

**ENHANCING BORDER SECURITY: ADDRESSING
CORRUPTION IN CENTRAL AMERICA**

HEARING
BEFORE THE
SUBCOMMITTEE ON
OVERSIGHT, MANAGEMENT,
AND ACCOUNTABILITY
OF THE
COMMITTEE ON HOMELAND SECURITY
HOUSE OF REPRESENTATIVES
ONE HUNDRED SEVENTEENTH CONGRESS

FIRST SESSION

JUNE 11, 2021

Serial No. 117-17

Printed for the use of the Committee on Homeland Security



Available via the World Wide Web: <http://www.govinfo.gov>

U.S. GOVERNMENT PUBLISHING OFFICE

45-212 PDF

WASHINGTON : 2021

COMMITTEE ON HOMELAND SECURITY

BENNIE G. THOMPSON, Mississippi, *Chairman*

SHEILA JACKSON LEE, Texas	JOHN KATKO, New York
JAMES R. LANGEVIN, Rhode Island	MICHAEL T. McCAUL, Texas
DONALD M. PAYNE, JR., New Jersey	CLAY HIGGINS, Louisiana
J. LUIS CORREA, California	MICHAEL GUEST, Mississippi
ELISSA SLOTKIN, Michigan	DAN BISHOP, North Carolina
EMANUEL CLEAVER, Missouri	JEFFERSON VAN DREW, New Jersey
AL GREEN, Texas	RALPH NORMAN, South Carolina
YVETTE D. CLARKE, New York	MARIANNETTE MILLER-MEEKS, Iowa
ERIC SWALWELL, California	DIANA HARSHBARGER, Tennessee
DINA TITUS, Nevada	ANDREW S. CLYDE, Georgia
BONNIE WATSON COLEMAN, New Jersey	CARLOS A. GIMENEZ, Florida
KATHLEEN M. RICE, New York	JAKE LATURNER, Kansas
VAL BUTLER DEMINGS, Florida	PETER MELJER, Michigan
NANETTE DIAZ BARRAGÁN, California	KAT CAMMACK, Florida
JOSH GOTTHEIMER, New Jersey	AUGUST PFLUGER, Texas
ELAINE G. LURIA, Virginia	ANDREW R. GARBARINO, New York
TOM MALINOWSKI, New Jersey	
RITCHIE TORRES, New York	

HOPE GOINS, *Staff Director*

DANIEL KROESE, *Minority Staff Director*

NATALIE NIXON, *Clerk*

SUBCOMMITTEE ON OVERSIGHT, MANAGEMENT, AND ACCOUNTABILITY

J. LUIS CORREA, California, *Chairman*

DINA TITUS, Nevada	PETER MELJER, Michigan, <i>Ranking Member</i>
DONALD M. PAYNE, JR., New Jersey	DAN BISHOP, North Carolina
RITCHIE TORRES, New York	DIANA HARSHBARGER, Tennessee
BENNIE G. THOMPSON, Mississippi (<i>ex officio</i>)	JOHN KATKO, New York (<i>ex officio</i>)

LISA CANINI, *Subcommittee Staff Director*

ERIC HEIGHBERGER, *Minority Subcommittee Staff Director*

GEREMIAH LOFTON, *Subcommittee Clerk*

CONTENTS

	Page
STATEMENTS	
The Honorable J. Luis Correa, a Representative in Congress From the State of California, and Chairman, Subcommittee on Oversight, Management, and Accountability:	
Oral Statement	1
Prepared Statement	2
The Honorable Peter Meijer, a Representative in Congress From the State of Michigan, and Ranking Member, Subcommittee on Oversight, Management, and Accountability:	
Oral Statement	3
Prepared Statement	5
The Honorable Bennie G. Thompson, a Representative in Congress From the State of Mississippi, and Chairman, Committee on Homeland Security:	
Prepared Statement	7
WITNESSES	
Ms. Shannon O'Neil, Vice President, Deputy Director of Studies, Nelson and David Rockefeller Senior Fellow for Latin America Studies, Council on Foreign Relations:	
Oral Statement	8
Prepared Statement	9
Mr. J. Welby Leaman, Senior Director, Global Government & Multilateral Affairs, Walmart, Inc.:	
Oral Statement	12
Prepared Statement	13
Ms. Claudia Umaña Araujo, President, The Salvadoran Foundation for Economic and Social Development (FUSADES):	
Oral Statement	23
Prepared Statement	24
Mr. Matthew M. Rooney, Managing Director, Bush Institute-SMU Economic Growth Institute, George W. Bush Institute:	
Oral Statement	29
Prepared Statement	31

ENHANCING BORDER SECURITY: ADDRESSING CORRUPTION IN CENTRAL AMERICA

Friday, June 11, 2021

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON HOMELAND SECURITY,
SUBCOMMITTEE ON OVERSIGHT, MANAGEMENT,
AND ACCOUNTABILITY,
Washington, DC.

