan in eastern Guatemala in 2002, I joined a USAID-supported program to identify and treat children suffering acute malnutrition. We hiked to a farm and persuaded the parents of a two-year old girl -- who weighed only nine pounds -- to let us take her to a medical post. As we took turns carrying the girl, the parents explained their survival strategy: there was a drought and the crops failed; there was no government safety net; they were a large family (no access to family planning), so what little food there was went to the older children who could help in the fields, leaving no food for the girl. It's not hard to imagine that such a family now, during yet another drought, and without USAID food programs, would choose to emigrate to the U.S., no matter how risky the trip.

--In Guatemala City in 2011, I attended the funeral of the son of Mr. Jorge Cac; his son was the last of four family members to die from a gang's firebombing of a bus (gangs used firebombs to extort money from bus owners). The funeral procession went down a street where most of the houses displayed gang graffiti, including the gang that had murdered his family. What, I wondered, keeps people from seeking a safer life outside Guatemala? The U.S. supports some effective community policing, anti-gang programs, and creation of jobs in the private sector for youth in the Northern Triangle through State/INL and USAID -- programs that the 2019 assistance cut will terminate.

--In Guatemala during 2010 and 2011, the Embassy's DEA office, with the support of State and other agencies, worked with the Guatemalan government to locate, capture, and hold over for trial and extradition several leaders of drug-trafficking organizations. Critical to our success were State/INL support for various police and attorney general capabilities; vetted units; and USAID and State

support for the judiciary, including high-impact courts. Similar U.S. programs today in Guatemala, Honduras, and El Salvador are imperiled by the assistance cuts.

There is another important aspect of the cut-off to consider -- its impact on the U.S.' ability to exert its soft power to achieve its broader political, security, and economic objectives in the Northern Triangle countries through:

- 1) The U.S.' reputation for providing humanitarian assistance;
- 2) The extent to which U.S. objectives in the region match to a great extent those of the peoples of Central America;
- 3) The U.S.' willingness and perceived ability to lead. In this respect, for the U.S. to insist upon a cut-off of assistance that works against the administration's own objectives sends the message that the U.S. is not a serious player;
- 4) The U.S.' support for U.S. values, not just short-term objectives.

The implementation of U.S. policy in the field is more effective when it is based on shared values, not just narrow self-interest. A U.S. policy that is one dimensional, lopsided, transactional, and focused on the short term will inevitably make it harder for the U.S. to pursue a broader long-term political, economic, development, and security relationship with the region. U.S. values and credibility matter, and these are issues in which we have and should seek to maintain a comparative advantage in the region over China.

A new U.S. and Central American approach:

I often hear two important questions about Central America and U.S. assistance: one, if current U.S. assistance is so good, why has migration increased in recent years? And, two, why can't the U.S. and Central America, especially the countries of the Northern Triangle, emulate the U.S. -- Colombian "Plan Colombia?" The two questions have a common answer, which I'll address from my perspective as Ambassador to Guatemala. In late October 2010, then ex-president of Colombia Uribe visited Guatemala. I attended his meeting with members of the private sector elite to discuss how to improve security in Guatemala. Uribe described the basic components of Plan Colombia: a revamped political-military strategy, presidential leadership, implementation by the bureaucracy, close cooperation with the U.S. -- and the private sector's agreement to increase taxes on the wealthiest businesses. When Uribe mentioned the last

factor – taxes -- it was clear that most of the businessmen had lost interest. They wanted better security, but they did not want to contribute more taxes to it.

U.S. assistance has a similar tale to tell. The U.S. has provided large quantities of assistance that have had positive impacts. However, the kinds of political and economic reforms needed to expand and sustain what U.S. assistance has provided – effective anti-corruption programs; rule of law; tax revenues that allow the state to provide health, education, and security; police reform; civil service reform – generally lack sufficient support within the political and economic elites. There are several explanations for this, which include a general fear of change, the impact of corruption, political structures that discourage strategic vision, and the perception that the status quo – using the U.S. as the “pressure relief valve” for migration -- is better than any alternative.

While the Obama administration sought to build support for such reforms through persuasion and incentives, and at times through cajoling and pressure, arguably it is time for the U.S. to become more proactive, and not only to use persuasion and to offer incentives and partnership, but also to consider greater use of selective sanctions against persons or sectors that insist on a status quo that harms U.S. interests as well as those of their own country. A first step, however, is for the administration to “declare victory” and to restore U.S. assistance to El Salvador, Guatemala, and Honduras.

Mr. SIREs. Mr. Gonzalez, you are now recognized for your testimony.

STATEMENT OF MR. JUAN GONZALEZ, ASSOCIATE VICE PRESIDENT, THE COHEN GROUP, FORMER DEPUTY ASSISTANT SECRETARY OF STATE FOR WESTERN HEMISPHERE AFFAIRS

Mr. GONZALEZ. Mr. Chairman, Mr. Ranking Member, distinguished members of the committee, thank you for the opportunity to testify before you today on this very important topic. It is a particular honor to be among such august company, but in particular that of Ambassador McFarland, whom I met when I was a Peace Corps volunteer in the Western Highlands of Guatemala, which incidentally is one of the major sources of migration from Guatemala to the United States.

I was asked to focus on the lessons we drew upon when designing the original U.S. strategy for Central America, as well as progress achieved, recommendations for U.S. policy, and the tangible impacts of cutting aid to the Northern Triangle. As such, my testimony outlines a few of the many lessons learned, good and bad, from my time as special advisor to Vice President Joe Biden from 2013 to 2015 when we designed the strategy, and then as deputy assistant secretary of State with responsibility over its execution in the final year of the Obama Administration.

The bottom line as it relates to this hearing is that U.S. foreign assistance provides effective leverage to protect our national security interests and promote democratic values in Central America. It is a fundamental tool for addressing the drivers of migration, and cutting it will only serve to undermine U.S. regional influence.

The first and most important lesson that we learned early on was that migration enforcement and border security alone would not stop irregular migration to the United States.

Current migration trends are the result of economic and social conditions in Guatemala, Honduras, and El Salvador, countries where poverty, corrupt and ineffective public institutions, and violence, are compelling people to begin a dangerous journey to the United States. So we developed a U.S. strategy in Central America to focus on the drivers of migration.

Second, Northern Triangle governments are unable to prevent outward migration on their own without equal parts pressure and support from the United States. Political pressure is key, as no amount of foreign assistance will make a lasting difference without political will on the part of regional governments.

That requires senior administration officials to engage in candid discussions with regional governments on their respective private sectors and to press them for reforms that in many cases go against vested interests. We engaged the senior-most levels of government and measured political will in terms of quick results on near-term actions, like targeting smuggling operations, while advancing structural reforms to address the systemic challenges over time.

Congress was key to maintaining the pressure, most notably by including robust conditionality in the appropriations bills.

Third, large and complex strategies cannot be managed solely from Washington. The Vice President, the State Department, and USAID set the priorities, negotiated political commitments, established metrics, and briefed anyone and everyone on Capitol Hill willing to listen. But when it came to program design and implementation, we had hired our country teams, all of which serve under Chief of Mission Authority.

Fourth, migration is a byproduct of a broader problem set in the Northern Triangle that has broader implications for U.S. national security. All three countries suffer from a predatory elite that benefit from the status quo and who for generations have opposed reforms that would alleviate migration drivers. The most marginalized communities are also the ones most likely to migrate.

And, finally, as historic rivals, the only way to get Guatemala, Honduras, and El Salvador to cooperate on regional security and economic issues was for the United States to facilitate and set the pace. In this regard, migration serves as a sort of canary in a coal mine, foreshadowing much worse things to come if these countries are unable to maintain the rule of law, create stable and formal work force, provide alternatives to criminality, and address rampant corruption.

I cannot emphasize enough just how central combatting corruption was to our entire approach or how disappointing it is to see the Central American anti-corruption movement in retreat. Today the forces of corruption are winning in Guatemala after successfully ending the mandate of the U.N.-backed Commission Against Impunity following years of strong backing from both Republican and Democratic administrations.

So, too, the continued erosion of democracy in Honduras that culminated in a questionable Presidential result in November 2017. If the United States is not leading the battle against corruption in Latin America and the Caribbean nobody will.

Lastly, bipartisan congressional support is the only way to institutionalize a multi-year strategy to reduce irregular migration at the source. We learned that most Members of Congress supported addressing the root causes of migration from the Northern Triangle, albeit with varying degrees of nuance.

Republicans, for the most part, preferred to focus on security assistance and called for robust monitoring and evaluation mechanisms. Democrats, skeptical of the region's political will, pushed for increased conditionality related to human rights and emphasized the importance of supporting justice and rule of law institutions over military support.

We argued successfully for balance, using our experiences with Plan Colombia and the Merida Initiative to make the case that affecting positive change required sustained international assistance that balances both security and development and is accompanied by strong political will from regional governments and the private sector.

But we did not get it right on our first try, and congressional Democrats and Republicans worked with us to tweak the strategy that ultimately became the product of collaboration between the Administration and Congress.

My final point is this: the migration crisis at our southern border serves as a stark reminder that the State of security and prosperity in Central America and Latin America and Caribbean writ large has significant implications for our national security. Without active leadership and support from the United States, the situation in the Northern Triangle will only continue to deteriorate.

We cannot play line defense indefinitely, and it is vital to our interest to provide foreign assistance and exert pressure on regional governments to create the necessary conditions for migrants to stay home.

I urge Congress to continue its bipartisan support for the U.S. strategy for Central America. Thank you for the opportunity to testify.

[The prepared statement of Mr. Gonzalez follows:]

**Testimony of Juan S. Gonzalez,
Senior Fellow, Penn-Biden Center for Diplomacy and Global Engagement
Before the House Committee on Foreign Affairs
Subcommittee on the Western Hemisphere, Civilian Security, and Trade
“Assessing the Impact of Cutting Foreign Assistance in Central America”**

September 25, 2019

Mr. Chairman, Mr. Ranking Member, and distinguished members of the Committee, thank you for the opportunity to testify before you on “Assessing the Impact of Cutting Foreign Assistance in Central America.” It is an honor to appear before you with former U.S. Ambassador to Guatemala Stephen McFarland, whom I first got to know when I was a Peace Corps Volunteer in the Western Highlands of Guatemala during his tour as Deputy Chief of Mission. Ambassador McFarland, thank you for your service to our country under both Democratic and Republican Administrations, and especially for your work in combating corruption and defending human rights in Guatemala.

Ambassador McFarland’s testimony laid out in clear terms the dimensions of the crisis along the Southwest border of the United States, as tens of thousands of first unaccompanied children and now families with children leave the Northern Triangle of Central America to travel through Mexico to the United States. In short, current migration trends are the result of economic and social conditions in Guatemala, Honduras, and El Salvador – countries where poverty, corrupt and ineffective public institutions, and violence are prompting people to begin the dangerous journey to the United States.

My testimony outlines a few of the lessons (good and bad) from my time as Special Advisor to Vice President Joe Biden from 2013-2015, when he led the international response to the 2014 surge of unaccompanied children across our Southern border, and then as the Deputy Assistant Secretary of State with responsibility for executing the strategy in the final year of the Obama-Biden Administration. The bottom line as it relates to this hearing is that U.S. foreign assistance provides effective leverage to protect our national security interests and promote democratic values in Central America. Cutting it undermines U.S. regional influence.

The first lesson we learned early on was that to prevent irregular migration from the Northern Triangle we needed to tackle the drivers. An analysis from the Office of Management Budget estimated that it cost the federal government approximately \$1.5 billion to address the 2014 surge of unaccompanied migrants. It was obvious: we could spend \$1.5 billion in U.S. taxpayer money to play line-defense indefinitely, or we could invest a fraction in a strategy to combat rampant violence and poverty at the source. To date, at least two bipartisan congressional reports argue that a border-security-only approach will not work without a strategy to address the conditions that lead migrants to risk their lives in search of family, opportunity, and safety. Luckily, both Democrats and Republicans in Congress agree on the need for a continued robust foreign policy strategy.

