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Begin Statement

Chairman Duncan, Ranking Member Sires, members of the distinguished subcommittee, and subcommittee staff, thank you for the opportunity to testify today.

**Overview**

There are many stories to tell about the Americas today and how U.S. policy options fit into those stories. Colombia has begun the difficult process of implementing its peace deal with the guerilla organization FARC, and has embarked on a separate peace deal with another, the ELN. The U.S. is significantly scaling up its assistance to Central America. The Venezuelan government is plumbing depths heretofore unseen, with the Venezuelan people bearing the consequences. Mexico is locked in a dance of political posturing with the Trump administration.

One narrative has the "pink tide" of leftist governments receding, largely in lock step with the fortunes of the Venezuelan government. Another sees voter behavior in the region more as a "throw the bums

out” sentiment, reacting like voters anywhere to the paucity of solutions provided by those governments. The result of the Ecuadoran election, in play right now, will add a new data point to this analysis. To be sure, the region’s social and economic problems are legion, and at least two external factors figure prominently in the region’s immediate future. The countries of the Americas sell commodities and China’s rapacious demand for them is ebbing as the process of urbanizing that country winds down. Then there is the price of oil. Venezuela is probably the most famous country in the region feeling the sting of low oil prices, but it is not the only one. But it is unique in that low oil prices have starkly put the lie to the sustainability of the policy answers the Maduro government is selling to his people.

The future lies in strengthening the rule of law and undergirding the institutions that protect it. Historically, neither the left nor the right in Latin America has shown itself to be terribly concerned with that. In this recent cycle, the populist left has shown that it cares little about political checks and balances, about press and speech freedom, about corruption. And they are exiting, or being forced to exit, the stage. We used to talk about the 1990s as the decade of democratic consolidation in the Americas. Apparently, our expectations were dramatically off. Consolidation takes much more time than we thought, and it is not a linear process. If the emerging political forces --- from the right or the left --- fail to provide answers, they will be forced out as well. This is as it should be.

Below I have chosen several issues and countries to highlight in this statement. It is by no means comprehensive, and I hope we can widen the discussion in the context of the hearing itself.

### The Trump Effect and Mexico

There is little doubt that the Trump presidency has shaken up this region as it has others. At this early stage, however, it is a waiting game in terms of actual policies. I do not believe it is useful to divine policy directions from snippets of statements, or from past actions of persons apparently tapped to be part of the Trump team.

That said, Mexico is already in the crossfire and has been since the campaign. Between the wall, immigration changes and trade, Mexico has had to marshal all of its considerable experience dealing with the US to weather the short term. I believe it will fall to Mexico to react in a way that mitigates the harm to the relationship. This will not be easy, as the Pena-Nieto government is already playing defense at home with historically low approval ratings. Even if this Mexican government were riding high, it has one more year left in office, and few good cards to play.

As of this writing, Homeland Security Secretary John F. Kelly and Secretary of State Rex W. Tillerson are in Mexico City. While they were still on the ground, President Trump spoke of his plan to increase deportations as a “military operation”. Students of U.S.-Mexican relations know that to mention our border with Mexico and the U.S. military in the same sentence is about as provocative a statement as anyone can make, let alone a US president. It pushes every negative button that exists in the Mexico-

U.S. history. We will have to wait to see if Secretary Kelly's attempts to walk that back are reassuring to Mexico and to our hemispheric neighbors.

It is difficult to predict where this will go. But one consequence is already revealing itself. The political left in Mexico is already benefitting significantly. Perpetual leftist presidential candidate Andrés Manuel López Obrador has seen his stock rise stratospherically, and he is the front-runner in next year's elections. Should he emerge as Mexico's President in 2018, expect a significant hardening of the rhetoric surrounding the relationship with the US. What hangs in the balance is the hard-won cooperation the US and Mexico have developed on drug trafficking, immigration, and security (both crime and terrorism) – to say nothing of the enormous trade relationship developed over decades with both Democratic and Republican U.S. administrations.

Mexico is our biggest purchaser of agricultural products, but it has other sources for those products, even in our own hemisphere. The U.S. has had a messy trade relationship with both Argentina and Brazil on agricultural products precisely because we sell similar things.