The subcommittee met, pursuant to notice, at 2 p.m., via Webex, Hon. J. Luis Correa [Chairman of the subcommittee] presiding.

Present: Representatives Correa, Meijer, and Bishop.

Chairman CORREA. The House Committee on Oversight, Management, and Accountability will come to order.

Without objection, the Chair is authorized to declare the subcommittee in recess at any time.

Let me begin by thanking everyone today for joining us. As you know, last month the subcommittee held a hearing to examine the issues that drive people in Central America to leave their homes and go north to the United States. Today I am pleased that we have the opportunity to dig into one of those push factors, corruption.

This hearing will explore how weak governing systems are exploited by corrupt actors to stifle development and maintain the status quo. Corruption diverts aid money away from those that need it the most while obscuring the government's actions through layers of red tape and unclear policy. The effects are felt by everyone.

Funding for social services like health care, education, and social assistance in Central America are among the lowest in the hemisphere. Last year about 20 percent of Guatemalans and Hondurans admitted to paying bribes in exchange for basic services. Of course, after being shaken by 2 devastating once-in-a-lifetime hurricanes almost at the same time and COVID-19, the lack of government safety net, many are seeing migration to the United States is their only option to survive.

Therefore, as we address migration, border security, we have to also focus our efforts to how we can best assist our southern neighbors in their efforts to bolster hope, opportunity, and the security in their own homes.

Of course, key to this effort will be strengthening democratic institutions to prevent those in power from exploiting their vulnerable populations.

Elections must be free and fair and judges and legislators must not suffer from undue influence and the government must be responsive and accountable to their people.

In recent years anti-democratic actions in the Northern Triangle countries of Guatemala, Honduras, and El Salvador in particular have contributed to undermining public trust in government institutions. Although these 3 countries hold regular elections, recent leadership changes have led to an increase in authoritative practices and other concerning accusations.

Of course, some political leaders recently have used COVID-19 as an excuse for limiting government transparency, civil rights, and other protections while others have been accused of working directly with criminal organizations. Judicial systems suffer from a lack of independence and all too often those who dare to issue rulings against corrupt leaders are threatened or removed from their position. Anti-corruption commissions established in each country to investigate and prosecute corruption have been hamstrung or shut down altogether by these leaders in recent years.

Without fixing these broken systems, they will continue to be exploited year after year by those who benefit from keeping the system unbalanced.

So I am very pleased to hear that the Biden administration is moving ahead to combat corruption as a vital part of their plan to improve living conditions in the area. Just this week Vice President Harris traveled to Guatemala to discuss a partnership on addressing migration push factors like weak governance. Vice President Harris announced the creation of an anti-corruption task force which will include sending prosecutors from our Justice Department to help build corruption cases and strengthen the rule of law.

Additionally, the Department of Homeland Security will continue to work closely with local officials in Central American countries to strengthen customs enforcement to prevent illegally obtained wealth from existing country and ending up hidden somewhere. There is only so much we, the U.S. Government, can do. We have to work closely with our partners in both private enterprise, in civil societies, to achieve lasting reform.

Today I look forward to hearing from those of you today that can help us shed some light on these issues.

Again, I thank all of you for joining us. Now, I would like to recognize the Ranking Member of the subcommittee, the gentleman from Michigan, Mr. Meijer, for an opening statement.

Welcome, sir.

[The statement of Chairman Correa follows:]

STATEMENT OF CHAIRMAN J. LUIS CORREA

JUNE 11, 2021

Last month this subcommittee held a hearing to examine the issues that drive people in Central America to leave their homes and migrate north to the United States. Today, I am pleased to have the opportunity to dig deeper into one of those push factors—corruption. This hearing will explore how weak governing systems are exploited by corrupt actors to stifle development and maintain the status quo.

Corruption can divert aid money away from those that need it most, while obscuring the government's actions through layers of red tape and unclear policy. And the effects are felt by all but a select few. Funding for social services like health care, education, and social assistance in Central America is among the lowest in the

hemisphere. Last year, approximately 20 percent of Guatemalans and Hondurans admitted to paying bribes in exchange for basic social services. And after being struck by the devastation of 2 once-in-a-lifetime hurricanes as well as COVID-19, the lack of a government safety net has forced many to see migration to the U.S. border as the only option.

Therefore, as we seek to improve our own border security, we must also support the efforts of our Southern neighbors to bolster hope, opportunity, and security in their own countries. Key to this effort will be strengthening democratic institutions to prevent those in power from exploiting vulnerable populations. Elections must be free and fair, judges and legislators must not suffer from undue influence, and the government must be responsive and accountable to the people.

In recent years, anti-democratic actions in the Northern Triangle countries of Guatemala, Honduras, and El Salvador in particular, have contributed to undermining public trust in government institutions. Although all 3 countries hold regular elections, recent leadership changes have led to an increase in authoritarian practices and concerning accusations. Some political leaders have used the COVID-19 pandemic as an excuse for limiting government transparency and infringing on civil rights protections, while others have been accused of working directly with criminal organizations to undermine the rule of law.