Second, Northern Triangle governments are unable to prevent outbound migration without equal parts pressure and support from the United States. Political pressure is key, as no amount

of U.S. foreign assistance will make a lasting difference without political will on the part of regional governments. That requires senior Administration officials to engage in candid discussions with regional governments and their respective private sectors and to press for reforms that (in many cases) go against vested interests. I recall one such conversation in March 2015 when Vice President Biden pulled the leaders of Guatemala, Honduras, and El Salvador into a private discussion and pressed them to take major steps to justify U.S. taxpayer expense. We measured political will in terms of concrete commitments on near-term “bridging” actions (like targeting smuggling operations and strengthening the ability of governments to humanely reintegrate migrants into society) while advancing structural reforms to address these systemic challenges over time.

Third, multi-stakeholder models are the best way to secure buy-in from host governments, as they provide the government, private sector, and civil society with a seat at the table and an opportunity to identify common national priorities. I will admit, we undertook this effort with varying degrees of success. The process worked best in El Salvador, partly because of the size of the USAID Mission and the benefit of our previous experience in El Salvador with the Partnership for Growth initiative. Unfortunately, the political fault lines in Guatemala and Honduras were much more difficult to manage, and they remained works in progress when we left office in January 2017.

Fourth, migration is the byproduct of a broader problem set in the Northern Triangle: all three countries suffer from a predatory elite that benefit from the status quo. For generations, they have opposed reforms that would, for example, lead to increased tax collection, open competition, and the fairer provision of public services. Corruption is so endemic, that the steps we took to increase transparency and accountability inevitably threatened senior levels of government. Guatemala, Honduras, and El Salvador are also historic rivals, and regional cooperation and integration efforts require the United States to set the pace.

I cannot emphasize enough just how central combatting corruption was to our entire approach, or how disappointing it is to see the Central American anti-corruption movement in retreat. Today the forces of corruption are winning in Guatemala after successfully ending the mandate for the UN-backed Commission Against Impunity in Guatemala (known by its Spanish acronym CICIG), after years of strong backing from both Republican and Democratic administrations. So too is the continued erosion of democracy in Honduras that culminated in a questionable presidential election result in November 2017.

Lastly, and most importantly, bipartisan congressional support is the only way to institutionalize a multi-year strategy to reduce irregular migration at the source. I learned during my time as Deputy Assistant Secretary that most Members of Congress support addressing the root causes of migration from the Northern Triangle, albeit with varying degrees of nuance. Republicans, for the most part, preferred a focus on security assistance and called for robust monitoring and evaluation mechanisms. Democrats, skeptical of the region’s political will, pushed for increased conditionality related to human rights and emphasized the importance of supporting justice and rule-of-law institutions over procuring hardware and relaxing restrictions on military support to countries like Guatemala.

If we have learned anything from our experiences with Plan Colombia and the Merida Initiative, it is that affecting positive change requires sustained international assistance that balances both security and development, and is accompanied by strong political will (and a significant amount of resources) from regional governments and private sectors. Such policy debates over how to best tailor our approach are vital because they preserve congressional oversight and produce the best policy outcomes. However, ignoring congressional intent, as the Administration has by arbitrarily cutting off assistance to Central America, only serves to undermine the role of the U.S. Congress in foreign policymaking. It also removes our leverage over host governments and limits our ability to support civil society organizations that share our democratic values.

Thank you again for the opportunity to address this committee. I look forward to answering your questions.

Mr. SIREs. Thank you.

Mr. Jones, you are recognized for your testimony.

**STATEMENT OF MR. RICK JONES, SENIOR TECHNICAL
ADVISOR FOR LATIN AMERICA, CATHOLIC RELIEF SERVICES**

Mr. JONES. Chairman Sires, Ranking Member Rooney, thank you for calling this hearing and for the opportunity to look more deeply at the impact of cutting foreign aid to Central America.

My name is Rick Jones. I am a senior technical advisor for Catholic Relief Services in Latin America and the Caribbean, where I have lived and worked for nearly 30 years.

Cutting foreign aid to Central America, a region which has become one of the most violent in the world, where rural poverty is on the rise and people are fleeing for their lives is counter-productive. It is likely to erase the gains that have been made, increase the costs, and undermine the credibility and the security of the United States and the people living in the region.

There have been gains. Between 2015 and 2018, the CARSI program achieved a significant reduction of 50 percent in homicides in El Salvador and 35 percent reduction in Honduras. Homicides are one of the principal causes of out-migration. Cutting aid to those programs is likely to only increase the loss of life and increase the cost of addressing people who are fleeing the region due to violence.

In CRS, we worked with USAID, the U.S. Department of Labor, and INL in our Youth Employment Program. We have been able to reach 10,000 youth who are out of school and unemployed and at risk of joining gangs or being recruited into them and placed 75 percent of them in jobs, business startups, or back in school.

An independent study by the Department of Labor demonstrated that graduates from these programs saw their incomes continue to rise 2 years after leaving the program. Aid, in this way, is very effective. The alternative says to young people there is no hope for you; the only thing you have to do is to leave the region.

We asked young people in these programs if they have ever thought about migrating, and 40 percent of them said yes. We asked them why they stayed, and they said, "Because this program gives us hope and a reason to stay." And this program is also cost effective. It costs about \$1,000 per young person for a 6-month training program and placement into a job, whereas apprehending a young person at the U.S. border costs a minimum of \$50,000 for the same period. Cutting off the aid is going to only increase the expense to the U.S. taxpayer.

In another positive example of foreign aid, USAID sponsored CRS to address chronic malnutrition and food insecurity in Guatemala. And while rural poverty tripled in Guatemala, and extreme poverty doubled, we were able to reach 100,000 people, cutting in half extreme poverty, and chronic malnutrition dropped five times the national rate. We do not need to cut the aid; we need to put it on steroids.

The FAO has estimated that 1.4 million people in the dry corridor in Central America are suffering food insecurity due to drought. This is another driver of migration north.

In June this year, CRS conducted a study in 18 municipalities that were drought affected in the eastern part of El Salvador, and

we found 80 percent of the families were suffering hunger just from this past year, and we have had 5 years of drought.

When we went to the Office of Foreign Disaster Assistance, they said they could not support a response to that drought crisis because aid was getting cut. Right now, as we speak, two of our programs are being cut—a food security project in the dry corridor in Guatemala, where we were about to reach 7,400 families, or an estimated 30,000 people, with direct services.

We are also going to have to roll back our program in over 200 communities in Guatemala that was strengthening their capacity for their own development.

Cutting off the aid in Central America sends a message, and it says, “You are on your own.” And it undermines—not only do we roll back the gains that we have made, it creates mistrust, and mistrust translates into people not cooperating with government, not denouncing organized crime.

Cutting back the aid, in summary, is going to erase the gains that we have made, increase the cost, undermine the credibility and the security of the United States, and create a vacuum, and somebody else is likely to step into that leadership role.

We need to increase the aid. We need to use the best results that we get to catalyze transformation at scale. The poor and the vulnerable people in Central America and the stability of the region is depending on it.

Thank you very much.

[The prepared statement of Mr. Jones follows:]

Written Testimony of Rick Jones,
Senior Technical Advisor for Latin America and the Caribbean,
Catholic Relief Services

“Assessing the Impact of Cutting Foreign Assistance to Central America”

House Committee on Foreign Affairs

Subcommittee on the Western Hemisphere, Civilian Security, and Trade

Wednesday, September 25, 2019

Chairman Sires, Ranking Member Rooney, thank you for calling this hearing and for the opportunity to highlight the importance of U.S. engagement in Central America, and specifically the need for effective international poverty-reducing humanitarian and development assistance.

My name is Rick Jones, and I am the Senior Technical Advisor for Latin America and the Caribbean for Catholic Relief Services (CRS), the international relief and development agency of the Catholic community in the United States. Last year CRS celebrated its 75th anniversary and we were privileged to serve more than 127 million people in 114 countries. CRS also engages with and educates Catholics and people of good will in the United States about the challenges of global poverty and injustice.

I live in El Salvador and have worked in the region for nearly 30 years. CRS has worked in the Northern Triangle of Central America for more than 50 years to alleviate suffering, cultivate just and peaceful societies, and accelerate the end of poverty, hunger, and disease. In partnership with the U.S. government, the local Catholic Church, and other civil society agencies, we have made gains. U.S. sponsored programs have helped reduce poverty, malnutrition, and violence. Homicide rates dropped by over half in El Salvador from 104 homicides per 100,000 people to 52 from 2015 to 2018 and by 35% in Honduras. Aid has provided economic opportunities for families and communities and fostered positive engagement with the private sector. We currently work with over 300 small businesses who hire young people graduating from our programs that have been funded by the U.S. Department of Labor (DOL).

Nevertheless, today we face a humanitarian crisis at our southern border that demands political, social, and economic attention. But we must not lose sight of the humanitarian crisis in Guatemala, Honduras, and El Salvador that is driving migration northward. Guatemala has the 6th highest rate of malnutrition in the world. Honduras and El Salvador experience two of the highest homicide rates for countries not involved in active war. And climate change and soil degradation drastically alter communities' opportunities to maintain sustainable livelihoods. The Catholic Church believes that people have the right to find opportunities in their home countries and that they have the right to migrate when conditions in their country of origin preclude them from providing for the safety and wellbeing of their families. My colleagues and I working in Central America witness poverty, violence, food insecurity, climate change, and an absence of hope, all contributing factors to what has resulted in hundreds of thousands of people fleeing despair.

Audelio Mejia, who supports his wife and three children by growing corn and beans in Lempira Honduras, is an example of someone who has found hope. He lives in what is called the “Dry Corridor” that runs through parts of Guatemala, Honduras, El Salvador, and Nicaragua. He thought about migrating to better

feed his family in 2014 but he joined a CRS Project we now call Water Smart Agriculture instead and began seeing his corn and bean yields more than double – even in years of drought. In 2018 during 42 days of drought he lost just 10% of his crop, while his neighbors lost 80%. That is the difference between having to find other work for a couple of months in the off season and watching your family starve. Over 2 million small farmers have been affected by drought in the last two years. The Food and Agriculture Organization estimates that 1.4 million people are going hungry and that nearly half the migrants from Central America in the last several years have come from rural areas suffering drought and food insecurity. CRS applied for funds from the Office of Foreign Disaster Assistance to both mitigate hunger and help farmers learn the practices that Audelio Mejia is using to increase his corn and bean yields. The recent decision to suspend aid to Central America means that desperate families will not receive the life-saving support they need.

Cutting humanitarian and development assistance to people fleeing what Bishop Álvaro Ramazzini of Huehuetenango, Guatemala recently called the “violence of poverty” sends a message to many that they are on their own. The question we must ask ourselves today is not if the U.S. should engage or if the U.S. should invest in humanitarian and development programs, but how can we, the U.S. government, civil society organizations such as CRS, and the private sector, engage more productively and effectively in Central America to address the root causes of migration, to provide opportunities for families to thrive in their home communities, and to uphold the human dignity of each and every person so that they are not forced to migrate. If we turn our backs on people like Audelio and retreat from providing humanitarian and development assistance, many will see no alternative but to migrate north.

I. Effective engagement through poverty-reducing humanitarian and development assistance

CRS commends Congress’ steadfast commitment to funding international poverty-reducing humanitarian and development assistance. Furthermore, we recognize Congress’ recent efforts over the last five fiscal years to increase investment in the Northern Triangle through the U.S. Strategy for Engagement in Central America, which has targeted holistic concerns related to security, governance, and prosperity. In CRS’ experience, U.S. investments have made a difference. Too often though we do not hear about the success stories. I would like to share examples of effective programming, funded by the United States and other private donors, that not only have saved lives and alleviated suffering but also have supported the long-term developmental needs of communities and societies, reducing the vulnerabilities to forced migration.

CRS implements projects in Guatemala, Honduras, and El Salvador in youth development, water-smart agriculture, education, health, and emergency response, targeting the people who are most vulnerable to migration due to violence, poverty, and food insecurity. We partner with the Department of State (DOS), the United States Agency for International Development (USAID), DOL, the United States Department of Agriculture (USDA), and the Overseas Private Investment Corporation (OPIC).

Targeted and sustained aid can have dramatic impacts. In 2012, CRS launched Food Security Focused on the First 1,000 Days (SEGAMIL) to reduce chronic malnutrition and improve food security in 263 communities for almost 100,000 people in San Marcos and Totonicapán, two regions in the highlands of Guatemala most vulnerable to food insecurity. Over the six-year USAID funded project, CRS supported small-scale cooperatives and associations to increase production and sales with better technologies and practices; taught rural families the importance of saving for emergencies and investing in their future while providing affordable loans; and improved families’ understanding of how to raise household livestock and expand income from the sale of animals and other related products. Through these three interventions, the project helped reduce the number of people living on less than \$1.25 per day by half. The project also reduced poverty in female-headed households from 29.6% to 8.3%. Furthermore,

through strong social behavior change, chronic malnutrition in children under age five went down an average of 1.5 percentage points per year, more than five times the national average. These achievements illustrate the impact aid has when it is well targeted and sustained.