And perhaps most sobering, Mexico could simply choose to reconsider its cooperation on security, drugs and migration. It is difficult to overstate the negative impact on the U.S. if Mexico were to look the other way on Central American migrations flowing north, loosen its resolve on drugs coming into the US, or become less cooperative on terrorism intelligence sharing.

The relationship is quite simply at its lowest point in decades. And it could get worse.

### Venezuela

Venezuela remains the ulcerating sore of the region, with astonishing suffering being visited on the Venezuelan people by the Maduro government. The latter is authoritarian, incompetent and morally bankrupt, seeming to delight in political repression. It is also willing to accept degrees of suffering for its people that make negotiations very difficult indeed. It clearly has dismantled democracy in Venezuela. The paradox is that we have stopped being horrified by this because far more severe and urgent social ills have befallen the Venezuelan people, including appalling levels of poverty, scarcity and even starvation. Venezuela has an 82% poverty rate after the largest oil bonanza in the history of Venezuela, and 93% of Venezuelans state that they cannot afford to buy food that they need with their salary.

To date, several negotiation initiatives with Maduro have gone nowhere, and in fact ended up providing time and space for Maduro to regroup. The social and political situation is so catastrophic that two scenarios appear likely. Neither is good.

The first is a drawn out soft-landing, where Venezuelans continue their downward spiral of suffering and economic despair. It is difficult to imagine, but unfortunately the situation in Venezuela could get much worse. Oil prices are likely to remain stable, providing just enough breathing room for the government to eke out its own survival at the expense of all else, while it claims it is limping toward presidential elections in April, 2018 that may or may not be held.

The second is a hard-landing for the Maduro government. This would be calamitous and would likely include significant bloodshed. The Venezuelan military would certainly be involved. It would severely impact Venezuela's neighbors from a security perspective, and likely unleash a substantial refugee crisis. The international community has expended significant effort to ensure this does not happen, and Maduro and his cronies have used the latter to distract and survive.

What to do?

- I believe that any durable solution to these woes will ultimately fall to the Venezuelans themselves. The international community must accompany that process, but Venezuelans must lead it.
- It seems counterintuitive, but the Maduro government does care about its international reputation and standing. It is for this reason that Venezuela has dedicated so much blood and treasure ensuring the OAS does not formally impugn its government.
- The international community must speak with one voice in condemning Maduro's anti-democratic actions. Much diplomatic work needs to be done in the OAS to keep up that pressure. A sanction under the Democratic Charter is difficult but attainable.
- There are 108 political prisoners languishing in Maduro's jails. They must be a part of any negotiated solution.
- It is similarly counterintuitive that Venezuelan's would care about personal sanctions imposed by the US on individual members of the Maduro government. But they do. The Treasury Department's sanctions on Venezuela's vice president for drug trafficking was spot on. As long as they are well justified and transparently rolled out, those should continue.

What about the Trump administration?

There are things the U.S. should definitely NOT do, such as trying to openly attempt to hasten the demise of the Maduro government, or trying to rhetorically match Maduro's bristly public rhetoric. Both of these are counter-productive.

A note of caution here: Perhaps most critical, the US should not try to solve this alone. Helping Venezuelans overcome their political and economic nightmare will require the kind of needle-threading skills our State Department considers its stock in trade. But judging by the confusion and abrasiveness that have characterized current dealings with Mexico, the U.S. should not be seen as leading any Venezuela effort. There is already evidence that the Mexico-U.S. spat is playing in Maduro's favor, and he will exploit it as best he can. At the end of the day, the U.S. should be seen as advancing a policy that helps the Venezuelan people, rather than one that reacts to the increasingly unstable and reckless Venezuelan government.

The OAS

The OAS has historically been an important arrow in the quiver of US foreign policy. But that is less so today than at any time in the OAS's long history. Why?

Opinions about the OAS are usually strong, and often negative. We can probably all agree that the OAS does some things very well – mostly related to elections, special political missions and human rights— and that it does some things less well, such as development work.

We likely also agree that today the OAS is weak, institutionally as well as politically.

This weakness is not accidental. I would lay the blame squarely on an intentional campaign waged by Venezuela that began in the Hugo Chavez years and continues unabated today under Maduro. The effort to weaken the OAS on the part of Venezuela has been systematic, relentless, and ultimately --- and painfully--- successful.