In all 3 countries, judicial systems suffer from a lack of independence and all too often those who dare to issue rulings against corrupt leaders are threatened or removed from their positions.

And anti-corruption commissions established in each country to investigate and prosecute corruption have been hamstrung or shut down altogether by these leaders in recent years. Without meaningful investment in fixing these broken systems, they will continue to be exploited year after year by those who benefit from keeping the system unbalanced. So, I am pleased to hear that strengthening democratic institutions to combat corruption is a vital part of the administration's plan to improve living conditions in the region.

Just this week, Vice President Harris traveled to Guatemala to discuss a partnership on addressing migration push factors like weak governance. She announced the creation of an Anticorruption Task Force, which will include sending prosecutors from the Justice Department to help build corruption cases and strengthen the rule of law. Additionally, the Department of Homeland Security will continue to work closely with local officials in Central American countries to strengthen customs enforcement and prevent illegally obtained wealth from exiting the country, a key way to combat government corruption. But there is only so much the U.S. Government can do, and we must work closely with partners in both private enterprise and civil society to achieve lasting reform.

Mr. MEIJER. Thank you, Mr. Chairman, and thank you for holding this hearing today, the second that his subcommittee has held on the push factors and migration to the United States from the Northern Triangle. I look forward to getting a little bit further in depth on the issue of corruption in these Northern Triangle countries and getting some insight into what opportunities for Congressional action to both improve long-standing regional challenges and mitigate the current crisis on our border.

In addition to poverty, extremely high rates of crime and violence, recent natural disasters, and COVID-19, this area of the world is facing some truly daunting challenges. According to a global survey of 180 countries conducted by Transparency International, El Salvador, Honduras, and Guatemala are among the most corrupt countries in the world. Specifically, these countries face systemic and entrenched corruption in their criminal justice systems, election finance networks, and public procurement processes, which are often abused for personal financial gain of government officials. This wide-spread corruption undermines civil society and makes everything from doing business to raising a family incredibly difficult. Businesses, families, and communities are constantly fighting this uphill battle just to provide for themselves and for their loved ones.

Before coming to Congress I saw communities struggle with these kinds of crises and corruption around the world. I spent 2 years in Afghanistan as a conflict analyst that led disaster response operations to help other communities that had been impacted by natural disasters. We worked to protect day workers, delivering vital assistance to those in need. Providing needed international assistance, especially to our regional partners, is crucial. But if we aren't thoughtful and deliberate in allocating this aid, opting instead to pour large sums of untargeted money into struggling countries, we risk, and will inevitably fuel even more corruption and have the opposite of the impact we intend to achieve.

I saw this plenty of times in countries like Afghanistan, where despite our best efforts, the money that was being spent was only further fueling that conflict, dissatisfaction with the government, and their overall culture of corruption.

It is up to us to ensure that this doesn't happen again in the Northern Triangle and we learn from what has occurred, while endeavoring to make it improved in the decades to come.

Wide-spread corruption in any country not only takes a financial toll, but also undermines the basic roots of the civil society and destabilizes everything it touches. As I stated in the last hearing, however, this administration has compounded the problems we are currently facing by failing to dissuade those who seek to come across our borders. As a result, and although I do not fault those who seek a better life for families as a natural human impulse, we find ourselves in a border crisis where too many individuals and families have made that choice to enter the United States because they have been encouraged by the current administration's rhetoric. There are many reasons why people in the Northern Triangle choose to migrate, however, and this is why we are looking at both those pull and those push factors, which we also explored in detail in the last hearing. But it is clear that we need to make sure we improve upon the current crisis we see today.

Earlier this week Vice President Harris did state that families should not travel illegally to our Southern Border, but at the same time shrugged off a question why she has not visited herself. As we know, this is no laughing matter. Efforts to address the problems at our border and efforts to address the problems in the Northern Triangle are by no means mutually exclusive. Acknowledging this is not difficult nor political. Vice President Harris herself has recognized that the circumstances in these Northern Triangle countries are driving individuals to make this perilous journey north and that these factors will not be altered overnight.

Therefore, when we face with such a challenging set of circumstances as we are today, we should be willing to work together to simultaneously address both the causes and the effects. Unfortunately, the effects also cannot be ignored. The number of migrants illegally crossing the U.S.-Mexico border this fiscal year is already the most since 2006 and there are still 4 months left. This is as per preliminary data from Customs and Border Protection. The statistics we have seen and continue to see are startling. CBP is on track to encounter more than 2 million migrants crossing the U.S.-Mexico border or more than 4 times the number in fiscal year 2020, 10 percent of individuals leaving CBP custody and testing positive

in the Rio Grande Valley sector for COVID-19. The migrant payments to the smuggler networks that are bringing them across averaging \$4,000. You know, a larcenous sum from individuals who have so little and only fueling greater corruption and criminality.