Opportunities for youth to thrive for a lifetime. In Central America, one in four youth aged 15-24 are unemployed and not in school. Since 2009, CRS has worked with more than 10,000 youth across Central America to help them stay in school, return to school, find a job, or start an entrepreneurial venture. Our work has targeted at-risk youth living in high crime urban areas who have a higher propensity of becoming victims or perpetrators of crime and violence. Adapting the YouthBuild model, developed in the United States in the 1970s, CRS implements Youth Pathways, a DOL funded project, in Honduras and El Salvador. Youth Pathways follows program participants after graduation to ensure effectiveness and sustainability. A 2019 impact evaluation has highlighted results. The baseline study of participants showed 12% were employed. Six months after graduation, employment increased to 45%. Twelve months after graduation employment increased to 56%. And eighteen months after graduation, employment increased to 59%. Furthermore, at enrollment, only 29% of program participants were working or studying. Eighteen months after graduation, 75% of graduates are now working or studying. Youth Pathways, and programs like it, are unleashing young people's potential to change their own lives. By increasing employment opportunities and reducing the gap between training opportunities and labor market demands, Youth Pathways combats two of the strongest push factors of migration, insecurity and limited economic opportunities.

Second Chances, a DOS funded private sector rehabilitation and reinsertion project in El Salvador, has worked with 670 inmates using cognitive behavioral curriculum to shape alternative behavior and self-control to break the cycle of violence. Inmates are showing major improvements. In partnership with El Salvador's General Directorate of Penal Centers, CRS is training key penitentiary staff to integrate our curriculum into the national rehabilitation system. CRS' curriculum provides program participants cognitive behavioral techniques to help adopt positive behaviors that allow them to re-enter society. Allowing youth and young people to thrive includes fostering environments where the system supports a second chance to become a contributing member of society.

Harnessing innovative financing for development. In El Salvador, CRS has structured Azure, a blended finance and technical assistance provider, to improve water and sanitation services for underserved communities. Comprised of two integrated components: Azure Capital LLC, a U.S. based finance company that deploys loan capital through local financial institutions to upgrade and expand water and sanitation infrastructure; and Azure Technical Services, which provides water service providers with design and engineering, system diagnostics, loan application, and management support. Developed in partnership with the Inter-American Development Bank's Multilateral Investment Fund and supported by OPIC, Azure hopes to improve quality of services for 500,000 people through 2020. Innovative approaches to inclusive development such as Azure harness and embody the power of effective public-private partnerships.

Learning for life. Guatemala has 70% chronic malnutrition rates for children in the Western Highlands. CRS' USDA McGovern-Dole Food for Education program serves more than 65,000 students, teachers, and parents, covering 337 public, primary schools. The project provides nutritious school feeding, improves bilingual literacy and reading skills, strengthens the educational community, and supports local value chains by linking Guatemalan small producers to schools. Since 2017, student enrollment in the project area has increase by 2.74%, while national enrollment has decreased. Third grade literacy improved by 21.5% from 2014-2017. But results are not just program specific. In addition to direct provision of services, U.S. foreign assistance allowed CRS to be at the table with the national government to help pass a National

School Feeding Law by the Guatemalan Congress in November 2017. In 2018 and 2019, 50% of food will be procured locally, increasing up to 70% by 2020. The law also increased school feeding investment from \$0.15 per child per day in 2017 to \$0.41 in 2018 to \$0.55 per child per day in 2019. Disbursements in 2018 and 2019 from the Ministry of Education to schools have been timely and complete.

Tools for lasting change. During the first year of drought, a farmer will eat their reserves from the previous years' harvest. The second year, they eat their livestock. The third year, they sell available assets. The fourth year, they leave. For smallholder farmers in Central America, erratic rainfall patterns, rising temperatures, and increasing drought threaten their livelihoods. An estimated 80% of farmland in Central America suffers from soil degradation. 2.2 million farmers in the Central American dry corridor suffer from crop losses, and 1.4 million are food insecure. CRS partners with the Howard G. Buffett foundation to support farmers through water-smart agriculture, the practice of managing soil to manage water and increase yields. Water-smart agriculture protects soil and makes efficient use of water to optimize productivity. In the 2018 drought, 80% of farmers using water-smart agriculture practices produced at least 15% more crops than those that did not. CRS has trained 40,000 people to implement water-smart agriculture. A recent study shows that 20% more farmers would meet their basic maize production needs if they adopted water-smart agriculture techniques. These skills can change a farmer and their family's life. As one farmer said, "To protect our crops, our livelihood and our future, we need to save and protect the soil and water." Water-smart agriculture helps address a cause of migration at the physical root. These efforts are cumulative and cutting off aid will erode the existing success, throwing people back to the conditions where they started.

Improving Sustainable Productivity in the Coffeelands.

In Honduras, coffee provides around 5% of national GDP, employs 1 in 4 workers at some point during the production, processing, and export of green coffee, and is the main source of earnings in rural areas. Since 2012, coffee farmers have been faced with plant diseases, drought, and dramatic price swings in green coffee prices. Recent harvests were characterized by reduced yields and low prices, representing a one-two punch in the gut to small scale farmers and their families. These issues led CRS to partner with Keurig Green Mountain to implement Blue Harvest, a program that seeks to protect water resources, assure coffee quality and productivity, and improve market efficiencies in order to secure a greater portion of value for the farmers. In 2018 alone CRS supported over 1,550 Honduran coffee producers by implementing water and soil protection practices to protect water sources in their highlands and have focused on improving coffee quality through better post-harvest processes. This focus on quality and sustainability has allowed cooperatives supported by Blue Harvest to export for two years consecutively to DR Wakefield and Café Nero with differentials as high as \$0.14/lb, generating over \$900,000 of income. Coffee Cooperatives supported by the program have a contract for 2019 with a \$0.15/lb differential above market value. This is solely based on CRS and partners' efforts to enhance the protection of water resources while assuring coffee quality.

These programs are illustrative examples of the combined impact of U.S. government investment, civil society expertise, and private sector engagement. From public-private partnerships and national policy advocacy to increased literacy, youth employment, and a reduction in poverty, U.S. funded foreign assistance projects are addressing the root causes of migration. The answers to how we should engage are clear, invest in successful models, initiatives, and strategies that target assistance and catalyze development outcomes at scale. Disengaging will not only undermine our collective ability to improve human security, communal prosperity, and good governance today but also exacerbate forced migration tomorrow.

II. The cost of disengagement

The administration announced this summer their intent to suspend \$164M from Fiscal Year 2017 funds (approximately 27% of all FY17 funds), to reprogram \$404M from Fiscal Year 2018 allocations (approximately 82% of all FY18 funds), and to suspend all future humanitarian and development programming in the region. Cutting foreign assistance is counterproductive to addressing issues of security, governance, and prosperity and will create a vacuum for increased instability, poverty, and migration.

Suspending and redirecting funds will have a direct impact on human lives served. CRS was implementing a USAID funded, life-saving humanitarian program to support food insecure households in the eastern dry corridor of Guatemala. Due to the cuts, the project will close this month. More than 7,400 families and almost 30,000 people will not receive services as a result of discontinuing CRS' program alone. The program targeted populations that are vulnerable to migration, helping save the lives of acutely malnourished children and supporting families that have little to eat due to five years of recurrent drought. The project helped accelerate communities' recovery and build future resilience. Eliminating this program prematurely will exacerbate human suffering. Furthermore, CRS leads a USAID funded program supporting 200 Guatemalan communities in 30 municipalities. Women make up 66% of the program participants. Due to the redirection of Fiscal Year 2018 funds and uncertainty about future funding, CRS will need to reduce or stop certain program activities. The project seeks to empower citizens to design and implement community development plans and to improve long-term sustainability of community development by increasing private sector engagement and resources. Decreased engagement will reduce the opportunities for people to thrive in their home communities.

In addition to the immediate, direct impact of cutting assistance to people participating in ongoing humanitarian and development projects, there will be indirect effects moving forward that could have a long-lasting influence on our work in the region. First, an absence of U.S. investment and engagement could halt progress and allow community achievements to regress. For example, reducing homicides requires robust initial investments. To maintain gains, we must follow through with sustained support for communities as they find their pathway out of poverty and violence. Withdrawing support will open the door for communities to slide back to previous levels of violence. Second, community trust is at the core of how we accompany communities and promote subsidiarity. Pulling back on commitments breaks that trust. Third, U.S. engagement and U.S. sponsored programming provide seats at the proverbial table for both civil society and the private sector to engage with local and national governments to foster inclusive development. If we lose trust and credibility as well as seats at the table, we will create a void for other actors to offer influence who may not have the best interest of the poor and the vulnerable in mind. U.S. sponsored projects such as the ones previously mentioned contribute to enhancing community and society conditions that reduce violence, food insecurity, and lack of economic opportunities. By stepping away, we risk increasing vulnerabilities that lead to migration.

III. Recommendations

Preserve and increase humanitarian and development programs in the region. Millions of Catholics support U.S. led efforts to serve the poor and the vulnerable overseas in places such as Central America. CRS commends Congress' steadfast leadership to address humanitarian crises and to seek solutions to human development challenges around the world. We support the House of Representatives recent effort to pass H.R. 2615, The U.S.-Northern Triangle Enhanced Engagement Act, which would authorize funding to the region. As we encounter a humanitarian crisis at our southern border and in Guatemala, El Salvador,

and Honduras, we urge Congress to work with the administration to ensure international poverty-reducing humanitarian and development funds can continue immediately in the region at Congressionally appropriated levels for Fiscal Years 2017, 2018, and 2019. Furthermore, we urge the House of Representatives to ensure protections for Fiscal Year 2020 State and Foreign Operations appropriations for poverty-reducing funding to Central America.

Catalyze development outcomes at scale. CRS has witnessed firsthand that U.S. programs have reduced poverty and malnutrition; increased employment and literacy while promoting policy changes at a national level; fostered public-private partnerships to improve the lives of the poor and vulnerable; and supported innovative agriculture techniques to meet new environmental challenges. To create lasting results, we urge Congress to catalyze development outcomes at scale by lifting up and supporting effective development models and strategies that can foster more just and peaceful societies.

Expand U.S. leadership. The Catholic Church prioritizes the protection and promotion of human dignity. As Pope Paul VI wrote, our collective efforts and solidarity should “allow all peoples to become the artisans of their destiny.” With high rates of violence, a changing environment and climate, lack of economic opportunities and dignified livelihoods, and continued large-scale migration, the U.S must lead at a regional level to ensure we address these challenges in a humane and just manner. Expanding U.S. leadership does not always signify doing more. U.S. leadership also comes in the form of partnership with U.S. based agencies like CRS who sit at the table with government, business, and community leaders seeking local investments that benefit the poor. We urge Congress, through humanitarian and development programming, to empower and accompany local communities and the institutions that support their development to be effective and impactful leaders.

Mr. SIREs. Thank you.

Mr. Rooney, you are recognized for your testimony.

STATEMENT OF MR. MATTHEW ROONEY, MANAGING DIRECTOR, BUSH INSTITUTE-SMU ECONOMIC GROWTH INITIATIVE, THE GEORGE W. BUSH INSTITUTE

Mr. ROONEY. Thank you, Mr. Chairman. Mr. Chairman, Mr. Ranking Member, members of the subcommittee, it is an honor to be with you today to discuss the need for robust engagement with the nations of Central America, particularly El Salvador, Guatemala, and Honduras. And it is a particular pleasure to share this tribunal or this table with such an esteemed group of colleagues and friends.

The George W. Bush Institute is perhaps not widely known outside the Dallas Beltway. We are a think-and-do tank founded by President and Mrs. Bush upon their departure from the White House in 2009. Our Economic Growth Initiative, which I lead, focuses on North American economic integration and competitiveness, immigration reform, the roll of cities in growth, and the conditions for growth in Central America.