Why and how has it done this? The why is clear: the Chavez government figured out early on that an organization which stands for democracy and the rule of law is a direct threat to its existence. The how has been multifaceted. It has seeded competing multilateral organizations, such as UNASUR and CELAC, which are ineffectual, toothless and of course exclude the U.S. and Canada. It has systematically steered the organization away from its democracy and human rights mission, and further into expensive work the OAS does poorly – such as development. It has intentionally larded the Organization with myriad, duplicative mandates it cannot possibly fulfill. It has used its petrodollars to rally votes. It has turned the OAS's Permanent Council into a place that is mostly and embarrassingly all talk and no action. It has stymied any efforts at meaningful reform of the OAS itself, trapping it in a downward spiral of under-performance. Finally, it has successfully disconnected the OAS from the most important and significant political and policy compass of the hemisphere: the Presidential Summit of the Americas process.

This, of course, begs an important question. Where has the US been as the region's premier venue to discuss and safeguard democracy and human rights has been whittled down to the point of ineffectiveness? Sadly, the answer is the US has been quite simply outmaneuvered by Venezuela. The US took far too long to figure out Venezuela's game, and has not devoted the resources to counter-act that effort.

The good news is the battle is not lost.

- It starts with a recognition that the OAS is worth saving. This is no easy feat, considering the impoverished state of the OAS's institutional credibility and capacity. But the US needs to see that by allowing the OAS to weaken, it has lost a valuable foreign policy asset.
- The US needs to openly rally its allies in the OAS to bolster the Organization's institutional foundations. This is boring but essential. The OAS is literally falling apart. The resource weaknesses of the OAS are structural. There is no penalty for countries who pay their dues late or not at all, and the OAS has no reserve fund to weather that resource volatility. As a result, in terms of resources, the OAS is always playing defense. After decades of a zero nominal growth budget, the OAS has shrunk itself into ineffectiveness. The US needs to commit resources and use the implementation of US Pub.L. 113-41, The Organization of American States

Revitalization and Reform Act of 2013, passed by among others, this subcommittee, as an opportunity to press for solutions to these problems.

- The OAS needs to spin out of the organization the tasks that weigh it down, primarily development work. The IDB and the World Bank do it better, and the OAS has no comparative advantage in this segment.
- The OAS should reconsider its governance structure. The Permanent Council is an operational board with absolutely no ability or expertise to manage. The member states should look to a non-operational role for the Permanent Council, perhaps by having it meet quarterly, and only to set policy guidance or as important hemispheric events require.
- The OAS's work should be directly tied to the Summit process, which should be its guiding light at the Presidential level.

What is clear is that the OAS cannot fix itself. There are too many spoilers, led by Venezuela, and the current eroded state of the Organization has called into question the very notion that it is worth saving. It is time for the U.S. to grasp this nettle.

The solution needs to come from outside the OAS. Here I believe this subcommittee could play a significant role. It could push for the development of recommendations on the issue with US and non-US NGOs, with an eye to suggesting solutions for the State Department to pitch to the subset of member states that understand the importance of the Organization's future. It should not be constrained by the OAS's founding documents, as these can and need to be updated.

It used to be said that if we were to close the OAS tomorrow, we would have to re-create it the next day. I no longer believe that is true. To leave things as they are is to watch the inevitable descent of the OAS into irrelevance and to countenance permanently shuttering its doors. This would be a grave defeat for the US.

### Conclusion

Latin America has changed dramatically in the past 15 years. It is less poor and more middle class than it has ever been. And it is searching for integration, both with its neighbors and with the rest of the world. This is, ultimately, a good news story. Despite the complexities, baggage and sometimes missteps in our relationship with the region historically, the countries of the Americas look to us for so many things. They have modelled their constitutional systems on ours, and they use the U.S. as a barometer for social and political change for their own societies. This is no less true regarding the state of U.S. democracy. Whatever happens to our democracy, including to our institutions and certainly to our freedoms, will likely be reflected and even amplified in the region as a whole. We have all heard that when the U.S. catches a cold, the region catches something far worse. As U.S. democracy is tested, the Americas will be watching closely.

Thank you.