To address these issues the administration plans to provide over \$300 million in funding for Northern Triangle countries, has proposed a \$4 billion aid package to address instability and other issues in the region. Additionally, the Vice President has announced a new call to action to increase economic development in the region in an attempt to create greater incentives for the residents of the Northern Triangle to stay in their countries and be able to prosper where they live.

Further, the administration announced that it will form a Justice Department and Department of Homeland Security task force to pursue prosecution and asset recoveries related to corruption and to train law enforcement officials.

I fear, however, that this may not be enough. Without addressing the deeply entrenched systemic issues in Guatemala, El Salvador, and Honduras, no lasting improvements can be made. This means that any funding going to these efforts should have rigorous oversight, should be measured against real metrics to track progress, and should include close collaboration between different government agencies who are engaged throughout the region.

Without these kinds of effective program management mechanisms in place, there is little reason to believe that more money will lead to more progress and outcomes. This kind of long-term engagement will take sustained effort and focused attention, something that we in Washington struggle to produce, but must endeavor to achieve.

I am hopeful that we will use this opportunity today to engage on specific strategies and potential solutions that Congress and the administration can pursue together to address these challenges in a responsible and effective way.

Mr. Chairman, thank you again for holding this hearing and I look forward to hearing from our witnesses.

With that, I yield back.

[The statement of Ranking Member Meijer follows:]

STATEMENT OF RANKING MEMBER PETER MELJER

Mr. Chairman, thank you for holding this hearing today—the second that this subcommittee has held on push factors and migration to the United States. I am looking forward to discussing the issue of corruption in the Northern Triangle and hope to gain insight into opportunities for Congressional action to both improve long-standing regional challenges and mitigate the current crisis on our border.

In addition to poverty, extremely high rates of crime and violence, recent natural disasters, and COVID, this area of the world is facing some truly daunting challenges. According to a global survey of 180 countries conducted by Transparency International, El Salvador, Honduras, and Guatemala are among the most corrupt countries in the world. Specifically, these countries face systematic and entrenched corruption in their criminal justice systems, election finance networks, and public procurement processes, which are often abused for personal financial gain. This wide-spread corruption undermines civil society and makes everything from doing business to raising a family incredibly difficult. Businesses, families, and communities are constantly fighting an uphill battle to simply provide for themselves and their loved ones.

Before coming to Congress, I saw communities struggle with these kinds of crises and corruption around the world. I spent 2 years in Afghanistan as a conflict analyst and led disaster response operations to help communities that had been im-

pacted by natural disasters. We worked to protect aid workers delivering vital assistance to those in need. Providing needed international assistance, especially to our regional partners, is critical. But if we aren't thoughtful and deliberate in allocating this aid, opting instead to pour large sums of untargeted money into struggling countries, we will inevitably fuel even more corruption and have the opposite impact that we hope to achieve. We saw this at times in countries like Afghanistan. It is up to us to ensure this doesn't happen again in the Northern Triangle. Widespread corruption in any country not only takes a financial toll, but it undermines the basic roots of a civil society and destabilizes everything it touches.

As I stated in the last hearing, however, this administration has compounded the problem by failing to dissuade those who want to illegally cross our borders. Although I do not fault those who seek a better life for their families, we now find ourselves in a border crisis where too many individuals and families have made the choice to enter the United States illegally because they have been encouraged and misled by this administration. There are many reasons why people in the Northern Triangle choose to migrate, and we explored those in detail at the last hearing, and so I will not go through all of them again. However, it is clear that many actions taken by this administration have resulted in the crisis we're seeing today.

Earlier this week, Vice President Harris did state that families should not travel illegally to our Southern Border, but at the same time shrugged off a question about why she has not visited the border herself. As we all know, this is no laughing matter. Efforts to address the problems at our border and efforts to address the problems in the Northern Triangle are not mutually exclusive. Acknowledging this should not be difficult or political. Vice President Harris has recognized herself that the circumstances in the Northern Triangle that are driving people to make the perilous journey north will not be altered overnight. Therefore, when faced with a set of challenges as complex as this, we should all be willing to work together to simultaneously address both the causes and the effects.

Unfortunately, the effects cannot be ignored. In fact, the number of migrants illegally crossing the U.S.-Mexico border this fiscal year is already the most since 2006—and there are still 4 months left, according to preliminary data from Customs and Border Protection (CBP).

And the statistics we have seen, and continue to see, are truly startling and heartbreaking:

- CBP is on track to encounter more than 2 million migrants crossing the U.S.-Mexico border by the end of this fiscal year—more than 4 times the number encountered in fiscal year 2020.
- 10 percent of individuals leaving CBP custody in the Rio Grande Valley Sector are testing positive for COVID-19.
- And according to Border Patrol agents, migrants are paying smugglers on average \$4,000 to reach the Southern Border.