Mr. Chairman, Mr. Ranking Member, members of the committee, the heartbreaking images of Central Americans risking their lives to enter the United States have produced an unsatisfying debate among Americans. There are those who believe that the poverty and violence in the region are the responsibility of the United States, and there are those who believe that the corruption and social dysfunction of the region are entirely the fault of the Central Americans themselves.

As usual, the truth is more complicated. It is true that all of the Central American countries have been sovereign nations for two centuries, and all have had functioning democracies with market-driven economies for three decades or more. As a result, they bear ultimate responsibility for conditions in their countries.

At the same time, the United States has been deeply engaged in those countries for decades. In particular, the region embraced free trade in response to a U.S. trade policy approach that holds that trade is a better tool for economic development than assistance. Over a decade later, their continued poverty calls the American approach into question and opens the field to others. We must prove that our approach works.

As a result, the fact is that the security of our borders and our communities and the credibility of the concept of trade-led development are at stake. The challenges are daunting. The region remains trapped in a cycle of political uncertainty, institutional weakness, and persistent poverty. This instability on our extended security perimeter drives immigration and reduces growth opportunities for the United States.

Driven by this recognition, the United States has offered strategically focused assistance to the region. The U.S. commitment has been significant, yet U.S. peace and security assistance to the region is a fraction—3 percent or less—of what those countries spend out of their own resources.

More importantly, dozens of Salvadoran, Guatemalan, and Honduran law enforcement officers have lost their lives in the line of

duty in the last several years. The Central Americans are working hard and making sacrifices to address their own problems.

Our foreign assistance has been instrumental in helping the Central Americans focus their own efforts to address the region's challenges, reduce corruption, and enhance transparency. At the same time, it is true that to break this vicious cycle once and for all, the United States needs the region to develop and pursue a long-term growth agenda.

In an effort to encourage the emergence of a growth agenda, the Bush Institute about a year ago created our Central America Prosperity Project. At the center of the CAPP approach is a working group that brings together 30 thought leaders from Guatemala, El Salvador, and Honduras. Half of our group members are women, and a third are under the age of 35. Participants represent business, policy, politics, academia, journalism, and civil society.

The group came together and agreed that wider use of digital technologies would curtail corruption and reduce informality. The Bush Institute, in May 2019, in support of this conclusion, urged the three countries to develop and implement a regional digital strategy in cooperation with the business communities and civil societies.

This proposal has been welcomed across the region, and our working group in particular felt empowered by the call for digital inclusion in H.R. 2615, the United States-Northern Triangle Enhanced Engagement Act.

In the remaining months of 2019, we are working with our network to organize a series of workshops in the region to identify the policy impediments to mobile services and develop national implementation plans. Of course, the region's challenges go well beyond digital services.

The value of our proposed digital agenda is not that it addresses every challenge, but it represents a commitment by a broad network of Central American leaders to the hard political work of driving the reforms that are needed to strengthen the foundation for future prosperity.

We believe that this model can make a down payment on the reforms needed to put Central America on a more robust and more inclusive growth trajectory, leveraging U.S. foreign assistance dollars to further promote U.S. interests.

Mr. Chairman, Mr. Ranking Member, members of the committee, thank you again for the opportunity to be here today. I look forward to the opportunity to engage with your questions and comments.

Thank you.

[The prepared statement of Mr. Rooney follows:]

U.S. House of Representatives
Committee on Foreign Affairs
Subcommittee on Western Hemisphere, Civilian Security, and Trade

Assessing the Impact of Cutting Foreign Assistance to Central America
September 25, 2019, 2:00 p.m.

Central America is Our Problem – and Our Partner

Matthew M. Rooney
Managing Director, George W. Bush Institute – SMU Economic Growth Initiative
George W. Bush Presidential Center
Dallas, Texas

Mr. Chairman, Mr. Ranking Member, members of the Subcommittee, it is an honor to be with you today to discuss the need for robust American engagement with the nations of Central America, particularly El Salvador, Guatemala and Honduras. This is an issue that is not well understood among the American public, and I congratulate you for your efforts to promote a more nuanced understanding through this hearing.

I have submitted a full statement for the record but would like to offer brief comments now and will welcome the opportunity to respond to questions or comments you might have.

The George W. Bush Institute is perhaps not well known outside the Dallas “beltway.” We are designed to engage communities in the United States and around the world by developing leaders, advancing policy, and taking action to solve today’s most pressing challenges. The Economic Growth Initiative, which I lead, works to advance policies that promote economic growth and strengthen our competitiveness in the global economy. Our major areas of focus over the past several years have been North American economic integration and competitiveness; immigration reform; the role of cities and localities in creating the conditions for growth, innovation and social mobility; and the conditions for growth in Central America.

Mr. Chairman, Mr. Ranking Member, the heartbreaking images that we have all seen over the past months of desperate children and families from Central America fleeing violent crime and risking their lives to enter the United States have produced an unsatisfying debate among Americans. There are those who seem to believe that the poverty and violence in the region are the fault of the United States and it is our responsibility to fix it. And there are those who seem to believe that the corruption and social dysfunction of the region are entirely the fault of the Central Americans themselves, and they have only to reform their countries’ policy environment if they want to prosper.

As usual, the truth is more complicated than these caricatures. The good news is that the United States is not alone in wrestling with this problem; in fact, we have willing and capable partners in the Central Americans themselves to address it.

All of the Central American countries have been sovereign nations for two centuries, and all have had functioning democracies with market-driven economies for three decades or more. As a result, they bear ultimate responsibility for social, political, and economic conditions in their countries.

At the same time, the United States has been deeply engaged in those countries for decades. The first trip outside the United States by a sitting American president was to Panama in 1906, when Theodore Roosevelt went to inspect the construction of the canal. We used development assistance to coax the Central Americans away from communism in the 1960s. We fought proxy wars against Cuba and the Soviet Union there in the 1970s and 1980s. We used development assistance again to encourage full implementation of post-conflict and post-Cold War reconciliation in the 1990s. And we used the prospect of access to the U.S. market to encourage the region to commit to free trade in the 2000s. More recently, we have deported thousands of young men who had served jail time in the U.S. In so doing, we transplanted notorious street gangs like MS-13 from the U.S. to the region, where they have metastasized into a threat to public order.

Over the years, we also have given safe harbor to hundreds of thousands of Central Americans fleeing civil war and natural disasters. Those people in most cases worked hard, obeyed the law, and became members of the American community, as immigrants have done in this country for over two centuries. Today, they, their children, and their grandchildren are citizens and taxpayers – and voters.

The region's embrace of free trade is especially important. The core premise of U.S. trade policy since the Reagan administration has been that trade, including freer trade among developing countries, is a better tool for economic development than aid. The Dominican Republic – Central America Free Trade Agreement, known as CAFTA, negotiated by President George W. Bush's administration, is the most fully developed effort by the U.S. to put this idea into practice. All the partner countries have worked hard to reform their economies in order to fully implement the agreement. But their continued poverty challenges the American approach – and creates an opening for those promoting other approaches. We must prove that our approach works.

As a result, it doesn't really matter whether the problems facing the countries of Central America are our "fault" or their "fault." The fact is that the security of our borders and our communities, and the credibility of the concept of trade-led development, are at stake in whether and how they are resolved.

The challenges are daunting. The region remains trapped in a cycle of political uncertainty, institutional weakness, and persistent poverty. Crime has risen to intolerable rates due to a vicious cycle of poor educational opportunities, unemployment, family disintegration, and a weak culture of rule of law. Competitiveness has been impacted because of bureaucracy,

corruption, and insecurity. This instability on our extended security perimeter drives immigration and reduces growth opportunities for the U.S.

Driven by this recognition, the United States has offered strategically focused assistance to the region. Under the Alliance for Prosperity since 2014, U.S. appropriated assistance to the Northern Triangle countries has exceeded \$2.5 billion, including over \$1.2 billion for citizen security initiatives, about 0.47% of total U.S. government spending on foreign assistance during that period.

I said earlier that the situation in Central America had produced an unsatisfying debate among Americans. One of the ways in which the debate over these aid programs is unsatisfying is that Americans implicitly assume that the United States is bearing all or most of the cost of public security in the recipient countries. In fact, U.S. peace and security assistance to El Salvador, which averaged just over two million dollars per year during the fiscal years 2016-2018, represents just 2.1% of Salvadoran spending on security and justice under the Alliance for Prosperity. In Guatemala, average annual U.S. funding of \$1.9 million represented just 1.8% of Guatemala's own spending on public security. In Honduras, the U.S. average annual commitment of \$6.2 million represented just 3.1% of Honduras' own spending. Across the region, dozens of Salvadoran, Guatemalan and Honduran law enforcement officers have lost their lives in the line of duty during this time. The Central Americans are working hard and making sacrifices to address their own problems.

Nonetheless, U.S. foreign assistance, particularly since the inception of the Alliance for Prosperity in 2014, has been instrumental in helping the Central Americans focus their own efforts to address the region's challenges. U.S. assistance encourages the governments of the region to adopt American priorities, in effect extending the reach of our own law enforcement agencies. The presence of U.S. assistance alongside the Central Americans' own resources reduces corruption and enhances transparency, which are the keys to building public trust and strengthening the ability of the Central American nations to govern themselves. In all of these ways, those hard-earned dollars of American taxpayers are leveraged many times over, to the benefit of our own people and communities. As a result, a real cut-off of aid to the region would be counterproductive for our own security and could set back hard-won progress.

At the same time, it is true that, to break this vicious cycle once and for all, the U.S. needs the region to develop and pursue a long-term growth agenda that will boost job creation. In turn, that will help drain support for the gangs, stop migration and family disintegration, and renew support for democracy and free markets. Central America buys \$29.3 billion in American goods and services each year, and American brands of products from hamburgers to cell phones to SUVs are ubiquitous throughout the region. Think of the market opportunities that will result when the region is peaceful and prosperous.

In an effort to encourage the emergence of a growth agenda, the Bush Institute created the Central America Prosperity Project (CAPP) in 2018. At the center of the CAPP approach is a working group that brings together 30 leaders from Guatemala, El Salvador, and Honduras,

including leaders who resolved the civil conflicts, leaders who negotiated CAFTA, and emerging young leaders. Half the group are women, and a third are under the age of 35. Participants represent business, policy, politics, academia, journalism, and civil society.

The group's discussions identified corruption and informality as the region's overarching challenges. Corruption covers the gamut from petty bribery in evading traffic fines to tax evasion – all the way to embezzlement in government contracts. Informality refers to businesses and workers that aren't registered so as to evade taxes and avoid compliance with health and safety regulations, minimum wage requirements, and social security payments.

The group agreed that wider use of digital technologies would curtail corruption by making tax and customs fraud almost impossible. Digital technologies also would reduce informality by making compliance with registration requirements easier and less costly. Further, small and medium-sized businesses would have improved access to global markets, increasing their ability to grow and create job opportunities for Central American workers.

Drawing on these discussions as well as academic and other sources, the Bush Institute in May 2018 urged the three countries' governments, private sectors, and civil societies to work together to develop and implement a regional digital strategy that would promote use of mobile services for access to government and financial services across the region. This proposal was welcomed across the region and by the U.S. government, the Inter-American Development Bank, and other stakeholders. In particular, our working group felt empowered by the mention of digital inclusion as a key element of the strategy called for in HR 2615, The United States-Northern Triangle Enhanced Engagement Act.

In the remaining months of 2019, we are working with our network to organize a series of workshops in the region to bring financial and telecommunications sector investors together with civil society and policy makers to identify the policy impediments to broader deployment of mobile services and develop national implementation plans. We have been encouraged by the commitment of the region's governments, particularly the newly inaugurated Salvadoran government and the team of the Guatemalan president-elect, to make digital development a top policy priority. We believe this represents an area in which Central American leadership is moving in a direction that supports U.S. interests as identified in HR 2615 and elsewhere –.

Of course, the region's challenges go well beyond digital services. The value of the proposed digital agenda is not that it addresses every challenge, and certainly not that it can restore social trust and rule of law all by itself. But the experience of other countries – South Korea and Kenya, to name two – suggests that it can be effective in reducing corruption and informality. And, perhaps more importantly, it represents a commitment by a broad and influential network of Central American leaders to the hard political work of driving reforms that will strengthen the foundation for future prosperity. As such, it is an example of the potential multiplier effect of U.S. foreign assistance when it is well aligned with the region's own economic initiatives

The Bush Institute's objective in launching the Central America Prosperity Project was to build a network of influencers across the Northern Triangle and foster a shared commitment to a policy reform agenda. Over the coming months, we hope to demonstrate that this approach can produce measurable policy reform.

More broadly, we believe that this model – a practical strategy and a network of Central American partners committed to implementing it – can make a down payment on reforms needed to put Central America on a more robust and more inclusive growth trajectory, leveraging U.S. foreign assistance dollars to further promote U.S. interests.

Mr. Chairman, Mr. Ranking Member, members of the Committee: thank you again for the opportunity to be here today. I look forward to your questions and comments, and to supporting the Committee in its work over time.

Mr. SIREs. Thank you very much. We will now move to questions. I will lead the questioning, and then the ranking member.

I believe strongly that combatting of corruption should be at the center of our policy toward the Northern Triangle. How could the funding cuts impact our efforts to combat corruption, particularly in Honduras where the mandate of the anti-corruption mission is due to expire on January 2020? Ambassador?

Mr. MCFARLAND. Mr. Chairman, I agree with you that the combatting corruption should be front and center of our agenda. Corruption has the following impacts on U.S. interests. One is indirectly it leads to a lot of factors that drive migration. It serves as a de facto tax on the formal and informal economies, and it limits opportunities. It also is an enabler for narcotics-related activity.

It also harms the interests of U.S. citizens in the country, as well as U.S. businesses in the country. And, finally, it creates a situation where, should things go wrong, the Central American countries could move toward a populist alternative as happened in Venezuela. I think the things that we can do are to support local efforts to strengthen courts, prosecutions, police, prisons. The U.S. leadership and message is important.

And, finally, the use of sanctions—selected, careful, legal, but the use of sanctions is critical to sending a message on corruption.

Mr. SIREs. Anyone else?

Mr. GONZALEZ. If I may, Mr. Chairman, just I would use—you referred to the Honduras example. I think we need to look no further than the experience in Guatemala where, I had the honor to—when I was at the State Department earlier on, I actually put together the assistance package for CICIG, the U.N.-backed anti-corruption commission.

And, as a matter of fact, it was a congressional earmark, so we were compelled by the U.S. Congress to fund CICIG, and it was something where over the years it was the United States, Canada, and Spain that were the main supporters of CICIG's work.

So on the assistance side the, I think it is, over 1,600 prosecutions in which CICIG supported the judiciary is a direct example of how you get results in combatting corruption. But more importantly, I would say, is the assistance also provides important leverage.

So in addition to the support directly for CICIG, the work that we are doing throughout Guatemala, the work that we are doing with the private sector, and, frankly, high-level engagement by the Administration and leadership in the U.S. Congress, I think is perhaps just as important as direct programmatic support to organizations like CICIG and other civil society organizations.

At the end of the day, the United States—and the Ambassador knows this better than anybody—the United States carries an outsized presence in Guatemala, Honduras, and El Salvador. And if we are demanding results on corruption, and using foreign assistance as a tool of leverage, it is incredibly effective, and it has actually allowed CICIG's mandate to continue up until this year.

Thank you.

Mr. SIREs. Yes, sure.

Mr. JONES. Corruption is certainly a critical issue to be addressed, but we think it needs to be combined also with develop-

ment aid. The development aid, for example, through the McGovern-Dole School Feeding Program allowed us a seat at the table with the Ministry of Education, where they eventually adopted a national school feeding law which now Guatemala is going to take on and take over 50 percent of the feeding in 2018 and 2019, and local purchases, and in 2020.

So we think anti-corruption programs need to be combined with development that allow us a seat at the table to continue to foster good governance and good spending.

Mr. ROONEY. Thank you, Mr. Chairman. Just to observe, as I mentioned in my remarks, the working group of Central American leaders that we convened under our Central America Prosperity Project identified corruption as one of the core problems facing the region. Our working group included members of—leaders of the major business associations from all three countries, leaders and owners of some of the major corporations in all three countries, as well as representatives of regulatory agencies and civil society, and there was a unanimous sense among that group that corruption was a serious problem.

The idea of using digital services to attack that problem kind of starts with the assumption that it is a tough problem to crack, because ultimately it is difficult to come to any form of prominence in Central America without being compromised to some extent or another by corrupt activities.

And the ability to make tax payments, receipt of social benefits, customs payments, registration of companies, registration of work relationships, and contracting transparent through digital services is a remarkable opportunity to break the cycle.

Mr. SIRE. Thank you.

I now recognize the ranking member, Mr. Rooney.

Mr. ROONEY OF FLORIDA. Thank you, Mr. Chairman.

I would like to ask Mr. Gonzalez and Ambassador McFarland first, but then anyone, how you see climate change affecting the regional agriculture and subsistence economy. Last week MSNBC had a great story about that. They had the reporter embedded in Guatemala. And, particularly, how effective is our assistance trying to help with that? And what do you forecast how bad it is going to be before we can finally do something about it?

Mr. GONZALEZ. Thank you, Mr. Ranking Member, for that question. It is a salient issue, particularly in places like Guatemala where a lot of the migration, as you mentioned I think in your opening remarks, the eastern part of Guatemala, due to drought, has driven a significant amount of the migration.

Throughout Latin America, you have this rapid phenomenon of urbanization. Even though Latin America is a water-rich region, the urban sectors are very far from water, and increasingly agricultural practices are done in an environment where, as you mentioned, climate change is making it more and more difficult to produce crop yields.

This scenario will only deteriorate over time, and I think right now what you are seeing in eastern Guatemala is the beginning of more to come.

Mr. MCFARLAND. Thank you, Mr. Ranking Member. I think climate change is going to be driving a lot of food insecurity in the

Northern Triangle, in Guatemala in particular where I have been out in the countryside. One of the impacts it has is that, since you have a government that traditionally does not provide a safety net, and people who do not have the mobility or the ability to simply go to the big cities to look for jobs, they are in trouble.

It also affects people because it is not just the crops, the individual farmer's crops that are affected. A lot of these farmers depend on seasonal labor, in the sugar cane plantations and in the coffee fincas. And this current year a lot of the plantations, the sugar plantations, decided not to hire labor because of a combination of prices and weather. The same for coffee, so it has that effect as well.

Mr. ROONEY OF FLORIDA. Does our assistance have any impact on this?

Mr. MCFARLAND. Sir, I believe it does, or at least it has until it has been cutoff. It provides various ways of alternative—of working on alternative crops, trying to maintain some sort of resiliency and families' access to food, and, in some cases, emergency food supplies.

Mr. JONES. If I could respond to that. What we need to understand I think about drought-driven climate change or climate-driven drought in Central America is that the impacts are cumulative. In the first year of drought, families eat less, increasing malnutrition in children. In the second year, they start to sell their household assets, increasing poverty. In the third year, they sell the land and they leave.

So we need to understand the cumulative effects of what is happening in Central America, and this is going to continue to drive migration. We have had drought 5 out of the last 6 years, and 6 years of the hottest on record. And so I think this is what the future is going to look like.

There are specific practices. We have worked with over 3,000 farmers in Central America in the dry corridor to develop, improve practices, and last year farmers that did not use our water-smart practices lost 80 percent of their crop where other farmers only lost 10 percent. That is the difference between watching your family starve and having to work a few extra weeks at the end of the year in something other than farm activities. There are practices that need to be scaled up throughout the dry corridor in Central America.

Mr. ROONEY OF FLORIDA. Are you familiar with the World Food Programme's activities there? The MSNBC article mentioned showed a couple of feeding opportunities by the World Food Programme there.

Mr. JONES. Yes. The World Food Programme is very active in the region, both delivering food aid as well as starting to try and change the soil and water management practices. We, at Catholic Relief Services, work very closely with them to develop the kinds of practices that small farmers can afford.

Mr. ROONEY OF FLORIDA. Thank you. I yield the rest of my time.

Mr. SIRS. We will just keep asking questions. I have another question. I am concerned about these cuts. I think they could not have come at a worse time. Guatemala just had elections with

record low turnout. Obviously, this reflects the discontent within that country.

The Honduran government is facing large street protests. What can that lead to? Mr. Rooney? Are we going to have another Nicaragua or Venezuela on our hands?

Mr. ROONEY. Thank you, Mr. Chairman. I hesitate to speculate about that specifically, but I do think that the course that these countries are on is not sustainable, socially or politically. We do have an opportunity with the new Salvadoran government, and with the Guatemalan government about to take office, certainly there is a renewed opportunity to engage with those governments in a constructive way.

I think both have signaled that they want to work closely with the United States. They have set priorities. To harp for a moment on my Central America prosperity project, Hobby Horse, both have set priorities that are consistent with the digital priority that my working group has identified, so we are hopeful that they can reverse course and set their countries on a more constructive course.

Mr. SIRES. Anybody else? Ambassador? I am sorry, Mr. Jones, I will get back to you.

Mr. MCFARLAND. Yes, Mr. Chairman. I would say in the case of Guatemala, Mr. Chairman, there is a real opportunity for the United States to engage with the president-elect. There is a new president, new congress, and that is something positive. Same with El Salvador. Honduras is a different story. Could this discontent somehow lead to a Venezuela situation? As somebody who served twice in Venezuela and has watched it closely, it has been on my mind for many years. The two big factors that led to Venezuela were an economic decline and increasing popular dissatisfaction, loss of faith in their institutions, and a wild card, Chavez.

We do not see the wild card on the scene in Central America, but that does not mean that the person could not appear. But I think the lack of confidence in elected institutions and the lack of confidence, the popular concern about corruption, are warning signs that the U.S., as well as the leaders in this country, should take into consideration.

Thank you.

Mr. SIRES. Thank you.

Mr. Jones.

Mr. JONES. Yes. Thank you, Mr. Chairman. I think, first, we are very concerned about the loss of human life due to removing foreign assistance for security issues. And, second, what gets us at the table with the governments is the humanitarian aid and development assistance. And as we take that off the table, the government is only left with taking away the carrots and we leave them with only sticks. And when that has happened in the history of Central America, that has been a recipe for repression and increased violence.

Mr. SIRES. Thank you.

Mr. Yoho.

Mr. YOHO. Thank you, Mr. Chairman.

Thank you all for being here. Thank you for your testimony, and I hope you can help us paint—or not paint—yes, paint a different

direction on what we do, helping countries with our taxpayers' foreign aid.

We have given Central America over \$6 billion since 2007, and that money goes to good governance, rule of law, war on drugs, and it can go—you know, job development. It goes through all of these. We have MCC compacts we have done, USAID; they are there, and they have been there. It is not like they have been there for 5 years. We have been there for a long time.

And I hear from all of you that it is that people are leaving because it is a lack of rule of law, it is a lack—or it is the increase in corruption, it is the increase in crime that we have got to do more. What do we want to do more of? Things have got to change, and I am probably one of the dissenting people up here because I think there has to be a strong language going back to the leaders of those countries to say, "We are not going to put money back in here until you change what you are doing."

We had the president of El Salvador before he got sworn in, and I was the dissenting voice. You know, we have had the war on drugs since 1971. We have spent over a trillion dollars of the American taxpayers, and I will ask all of you, are we ahead on the war on drugs?

You know, you talk about Plan Colombia. There is a lot of celebration about that, but yet the country of Colombia today has over 500,000 acres of cocaine growing, and so we are going backward. And I know they have got a plan to reduce that, and I hope President Duque is successful because we want to do that and we helped work to make sure they did not get decertified by the Trump Administration. But strong signals need to go out.

I think what we have done is we have legitimized illegal narco-trafficking and have gone into different businesses, yet the Central American countries have now become the transit of cocaine coming out of Colombia. It is going through Mexico. Mexico drug cartels are controlling it, and the country of Mexico is producing over 70,000 acres of heroin.

And then we have heard the allegations of the past president of Mexico offering I think it was \$350 million to El Chapo to let him kind of roam free. And so we know the root of this. It is not a lack of money. It is not a lack of what you guys do because you are the boots on the ground and I applaud you for being there for 30 years trying to bring sanity to this. But it is, how do you hold these leaders accountable?

Morales, you know, threw out the U.N. because he did not want that much scrutiny. There will be a vacuum created, I agree, and China and/or Russia or Iran or, you know, Cuba has already got their influences in there, will have that. But what in the heck do we need to do different? And how can we get these people to say, "We are going to change"?

And I challenge the new president of El Salvador. What are you going to do different than your predecessors, so that they can look back and say, "This is the man that changed the direction of Central America in my country."