To address these issues, the administration plans to provide over \$300 million in funding for Northern Triangle countries and has proposed a \$4 billion aid package to address instability and other issues in the region. Additionally, the Vice President has announced a new Call to Action to increase economic development in the region in an attempt to create greater incentives for the residents of the Northern Triangle to stay in their countries. Further, the administration announced that it will form a Justice Department and Department of Homeland Security task force to pursue prosecutions and asset recoveries relating to corruption and to train law enforcement officials.

I fear, however, that this may not be enough. Without addressing the deeply entrenched, systemic issues in Guatemala, El Salvador, and Honduras, no lasting improvements can be made. This means that any funding going to these efforts should have rigorous oversight; they should be measured against real metrics to track progress, and they should include closer collaboration between all the different U.S. Government agencies engaged in the region. Without these kinds of effective program management mechanisms in place, there is little reason to believe that more money will lead to more progress on outcomes than it has in the past. This kind of long-term engagement will take sustained attention and focused effort, something we in Washington can struggle to produce but must endeavor to achieve.

I am hopeful that we will use this opportunity today to engage on specific strategies and potential solutions that Congress and the administration can pursue together in order to address these challenges in a responsible and effective way.

Mr. Chairman, thank you again for holding this hearing. I look forward to hearing from our witnesses.

Chairman CORREA. You are also reminded that the committee will operate in accordance to the guidelines laid out by the Chair-

man, Ranking Member in their February 3 colloquy regarding remote procedures.

Without objection, Members not on the subcommittee shall be permitted to sit and question the witnesses. Member statements may also be submitted for the record.

[The statement of Chairman Thompson follows:]

STATEMENT OF CHAIRMAN BENNIE G. THOMPSON

JUNE 11, 2021

Corruption adversely affects every aspect of society. It limits economic opportunities, fosters crime and violence, and erodes public trust. Such conditions have forced thousands of families and children to flee in search of better, safer lives. Combatting corruption in the region—particularly in the Northern Triangle—has long been a bipartisan goal. However, President Trump’s rhetoric and inaction to hold political leaders accountable has made matters worse.

In the past 2 years, the international-backed organizations responsible for investigating corruption in Honduras and Guatemala were disbanded. The recent vote by El Salvador’s new Congress to remove its supreme court judges and attorney general is also concerning since an independent judiciary is essential to democracy. I commend the Biden administration for recognizing these actions for what they are—a threat to our National security.

Strengthening governance in Central America will not only improve the quality of life for the region’s residents, but also decrease the movement of illicit goods and wealth to the United States. This has several positive implications for border security and would allow the Department of Homeland Security to focus on other vital missions, such as addressing ever-evolving cyber threats. But the new administration cannot make progress alone. Building capacity to enhance transparency and the rule of law at all levels will be key.

I applaud Vice President Harris for engaging with political leaders about corruption during her visit to Guatemala and Mexico earlier this week, and for establishing a Call to Action to encourage American businesses and nonprofits to invest in the Northern Triangle. These investments can create economic opportunities that offer mutual benefits, such as good jobs for residents and new markets for U.S. companies. Empowering civil society to hold the public and private sectors accountable can also create more just and equitable policies.

Chairman CORREA. Now I would like to welcome our panel of witnesses. First we have Ms. Shannon O’Neil. Ms. O’Neil is the vice president, deputy director of studies at the Nelson and David Rockefeller Senior Fellow for Latin American Studies at the Council on Foreign Relations. She is an expert on Latin America, global trade, U.S.-Mexico relations, corruption, democracy, and immigration.

Our second witness is Mr. Welby Leaman, senior director for global government and multilateral affairs for Walmart. He serves as the company’s lead for the Americas, that includes over 3,000 stores and 230,000 employees throughout Mexico and Central America. Mr. Leaman also chairs working groups focused on anti-corruption in the region for the American business dialog and the U.S. Chambers Association of American Chambers of Commerce in Latin America and the Caribbean.

Our third witness, Ms. Claudia Umaña Araujo, president of the Salvadorian Foundation for Economic and Social Development known as FUSADES, which is a nonprofit dedicated to improving all aspects of society in El Salvador. Prior to joining FUSADES Ms. Umaña Araujo served almost 10 years as the director of trade and commercial policy for El Salvador’s ministry of economy.

Our final witness, Mr. Matthew Rooney, managing director of the Bush Institute-SMU Economic Growth Initiative at the George W.

Bush Institute. In addition to analyzing the impact of NAFTA on economies of the United States, Canada, and Mexico, Mr. Rooney's work has focused on building a network of thought leaders in Central America committed to promoting economic policy reforms.

Without objection, the witnesses' full statements will be inserted into the record.

Now, I will ask each witness to summarize his or her statements for 5 minutes. I will begin with Ms. O'Neil.

Welcome again.