What do we need to do? Because the feel-good stuff that we have done over and over and over again, and by doing that there has

been a lot of tragedy and suffering, and we see these people coming across our southwest border; it is not enough.

I came up here to get rid of foreign aid, but I wound up passing the largest reform to foreign aid and boosted it, so that we could move countries from aid to trade quicker. Where can we work in Latin America or Central America to make a regional difference that shows the rest of those people around them that is what I want, and that is what I want to hear from you.

We will start with, Mr. Gonzalez, you are ready.

Mr. GONZALEZ. Congressman, thank you for the question. I think I would start by saying that the provision of foreign assistance, while completely insufficient, as you mentioned, to transforming the situation on the ground, I would argue that the provision of foreign assistance is not a blank check to these countries.

In fact, we provide foreign assistance to advance our own national interests, and an example I would give you, sir, is that we increased the size of anti-gang units that collaborate with the FBI, and in 2015 that led to a massive arrest of MS-13 gang members, both in El Salvador and in Charlotte, North Carolina. That is a direct impact.

And outside experts have evaluated USAID programs in El Salvador and demonstrated that the drop in violence led to a drop in migration. So it does take time, and it is frustrating, but I would say it is because no amount of money makes a bit of difference if you do not have partners that are rising to the crisis at hand.

Mr. YOHO. Exactly.

Mr. GONZALEZ. And so I would say some specific recommendations, number 1 is demand that these leaders take immediate steps on short-term and long-term reforms that——

Mr. YOHO. Can I put you on pause for a minute?

Mr. Chairman, I am out of time. Do you have time to have him answer?

Mr. SIRE. Absolutely.

Mr. YOHO. Thank you.

Go ahead.

Mr. GONZALEZ. Thank you, sir. So demanding very clear and measurable action items on the part of these regional leaders that will demonstrate to U.S. taxpayers that it is worth the cost. In Guatemala, the effective tax rate is one of the lowest in the hemisphere because the private sector benefits from the export of migrants that send remittances back home.

Now, specific recommendations for——

Mr. YOHO. Well, we did not bring up our policies. Our failed policies on immigration is also a magnet that makes this situation worse. And I do not mean to get you off track.

Mr. GONZALEZ. No. I agree, sir, and I would say just a couple of very specific perhaps technocratic recommendations. Number 1 is you need to get the private sector involved. When I was in government, we started to do that.

Mr. YOHO. Private sector where?

Mr. GONZALEZ. In the region and in the U.S., because often there is a lack of open competition for U.S. companies to compete in the region, but also these are governments that have for generations——

the private sectors have fought against some of these reforms that would have prevented migration.

So finding a way to provide incentives, I think the Build Act that was passed on a bipartisan basis that creates the USDFC, the Development Finance Corporation, is a good tool to create opportunities for U.S. business to get involved in large-scale and smaller scale projects.

But, very specifically, I would say maybe two things that I think Congress can do. Number 1 is one of the things we toyed with but never moved forward with: a proposal of creating a regional account. When Plan Colombia was first started, there was what is called the Andean Counterdrug Initiative.

Most of that money went to Colombia, but it is a flexible way to actually be able to move the money in Central America, so that you are rewarding those countries that are taking the measures that they need to take. And that money can be either security or development assistance. So it is a very effective tool that we used during Plan Colombia.

And then the second, I would say, is one of the most difficult challenges we had was that the delivery of foreign assistance is a very slow mechanism. Part of that is how the State Department manages the appropriation, and part of it is the negotiation with the Hill. And I think there is a way to resolve this without reducing the oversight role of Congress and expediting the delivery of funds to Central America.

Mr. YOHO. Thank you.

Mr. ROONEY. If I might, sir, thank you for that question. I certainly agree that ensuring that we have political buy-in and political support is the most challenging thing, and in general U.S. assistance carries out U.S. priorities, and matching those with internal priorities and collecting the kind of political support you need internally is a challenge.

My own view is that I think the most powerful tool that we have is the Central America Free Trade Agreement, which was structured not just to open the U.S. market to Central American products and open Central American markets to U.S. products, but to encourage the Central Americans to integrate among themselves and to open Guatemalan markets to products from other Central American countries, and so on.

And so to the extent that our assistance can be modulated to ensure full implementation of CAFTA, which requires the buy-in of the Central American business community, as Mr. Gonzalez says, those are interests that have not always been in favor of increased economic openness and economic policy reform in the region, because they have a comfortable situation where they are.

That is, I think, a very powerful tool that we do not make enough use of. And the ability to encourage regional integration, both on the political level and on the economic level, I think would also be useful. The idea, for example, that the Millennium Challenge Corporation might be able to make a regional grant as opposed to bilateral grants, correct, yes.

So that is an important opportunity to encourage that regional economic integration. At the end of the day, the region is ultimately only going to thrive as a combined region of whatever it is,

35 million people, rather than a collection of small markets. Foreign investors, in general, are not going to be attracted to the Salvadoran market, although they may be attracted to the Central American market as a whole.

So those things I think, you know, after CAFTA was signed and implemented, there was a burst of activity by the U.S. Government to try to carry out programs that would encourage the business communities to get ready and encourage the governments to pursue that economic integration. I think that has tapered off to a certain extent, and that I think is a tool that we have.

It is more powerful than any attraction that any of our competitors in the region might offer. The proximity of our market, size of our market, the commercial and ethnic and social ties that already exist make it an extremely attractive market, and I think that tool is underutilized.

Mr. SIRE. Do you want to add—do you want to answer that?

Mr. JONES. I would like to add something.

Mr. SIRE. I will give him another 20 minutes. Go ahead.

Mr. JONES. We work with over 300 small and medium-sized businesses that hire the young people who are graduates from our programs. They get almost no incentives to do so. Providing incentives to small and medium-sized businesses to hire young people helps to stem immigration and foster development.

We work with over 1,500 coffee growers in Honduras, and by supporting them to negotiate—improve the quality and negotiate the price, they got 15 cents more per pound and earned over \$900,000 selling coffee into the United States. Improving the ties and the trade between the coffee producers and buyers in the United States—needs to be incentivized here in the U.S. and supported.

And I think one of the things that we are talking to as well is OPIC is talking about investing in one of our projects that expands a trust fund and loans to rural communities to expand water services to people. They are paying for those services, and they are repaying the loans. And OPIC investing represents a public-private partnership that I think is the essential way for development to move forward.

Mr. MCFARLAND. If I may, Mr. Congressman, I agree. The assistance has been effective. However, it has not been enough to get the lasting, sustainable change that is the U.S.'s objective. Why is that?

I would argue that the assistance probably isn't large enough to try to do that, but the key factor—the key factor is not the size of the assistance. The key factor are the counterparts that we have to work with in these countries. And we have a mix there. There are some very good people, and there are people of vision in all sectors.

But, by and large, there is not a critical mass. We do not have enough people—we do not have enough counterparts there who are willing to identify the changes that have to be made so that Central America is less violent, less inclined to migrate, and a more prosperous partner.

How do we get there? How do we get there? I remember in Guatemala 9 years ago, I attended a meeting with then-ex-president

Uribe of Colombia who explained to the private sector how it was that they did Plan Colombia. And one of the things he mentioned—I was there because I have friends in the private sector—One of the things he mentioned, well, the private sector in Colombia decided it would pay additional taxes in order to fight the war, and at that point he lost them. They were not interested in increasing taxes.

So you will have some elites who the incentives we offer are not enough for them to change. I would say, going back to our time in the region in the 1980's, sometimes you have to be tough. Sometimes you have to hold people accountable. Sometimes you have to use sanctions. It should be careful. It should be legal. But sometimes you have to press people where they hurt and induce them to change.

Thank you, sir.

Mr. SIRE. Well, you know, one of the countries that I do not know what happened to it is Nicaragua. It seemed that Nicaragua was moving forward. And as my colleague Mr. Rooney said, he does not know what happened, but there seems to be a turnaround in Daniel Ortega. He has now become the Somoza of Nicaragua, someone who he fought against.

And to me, when I look at that, I said how can the people of Nicaragua not be disenchanted, not be depressed, not be without hope, when they see someone who originally was fighting for them, got voted out of office, came back, and turned out to be a real creep.

So I am concerned about these other countries that are going to wind up in the same way. I am concerned I keep hearing now that in Guatemala they are growing a lot of coca. That is very disturbing to me. In Honduras, obviously, they are also doing the same thing.

So are we losing this battle? You know, I mean, the president has been given money, but are we losing this battle, even with the money?

Mr. GONZALEZ. I would say yes. I mean, right now we are. But I think it is—because if the United States is not—and, you know, I applaud the leadership of Congress that has filled the space here, but if the United States is not present at a very senior level, to put it directly to “knock heads” on key reforms, it is not going to happen.

That is plain and simple, and I think that, I am speculating that, you know, when you have a lack of institutions that ensure transparency, ensure that there is no corruption, and that you are providing services to the people that elected a government, you open a space for populous and charismatic leaders, like Chavez in his time, like Daniel Ortega in his time, to make promises, and then ultimately you end up with what you have today in Venezuela which is essentially a criminal regime.

And in Nicaragua, you have Daniel Ortega, who is taking advantage of the fact that everybody is focused on Venezuela to do horrible things, including having snipers shoot protesters because they can get away with it.

So I think we need to hedge against future Maduros and Chavez's—but I would argue as well that allowing the violence and poverty to fester, combined with what will be approximately 6 mil-

lion young Central Americans joining the work force over the next 10 years, is a recipe for disaster in terms of not just corruption but the presence of criminal organizations, or even worse, that this committee I think has held hearings on.

And so I do not want to be alarmist, but I do think that if we actually do not have functioning governments in Central America, there isn't, frankly, a wall big enough to keep those problems from our doorstep.

Mr. SIRES. Mr. Rooney.

Mr. ROONEY. I would also add, if I might, sir, that the situation has grown more acute in the sense that back in the day the United States could engage or disengage with the region. The problems were what they were, but there was no particular alternative out there at moments when the United States disengaged to make things worse.

Under the current circumstances, we have extra regional actors who are happy to fill the void, and happy to actually facilitate and encourage the kinds of developments that cause us concern. That means that we do not get a do-over, but that the situation could get away from us if we turn away and stay turned away for too long.

So I do think that that is a new factor that we should keep in mind as we make policy toward the region.

Mr. SIRES. Ambassador, what do you think?

Mr. MCFARLAND. Mr. Chairman, I believe the U.S. has definitely lost ground. I would not say that we have lost this war. I think we are still in it, but we have definitely lost ground in the last 12 months, the last 18 months.

I think I share your concern about Nicaragua, and I was actually a desk officer back in the early 1980's when the Sandinista regime had just taken over. And it is just bizarre to see how Daniel Ortega has in fact, as you say, become a repeat of Somoza.

One of the reasons he did that, though, was that he was able to persuade the Nicaraguan private sector and their party to enter a deal with them where a minority party like the Sandinistas could in fact occupy a majority of power. And so there is that kind of short-sighted dealing by political and economic elites is one thing that we have to watch out for.

Mr. SIRES. Thank you.

Ranking Member.

Mr. ROONEY OF FLORIDA. Thank you, Mr. Chairman.

I would like to just continue that just a tad bit. I have got another question, too, but my understanding is that in Nicaragua you have a very low requirement for getting elected, best way to put it, like 30, 35 percent. That was part of the thing that we—in the Bush Administration we worked against with Ortega, too, came up in 2007.

And I have got a lot of friends and partners down there, and they have given me statistics last year about the low immigration, the low unemployment, the lowering drug use. I mean, the place was going very well, and all of a sudden, wham, this guy just flips on a dime.

Is there any—that is what the chairman and I were talking about the other day. How can anybody explain how he made that flipflop so abruptly? Ambassadors always have the answers, so—

Mr. SIRES. Do not answer all at once. Just one.

Mr. MCFARLAND. Mr. Ranking Member, I confess I do not have a good answer for that. I think part of it comes down to personalities. Chavez was a fluke, but a very powerful one. Ortega, and particularly Ortega as influenced by his wife, has somehow become the mirror image of the person he sought to overthrow. How that happens I do not know.

What can the U.S. do about it? I think the U.S.—I think it is appropriate for the U.S. Government to be sanctioning people as hard as they can, and perhaps try to work harder with the neighboring countries to see what they can do.