STATEMENT OF SHANNON O'NEIL, VICE PRESIDENT, DEPUTY DIRECTOR OF STUDIES, NELSON AND DAVID ROCKEFELLER SENIOR FELLOW FOR LATIN AMERICA STUDIES, COUNCIL ON FOREIGN RELATIONS

Ms. O'NEIL. Great. Thank you very much, Chairman Correa, thank you Ranking Member Meijer, and thank you Members of the subcommittee.

It is a real honor to be here testifying before you today. I am grateful to have this opportunity to discuss U.S. policy options to address corruption in Central America.

Now, corruption in Central America, as we have already begun to talk about, it is pervasive, it is insidious, and it is systematic. These nations consistently rank at the bottom of Transparency International's corruption focused surveys as the Ranking Member has already highlighted. Polls reveal—as the Chairman has highlighted—polls reveal that significant percentages of Guatemalans, of Hondurans, of El Salvadorians, are asked for bribes or deal with graft as they go about their day-to-day lives.

This corruption holds these nations back in many ways. Most directly there is just less money for basic public services or for bigger more ambitious economic development projects that could make a difference. The impunity that allows corruption also opens spaces for gangs, for criminal organizations, and for violence that destroys families, that destroys small businesses, and it tears apart communities. The blatant and repeated flouting of democratic norms and principles of fairness, it leaves so many without hope that things can get better at home. So corruption, as much as any other individual factor, spurs migration north.

It is also one of the thorniest problems to address. As the money for programs that can lessen poverty or reduce violence, they can also fuel rather than diminish corruption, as we began to talk about already.

Yet the pervasiveness of this challenge of corruption doesn't mean the United States can give up or should give up on Central America. If the United States truly wants to stem migration from this region, it will have to play a part in the region. So a deep-seated corruption does mean that the United States needs to take a more expansive approach to its involvement into the nature of the foreign assistance it provides to Central America.

So I would like to propose 3 different categories or 3 different ways that the United States can address the specific root cause of corruption. So the first is that when providing aid the United States can go around these somewhat corrupt governments. There are many economic development programs, violence prevention pro-

grams, youth-focused programs that have shown real promise in changing the livelihoods in Central America, as we talked about in the last hearing, and also changing the calculations of would-be migrants. So to make sure that the U.S. taxpayer money that goes to these types of programs is used most effectively, whenever possible these programs should be set up to work directly with NGO's, with civil society, with parts of the private sector, or other local entities that will use this money in more transparent ways. Often this will not be the public sector.

The second thing the United States should do is to address corruption head-on in Central America by funding programs that go after corruption explicitly. So this can mean internationally-funded anti-corruption investigatory bodies, as have existed in many of these countries before. This can mean requiring technical advisors or requiring the creation of inspector generals and ministries that receive U.S. funding. This means helping these governments, or encouraging, requiring these governments, to have this type of oversight.

Then, third, the United States should use its justice system and its legal tools to take on corrupt actors in Central America unilaterally. Many of these ill-gotten gains end up flowing through the U.S. financial system or they are enjoyed on U.S. soil. They buy real estate, they support vacations, or they educate children and students here.

There are tools that the State Department has. One of them is what is now called the Engel List. But this is to take visas away from those that are found to have trafficked in corruption or to sanction these corrupt individuals. The Treasury Department also has tools, and one of those that I think should be expanded is FinCEN, which should dedicate resources toward investigating Central American corruption, not just other types of counterterrorism or other types of corrupt and illicit financial flows.

As has been mentioned already, the Department of Justice should continue and expand its work to build cases and to prosecute abusers and corrupt officials from Central America, whether they are using the Foreign Corrupt Practices Act, the Kleptocracy Initiative, or other legal tools that they have.

Things will not get better in Central America without tackling this underlying issue of corruption. We all know that here. So I thank you for making that the focus of this hearing.

Thank you.

[The prepared statement of Ms. O'Neil follows:]

PREPARED STATEMENT OF SHANNON K. O'NEIL

CORRUPTION ENDEMIC IN CENTRAL AMERICA AND MEXICO

The 2020 Transparency International Corruption Perceptions Index presents a damning picture of the pervasiveness of government graft and bribery in Central America's Northern Triangle countries and in Mexico, as well as the lack of ability or interest to combat such acts. None of these nations make it into the top (better-governed) 100 out of the 180 surveyed: Honduras ranks 157, Guatemala 149, Mexico 124, and El Salvador 104. Citizen polls in these countries complement and bolster Transparency International's annual expert survey, substantial percentages of residents saying they were asked for bribes, for instance when trying to register for basic public services such as schooling, medical care, or receiving their national identification cards.

The economic costs of this systemic corruption are significant. The IMF estimates corruption captures some 2 percent of Mexico's GDP, while other experts put the number even higher.¹ Studies of Central American nations reveal even more elevated economy-wide damages from bribes and graft, shaving off 5 percent or more of GDP every year.²

This corruption imposes direct and heavy costs on citizens in their day-to-day lives. With fewer resources to work with, governments are less able to provide everything from basic services to more ambitious infrastructure and economic development projects. Reduced public investment limits business and professional opportunities and slows the overall pace of economic growth.