Mr. GONZALEZ. If I may, Congressman. So I was actually in—as part of the electoral observation mission that observed the 2006 elections in Nicaragua—and previous to that Ortega always made it through the first round. But because the requirement to win was lowered, he was able to actually win.

Mr. ROONEY OF FLORIDA. But there was a third candidate in there, too.

Mr. GONZALEZ. That is correct.

Mr. ROONEY OF FLORIDA. We tried to get that guy out of there, and he would not quit.

Mr. GONZALEZ. It would be—once they went to second round, it was everybody but Ortega that they would vote for. Then he changed the constitution to allow him to run for office, and that has allowed him to endure. So you have there, number 1, is something that happens throughout Latin America, which is leaders—political leaders who change the rules in order to stay in power. And that is true of people that we love to work with and people that we do not like to work with.

Mr. ROONEY OF FLORIDA. Right.

Mr. GONZALEZ. But I have got to tell you, I think Ortega revealed his stripes, but that was always part of the plan. And the plan was to maintain a dynasty of power in Nicaragua. I think once he leaves, he is going to want his wife to stay, he is going to want his family to stay in power, and he is going to continue to change the rules of the game so that he can do that.

And I have got to single out an initiative from the House actually, the NICA Act, that said that the United States should vote against multilateral development bank loans that went to the government until they changed. I think that is real leadership, and I think it caught the attention of the private sector. And those sorts of initiatives I think are examples to be modeled in other parts of Central America.

Mr. ROONEY OF FLORIDA. Can I ask one more? One quick one. Several of you have mentioned the role that the local elites and local large family companies in those countries have played in dealing with taxes and things like that. I wonder if you have any information on how they have stymied competition and have made it difficult or disincentivized American companies from going to work there. I have got a little firsthand experience in some of that, so I am asking.

Mr. GONZALEZ. So two things very briefly, sir. First, when as part of the Peace Accord in Guatemala it called for actually increasing taxes, the private sector sued and successfully won. So they have used litigation.

But then there is another statistic that when I was in government we did an internal study and found that in Guatemala in particular roughly 30 percent of private sector contracts fell through because of corruption. That is a big number. And when you are a U.S. company and you see that, maybe you do not expose yourself to that level of corruption, but, you have to ask yourself, why aren't U.S. companies involved in the infrastructure space or active in energy integration in Central America?

And I would say that the first reason is that these countries do not work on a regional basis, so the market is not as large. And the second one is corruption. People aren't willing to take the risk.

Mr. ROONEY OF FLORIDA. Yes. We have done construction work all over that area, and our motto is never contract with the government. If it is a government agency, stay away; only private people.

Thank you, Mr. Chairman.

Mr. SIRE. Mr. Vargas.

Mr. VARGAS. Thank you very much, Mr. Chairman and Ranking Member for holding this hearing. Again, I thank the witnesses for being here.

I do want to followup a little bit on Nicaragua, in particular Father Jose Alberto Idiaquez, who is the Jesuit rector of the UCA, the Universidad Centroamericana Simeon Canas. The church there has been denouncing the violence, as you know, and I know that his life a couple times was threatened. And I wanted you to respond, if you could, at the level of threat that a number of these church officials have and what the danger is to them and what we can do to help.

I do not know who wants to handle that. Mr. Jones, why don't you go ahead and give it a shot first.

Mr. JONES. OK. I do think we know of—I know personally of at least 10 different clergy, religious men and women, who have been threatened in Nicaragua. I think what we need to do to support them is that they have access to moving to other countries similar to what the church did in Colombia for decades, to be able to move people who are threatened, to provide them asylum, to protect them, as well as to assist the people who are working in Nicaragua.

Mr. VARGAS. If I can interrupt you for a second, though. I was in El Salvador as a Jesuit back in the 1980's, and most of the priests do not want to leave. That is the whole point. I mean, it is their communities, it is the people, you know, who they administered to as Jesuit priests and as other priests. They do not want to leave.

So what can we do in the sense of keeping them there in the country and providing some sort of safety, some sort of help to these people? Because they actually do not want to leave. I mean, there are some priests that may want to leave and should leave because the danger is so high. But most of them do not. Most of them want to stay with their flock, as they say.

Mr. JONES. Yes. I think in that regard recognizing them and supporting them in the work that they do and recognizing that pub-

licly can provide a certain level of recognition and respect in that we are watching these particular individuals and following them, and that is publicly known. I think that can help to protect people.

I think also continuing to foster the dialogue, that the Catholic Church has been very much engaged in trying to bring things back to the dialogue and the table, and I think we need to continue to push for that in general in Nicaragua; continue to push for monitoring of human rights abuses and those people who have been imprisoned in Nicaragua needs to happen.

Mr. VARGAS. Anyone else want to take—yes, Ambassador McFarland, go ahead.

Mr. MCFARLAND. Yes, Congressman. I had the privilege of knowing two of the Jesuits who were killed.

Mr. VARGAS. Yes. I knew all of them. They were my superiors. They were at the UCA at the time. I was in Chalatenango, so I knew them all. Which ones did you know, just out of curiosity? Father Ignacio Ellacuria?

Mr. MCFARLAND. Father Ignacio Ellacuria and Father Segundo Montes.

Mr. VARGAS. Oh. Segundo Montes. He was my actual superior.

Mr. MCFARLAND. I am so sorry.

Mr. VARGAS. Yes.

Mr. MCFARLAND. I understand that priests do not want to leave their flock. So I think the first question is we need to ask whether the threat is sort of generalized or whether it is specific, and what we saw in El Salvador, and also in Guatemala, were specific, deliberate attacks. These are people well-loved by their people.

How to deter that? I think there are a couple of ways. I think it is possible, although I do not know how feasible it is, for the Catholic Church, for the Jesuit orders, to have people go with them, so that there are witnesses. And that has a slight deterrent effect. It might help. They are not armed, but they are there. They are witnesses.

And I think the other thing is the voice of the international community, the United States, the House of Representatives. This makes a difference. It can push off an attack. It can—"well, maybe we will go after somebody else, maybe we will do something else, but maybe we won't kill."

Mr. VARGAS. OK. Well, thank you. I hope that we do more, and we can do more, as a body. And, last, I would just like to comment that I think it is obvious that if we are not more engaged in Central America, their problems are going to get bigger. And us defunding some of the programs that we have I think is going the wrong way. And, as you all know, China is very interested in the area, and all of Central and South America. So I think we need to be engaged, and I hope we get more engaged, not disengaged.

And I also happen to represent San Diego. I represent the entire California/Mexico border, and the migration coming up from people of course that is escaping violence and poverty continues to grow. So I, again, hope that we do not disengage. I hope we continue to engage.

I know my time is almost up. But, again, I want to thank all of you for being here, and I hope that we remain very vigilant in Nicaragua, especially when it comes to the Catholic Church. Last

time, in El Salvador, the military took it upon themselves to go into the UCA and murder all the priests there because they had the opportunity. I hope that opportunity does not come up in Nicaragua, that we are more vigilant.

Thank you.

Mr. SIRE. Thank you, Congressman.

I thank you all for being here today for this important hearing. I am deeply concerned about the Administration's assistance cuts. I look forward to continuing to work with my colleagues on a bipartisan basis to push back against this illogical approach and return to a policy that advances the shared interests of the United States and the people of Guatemala, El Salvador, and Honduras.

I thank the witnesses and other members for being here today. With that, the committee is adjourned.

[Whereupon, at 3:21 p.m., the subcommittee was adjourned.]

APPENDIX

**SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128**

Subcommittee on the Western Hemisphere, Civilian Security, and Trade

Albio Sires (D-NJ), Chairman

September 25, 2019

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held by the Subcommittee on the Western Hemisphere, Civilian Security, and Trade in Room 2172 of the Rayburn House Office Building (and available live on the Committee website at <https://foreignaffairs.house.gov/>):

DATE: Wednesday, September 25, 2019

TIME: 2:00 pm

SUBJECT: Assessing the Impact of Cutting Foreign Assistance to Central America

WITNESS: The Honorable Stephen McFarland
(Former U.S. Ambassador to Guatemala)

Mr. Juan González
Associate Vice President
The Cohen Group
(Former Deputy Assistant Secretary of State for Western Hemisphere Affairs)

Mr. Rick Jones
Senior Technical Advisor for Latin America
Catholic Relief Services

Mr. Matthew Rooney
Managing Director
Bush Institute-SMU Economic Growth Initiative
The George W. Bush Institute

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON WESTERN HEMISPHERE, CIVILIAN SECURITY, AND TRADE HEARING

Day Wednesday Date September 25, 2019 Room 2172

Starting Time 2:00 pm Ending Time 3:21 pm

Recesses 0 (____ to ____) (____ to ____) (____ to ____) (____ to ____) (____ to ____) (____ to ____)

Presiding Member(s)

Chairman Albio Sires

Check all of the following that apply:

Open Session ☒

Electronically Recorded (taped) ☒

Executive (closed) Session ☐

Stenographic Record ☒

Televised ☒

TITLE OF HEARING:

Assessing the Impact of Cutting Foreign Assistance to Central America

SUBCOMMITTEE MEMBERS PRESENT:

See attendance sheet (attached).

NON-SUBCOMMITTEE MEMBERS PRESENT: (Mark with an * if they are not members of full committee.)

HEARING WITNESSES: Same as meeting notice attached? Yes ☒ No ☐

(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: (List any statements submitted for the record.)

QFRs from Rep. Michael Guest (attached).

TIME SCHEDULED TO RECONVENE _____

or

TIME ADJOURNED 3:21

Ricardo Montoya
Subcommittee Staff Associate

HOUSE COMMITTEE ON FOREIGN AFFAIRS
WHEM SUBCOMMITTEE HEARING

<i>PRESENT</i>	<i>MEMBER</i>
X	Albio Sires, NJ
	Gregory W. Meeks, NY
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X	Dean Phillips, MN
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	Vicente González, TX
X	Juan Vargas, CA

<i>PRESENT</i>	<i>MEMBER</i>
X	Francis Rooney, FL
	Christopher Smith, NJ
X	Ted Yoho, FL
X	John Curtis, UT
X	Ken Buck, CO
	Michael Guest, MS

OPENING STATEMENT OF CHAIRMAN SIRES

House Committee on Foreign Affairs
Western Hemisphere Subcommittee

Chairman Albio Sires (D-NJ)

Opening Statement –
“Assessing the Impact of Cutting Foreign Assistance to Central America”
Wednesday, September 25, 2019

- Good Morning everyone and thank you to our witnesses for being here today.
- I convened this hearing to examine the damage caused by President Trump’s decision in March to cut over 400 million dollars in U.S. assistance to the Northern Triangle.
- The Trump Administration did not consult Congress before deciding to cut these funds.
- Moreover, administration officials have openly acknowledged that they did not even assess the effectiveness of our assistance programs or the impact of these programs on migration flows to the United States before reaching their decision.
- In other words, the administration displayed an astonishing level of contempt for Congress and a blatant disregard for the will of the American people.
- I think I speak for many of my colleagues in saying that this is not how the United States should conduct our foreign policy.
- In my visits to the region, I have seen firsthand the impact of our programs on the ground.
- The U.S. Strategy for Central America was designed to improve quality of life in Honduras, El Salvador, and Guatemala, in order to address the root causes of migration.
- The strategy enabled important progress in a short period of time.
- Our assistance helped reduce homicide rates in El Salvador by more than 50 percent in the municipalities where U-S-A-I-D operated.
- In Guatemala, U-S-A-I-D helped create over seventy-eight thousand new jobs in the Western Highlands and Peten Departments alone.
- In Honduras, U-S-A-I-D programs helped lift ninety thousand people out of extreme poverty.
- There are certainly areas where our strategy could be improved upon and I would welcome an honest conversation about ways the U.S. could better advance our objectives in the region.
- However, arbitrarily cutting assistance to the region is absolutely the wrong approach.

- I strongly oppose President Trump's decision to cut funding for these programs.
- I commend my colleagues on both sides of the aisle who have spoken out against this illogical decision, which directly undermines U.S. interests.
- I represent a district that is nearly two-thirds Latino and many of my constituents are first-generation and second-generation immigrants from Central America.
- I repeatedly hear from my constituents that they did not want to leave their home countries and leave behind family members; they migrated as a last resort.
- The Trump Administration seems to believe that we can stop migration by eliminating the right to seek asylum and coercing governments in the region into stopping people from leaving their countries at all.
- The administration clearly does not understand the level of desperation felt by those who make the dangerous journey north.
- Criminalizing desperation will only make conditions more precarious for those who have decided that leaving home is their only option.
- I believe that the U.S. must instead work as a partner to help create conditions whereby Hondurans, Guatemalans, and Salvadorans can see a future in their home countries.
- I was proud to be an original cosponsor of the Northern Triangle Enhanced Engagement Act, led by Chairman Engel and Ranking Member McCaul, which passed the House in July, and I urge my Senate colleagues to urgently pass this bill.
- I also thank my friend Congressman Yoho of Florida for working with me on a resolution that highlighted the importance of continuing our engagement with the Northern Triangle.
- I appreciate the efforts of Ranking Member Rooney who worked with me, along with Chairman Engel and Ranking Member McCaul, on a letter we sent to President Juan Orlando Hernandez of Honduras urging him to extend the mandate of the Mission to Combat Corruption and Impunity in Honduras.

- There is tremendous bipartisan agreement within Congress that we must engage with the Northern Triangle countries in order to enhance security and prosperity and combat corruption.
- I hope we can continue to work together on a bipartisan basis to ensure our policy toward the region advances U.S. interests and truly addresses the root causes of migration.
- Thank you and I now turn to Ranking Member Rooney for his opening statement.

RESPONSES TO QUESTIONS SUBMITTED FOR THE RECORD

Questions for the Record from Representative Michael Guest
Assessing the Impact of Cutting Foreign Assistance to Central America
Wednesday, September 25, 2019

For the Honorable Stephen McFarland:

The Northern Triangle has long suffered from systemic corruption within its countries' governments since they have moved from autocratic rule and attempted to move towards democracy. As these countries transitioned to democracies throughout the 1990s and 2000s, the approach of US foreign policy was to encourage trade and free market economic principles with these countries. As we have seen, the corruption of the government and their economic systems have led to our moving away from that approach and, instead, focusing on eradicating poverty and encouraging domestic economic growth. These countries may be hard-pressed to build up their economies from the inside, especially as the emphasis on narco-trafficking and smuggling have become larger and more lucrative.

1. How does the systemic corruption of these countries discourage direct foreign investment and trade partnerships; specifically, how did this approach fail in previous administrations?
2. Now that we have created a system more reliant on foreign assistance, how do we leverage that assistance to help garner future trade relationships and direct foreign investment?

Answer:

The U.S. has long supported economic development and humanitarian assistance to the countries of the Northern Triangle. During the administration of President George W. Bush, the U.S. proposed and negotiated the Central American Free Trade Agreement (CAFTA); separately, the U.S. reoriented its development assistance in order to prioritize "value chain" work with the private sector in Central America to support small farmers, often near or below poverty lines, to grow higher value crops that could be exported to the U.S. These programs were successful, and they continued under the administrations of President Obama and President Trump (at least until

the 2019 assistance cut-off; while some of the assistance has been restored, it is unclear which programs will be continued).

It is difficult to quantify how much direct foreign investment the countries of the Northern Triangle have foregone due to foreign companies' concerns about corruption: excessive costs, unclear rules of the game, and the reputational cost and risk to multinationals that operate under their home countries' anti-corruption laws all play a role. In addition, foreign investors must factor in additional security costs, due to gangs and narcotics traffickers, and the fact that the Northern Triangle countries represent relatively small markets for direct foreign investment. While these countries' economies have grown in recent years, the middle class (and its potential consumers) remains small, and a significant portion of the population remains below the poverty line. Finally, the widespread protests in Latin America in the last month, including in countries that have stronger public administrations than those in the Northern Triangle, underscore that countries' citizens can react sharply to government policies that they perceive are unjust or unfair; this is a vulnerability in the countries of the Northern Triangle, and it may well have repercussions on foreign investors' decisions.

The U.S. has a close economic, social, and political relationship with the Northern Triangle countries. A significant element in the Northern Triangle countries' economies is the role of foreign remittances from migrants. In Guatemala, for example, in 2019 remittances are projected to reach \$10 billion, whereas USAID assistance in 2018 was \$111 million. The U.S. could leverage that relationship to support host country institutions, private sectors, and civil society groups that promote the practices that would motivate greater foreign investment and foreign trade. These practices would include significantly greater transparency, accountability, anti-corruption, and anti-organized crime efforts; improved security; and better infrastructure. To achieve these would require governments with both larger tax revenues and more stringent government transparency and accountability. This in turn would probably require the U.S. to weigh much greater use of sanctions under the Global Magnitsky Act.

For Mr. Juan Gonzalez:

The Northern Triangle has long suffered from systemic corruption within its countries' governments since they have moved from autocratic rule and attempted to move towards

democracy. As these countries transitioned to democracies throughout the 1990s and 2000s, the approach of US foreign policy was to encourage trade and free market economic principles with these countries. As we have seen, the corruption of the government and their economic systems have led to our moving away from that approach and, instead, focusing on eradicating poverty and encouraging domestic economic growth. These countries may be hard-pressed to build up their economies from the inside, especially as the emphasis on narco-trafficking and smuggling have become larger and more lucrative.

3. How does the systemic corruption of these countries discourage direct foreign investment and trade partnerships; specifically, how did this approach fail in previous administrations?
4. Now that we have created a system more reliant on foreign assistance, how do we leverage that assistance to help garner future trade relationships and direct foreign investment?

Answer

With a few notable exceptions, the countries of the Western Hemisphere have embraced democracy and markets as the means for development. Indeed, it is the only region in the world where this is the case and it is due thanks in large part to the longstanding bipartisan consensus in the U.S. foreign policy toward Latin America and the Caribbean by successive Democratic and Republican administrations. Unfortunately, corruption too has long plagued the region well before its transition to democracy due to weak institutions, the presence of criminal groups, rampant impunity, and the absence of campaign finance laws to keep criminal money out of politics. The estimated annual cost of corruption in countries like Mexico range as high as 10% of GDP.

Throughout the region but especially in Central America, corruption serves as a deterrence for foreign investors. Because U.S. companies maintain a high ethical standard, they are at a particular disadvantage relative to companies from other parts of the world, like China, with a well-known reputation for bribery.

Trade is a part of the solution to corruption. The U.S.-Dominican Republic-Free Trade Agreement (CAFTA-DR) leveled the playing field for U.S. companies by establishing rules for competition, fair and transparent procurement procedures, intellectual property rights, cross-border trade in services, and a whole host of other areas. CAFTA-DR also provided for enforcement mechanisms to ensure that signatories would abide by the agreement. One such example is the September 2014 labor enforcement case by the United States against Guatemala. The agreement's procurement provisions also required governments to establish debarment procedures to disqualify suppliers that engage in fraudulent or illegal activities.

But trade alone is not enough against corruption, and it is vital for the United States and its partners to leverage diplomatic muscle to combat corruption and invest foreign assistance funds in strengthening rule of law institutions, promoting transparent government, and pressing for important reforms. On the diplomatic side, the work of U.S. Ambassador to Guatemala Todd Robinson, who served during 2014-2017, is a testament to how career foreign service officers advance U.S. national security interests by pressing for concrete results in the fight against corruption. On the assistance side, the June 2018 arrest of 90 MS-13 gang members in Gulfport, Mississippi was the product of coordination by Gulfport Police Narcotics Division, U.S. Marshals, Homeland Security Investigators, and others. The work of Homeland Security Investigators abroad is funded primarily by foreign assistance funds.

Ultimately, trade and foreign assistance go hand in hand in advancing U.S. national security interests and serve as important complements in the fight against corruption and organized crime. Foreign assistance is a necessary tool but on its own is wholly insufficient without active diplomacy and the involvement of the respective U.S. and Central American private sectors.

For Mr. Matthew Rooney:

The Northern Triangle has long suffered from systemic corruption within its countries' governments since they have moved from autocratic rule and attempted to move towards democracy. As these countries transitioned to democracies throughout the 1990s and 2000s, the

approach of US foreign policy was to encourage trade and free market economic principles with these countries. As we have seen, the corruption of the government and their economic systems have led to our moving away from that approach and, instead, focusing on eradicating poverty and encouraging domestic economic growth. These countries may be hard-pressed to build up their economies from the inside, especially as the emphasis on narco-trafficking and smuggling have become larger and more lucrative.

1. How does the systemic corruption of these countries discourage direct foreign investment and trade partnerships; specifically, how did this approach fail in previous administrations?

Answer:

From the point of view of a potential foreign investor, corruption discourages investment by creating uncertainty and raising the cost of doing business in that market. There are two main way this occurs. First, corruption erodes the integrity of permitting and related procedures, as firms who refuse to engage in corruption to expedite permits must wait an indeterminate time for otherwise routine paperwork – if it is possible to secure permits without illicit payments at all. Second, corruption raises the cost of a going concern due to compliance with anti-corruption and anti-money laundering law and regulation. Compliance costs exist even in markets where corruption is not a problem, of course, but the cost is much higher when corruption is rampant as the investor must be careful not to unwittingly run afoul of anti-corruption laws. This is particularly costly for an investor operating a complex business like a bank, a telecommunications company or a power generator, with hundreds of employees and numerous local business relationships with suppliers and customers.

Experience suggests that the free-trade approach has not failed outright, but it has produced disappointing results due in large measure to corruption. In El Salvador, for example, the initial market reforms following the civil conflict in the early 1990s attracted a number of large U.S. and other foreign investors in the financial, communications, and energy sectors, in addition to maquila operators under the Caribbean Basin Initiative. Many of these are still operating successfully, mainly because they have been patient and built political support by demonstrating the benefits of their activities for Salvadoran society. In a corrupt operating environment, this is generally the only way to be successful while avoiding corrupt practices. However, in the past

decade, no meaningful new investments have been made by U.S. companies, driven mostly by the risk and increased cost of doing business in this corrupt environment.

2. Now that we have created a system more reliant on foreign assistance, how do we leverage that assistance to help garner future trade relationships and direct foreign investment?

Answer:

One of the primary goals of U.S. foreign assistance is to help receiving countries become more self-reliant through sustainable economic growth. To help accomplish that, foreign assistance should include support for free trade, including with the U.S., and the creation of a legal and economic environment that is welcoming to foreign direct investment.

Many existing aid programs already do this. Specifically, the Millennium Challenge Corporation (MCC) targets investments in countries that participate in the African Growth and Opportunity Act (AGOA) for trade-related infrastructure and improving productivity of exporting businesses and industries. The MCC also makes investments to fight corruption and increase governmental transparency, two key reforms for countries looking to increase foreign direct investment in their economies.

The Bush Institute's Central American Prosperity Project's policy recommendations for the Northern Triangle outline strategies that can promote these same goals. Our digital strategy for the Northern Triangle is a narrow recommendation that we believe will have broad impacts by complementing the U.S. foreign assistance investments that already exist to fight corruption, increasing transparency, and promoting an economic environment attractive to trade and FDI.

Additional Questions for Mr. Matthew Rooney:

Most, if not all, of the foreign assistance in the Northern Triangle is not given to the governments, a testament to the corruption I alluded to earlier. Instead, we direct aid to civil society groups, US agencies, development contractors, and non-profits.

1. Can you explain some of the reasons we have resisted giving the money directly to these governments?

Answer:

The U.S. does provide assistance to foreign governments, though it primarily takes the form of technical assistance and training. Concern about corruption is certainly one of the primary reasons we resist giving money directly to governments. We also believe that private and non-governmental groups can spend aid money more efficiently and effectively, in some cases, than governments can. Reducing corruption should remain a top priority for the U.S., which is why the Bush Institute proposes working with the Northern Triangle governments to implement the aforementioned digital strategy to reduce corruption and increase transparency. Small changes like that can not only have a broad impact, but they provide the Northern Triangle countries the opportunity to take the lead on reform.

2. And, how are we making sure that these local civil society groups are not subject to the same corruption as the governments?

Answer:

Contracts and grants generally include stringent reporting and auditing requirements, though this demands oversight resources and staff time from the contracting U.S. agency and the non-governmental organizations involved. Corruption in local civil society groups is an important concern. While most such groups are certainly transparent and sincere, it is important to be vigilant for the ones that are not. Some of these “groups” are in fact passion projects of one or a small number of people who, in many cases, make a living out of carrying out their “group’s” projects. For this reason, the oversight resources expended on reporting and auditing are money well spent.