Corruption does more than just curtail money for public services. It enables and perpetuates violence, as weak governance opens spaces for organized crime and gangs. These entities prey upon individuals and extort businesses. And the public services they often provide pale in comparison to citizens' needs, human rights an afterthought.³

By creating an unjust system of have and have-nots, corruption erodes the public trust that makes democracy and good governance possible. By limiting economic growth and opportunities, by cementing impunity, and by extinguishing any hope that hard work and merit might build better futures, it leaves too many without prospects that might lead them to stay.

Corruption in Central America has become pervasive, insidious, and systematic. And, as much as any other factor, it spurs migration.

The scale and size of the challenge doesn't mean the United States can or should ignore the problem, much less write off these nations. Given the decade-long increase in migration from the Northern Triangle, the United States can't afford to limit programs addressing the immediate and root causes that lead so many north. What it does mean is that the United States should take a more expansive approach to its involvement and foreign assistance in Central America.

This means avoiding potentially corrupt distribution pathways U.S. and other international aid flowing into these countries. It means funding programs that tackle corruption head on. And it means using our own financial, investigatory, and legal tools to disrupt illicit financial flows and the use of ill-gotten gains here in the United States. The United States should never provide harbor to those stealing from their own people.

Partner with non-governmental organizations, civil society, and private businesses in delivering U.S. aid. Evaluations of previous U.S. aid efforts show that a range of interventions and programs can change the situation on the ground and alter the calculations of would-be migrants, tipping the scales against leaving. Those showing promise include neighborhood and school-based programs that work to reduce gang violence through counseling, tutoring, and community service. Efforts to train young people in professional and life skills, and to connect them to their communities through local projects, cultural events, and economic opportunities have also proven effective in tying them to home.

Programs to help farmers adjust to drought conditions, such as introducing irrigation systems or rust-resistant coffee seedlings, can improve their prospects and quality of life. Others designed to connect them directly to markets or to upgrade the profitability of the crops they grow can also ensure a more sustainable future at home. Seed money and training for entrepreneurs have succeeded in creating economic opportunities, improving people's prospects at home and shifting their mindset about moving.

To ensure that this money gets to the projects detailed and to the people who need it, the U.S. Government should bypass less trustworthy governments and elites as much as possible. This means working directly with civil society, NGO's, and companies to ensure taxpayer dollars go to the designated programs. It is important also that the U.S. Government stand up and defend these civil society orga-

¹Morales, Yolanda. "Sobornos Cuestan 2 percent Del PIB Mundial: Lagarde." *El Economista*, September 18, 2017. <https://www.economista.com.mx/economia/Sobornos-cuestan-2-del-PIB-mundial-Lagarde-20170918-0158.html>.

²Cengic, Imelda. "Report: Central America Is Losing US\$13 Billion to Corruption." *Organized Crime and Corruption Reporting Project*, October 31, 2019. <https://www.occrp.org/en/daily/11028-report-central-america-is-losing-us-13-billion-to-corruption>.

Morales Rodas, Sergio. "La corrupción le ha costado a Guatemala desarrollo, vidas y miles de millones de quetzales." *Prensa Libre*, October 25, 2019. <https://www.prensalibre.com/guatemala/politica/la-corrupcion-le-ha-costado-al-desarrollo-vidas-y-miles-de-millones-de-quetzales/>.

³Kennedy, Kelli. "Corruption and Organized Crime in Central America's Countries." *European Strategic Intelligence and Security Center*, September 2, 2019. <http://www.esisc.org/publications/briefings/corruption-and-organized-crime-in-central-americas-countries>.

nizations in the face of local government criticism and harassment for the transparent and accountable work they are doing.

The U.S. Government should design and fund programs to go directly after systemic corruption. Many Central American justice systems and government agencies are too weak or too complicit to take on corruption themselves. Reformers within these countries need outside support and resources if they are ever to gain traction. Again, we have models that have proven effective in uncovering and beginning to dismantle powerful illicit networks. These include internationally-funded independent investigatory bodies.

For 12 years, the International Commission Against Impunity, or CICIG, in Guatemala conducted high-profile investigations into corruption, working with the Attorney General's office to prosecute and ultimately bring down current and former presidents, high-ranking officials, and dismantle multiple corruption rings stretching from prisons to the Presidential palace.⁴ CICIG was also integral in advising and supporting judicial reforms that have enhanced the legal tools—such as plea bargaining, wiretapping, and witness protection programs—available to investigators and prosecutors taking on organized crime and corruption.

Similar internationally-funded organizations including the International Commission Against Corruption and Impunity, CICIEN, in El Salvador, and the Mission to Support the Fight against Corruption and Impunity in Honduras, MACCIH, made a difference in their years of operation before being shut down by their respective governments.

Their track records in taking on complex cases and in helping bolster fragile justice systems means they should be restarted. While their successes in revealing corruption at the highest levels of power make it hard to imagine a Central American government accepting another such commission, the United States could and should push for the creation of a regional level investigatory body not dependent on any one government's approval. In addition, in exchange for any funding, the United States should push Central American governments to accept technical advisors in their ministries and create independent inspectors general to play watchdog roles.

Go after the U.S.-bound flows of corrupt money. Much of the money illegally siphoned away from Central America and Mexico flows through U.S. financial channels. Hundreds of millions of dollars end up in U.S. real estate, shell companies, or are spent in the United States on travel and education. The United States can do a better job tracing and tracking ill-gotten gains from Central America and ensuring that the perpetrators find no harbor in the United States.

To uncover these flows, the U.S. Government should expand the resources dedicated to tracking and intercepting illicit corruption-based networks. Within the U.S. Treasury Department sits the Financial Crimes Enforcement Network, FinCen, an entity tasked with combating money laundering and other illegal use of the financial system. Today its budget is \$126 million, supporting a staff of just 300 investigators. The vast majority of these analysts focus on counterterrorism financing, leaving few to work on the Western Hemisphere. Given the recognized costs of heightened migration from the region to the United States as well as the threat to Americans' day-to-day lives from drug cartels and associated corruption (in 2019 alone over 70,000 Americans died of drug overdoses), this allocation is misguided.⁵

The U.S. Congress should increase funding and resources to hire dozens of new investigatory agents to focus exclusively on illicit flows and corrupting money from within the Western Hemisphere.

The United States should use its justice system and other governmental tools to unilaterally punish perpetrators of corruption. Corrupt public and private-sector elites should not be able to travel and enjoy the benefits of U.S. life and leisure. Congress should ensure that the Biden administration makes full use of the "Engel List," denying corrupt actors entry to the United States. Recent sanctions against 17 senior officials from Guatemala, Honduras, and El Salvador—including Salvadoran President Nayib Bukele's chief of staff—are an important start. It should be accelerated and expanded in the weeks and months to come. This is both important in principle as well as in demonstration, telling those who may be tempted to follow a corrupt path that they will be unwelcome here. U.S. Department of Justice tools and efforts should be leveraged as well, through Foreign Corrupt Practices Act, Kleptocracy Asset Recovery Initiative, and other mechanisms.

⁴WOLA. "Fact Sheet: The CICIG's Legacy in Fighting Corruption in Guatemala," August 27, 2019. <https://www.wola.org/analysis/cicigs-legacy-fighting-corruption-guatemala/>.

⁵"Charting a New Path Forward: Report of the Western Hemisphere Drug Policy Commission." Western Hemisphere Drug Policy Commission, December 2020. <https://whdpc.org/images/report/2021%2001.21%20WHDPC%20FINAL%20REPORT.pdf>.

None of this will be quick, easy, or linear. As our own history has shown us, struggles against endemic corruption are slow at best, taking a generation or more. U.S. efforts in Central America will undoubtedly hit setbacks, face challenges, and at times fail to change things on the ground. But that doesn't mean it isn't worth starting or trying. And if the United States truly wants to address the chronic factors spurring decades of migration from its southern neighbors, it can't afford to ignore this fundamental root cause.

Chairman CORREA. Our second witness, Mr. Leaman, to summarize your statements in 5 minutes.

Welcome.

STATEMENT OF J. WELBY LEAMAN, SENIOR DIRECTOR, GLOBAL GOVERNMENT & MULTILATERAL AFFAIRS, WALMART, INC.

Mr. LEAMAN. Thank you, Chairman, and Ranking Member, and each of the subcommittee Members for your leadership in this central challenge.

Your subcommittee hearing on May 6 was outstanding in highlighting that it is really corruption and lack of economic opportunity that are the 2 biggest root causes of why way too many people in Central America can see hope for a better life only by leaving home.

So here is my main point, corruption and lack of economic opportunity are not 2 separate challenges that can be addressed on separate tracks. They are 2 sides of the same coin. U.S. business can't adequately expand economic opportunity to those who most need it in Central America without better rule of law and the private sector is an irreplaceable partner in getting rule of law right.

So here is the big opportunity that I would like to propose for your continued leadership and we are prepared to partner with you on it. Let us get the U.S. Government and the U.S. private sector to go big on a model of anti-corruption that is mostly missing or minor in past anti-corruption efforts. We have given it a name. The model is digital tools for rule of law and economic recovery because it targets both root causes where they intersect.

So here is the opportunity, here is the model. It has 3 characteristics targeting precisely where we think the anti-corruption gears keep slipping in Central America, because a lot has been tried and little has been accomplished in the long-term.

The 3 characteristics: No. 1, it has to be a cross-sectoral partnership giving the private sector an anti-corruption role that goes well beyond compliance alone. No. 2, it has to go upstream to the source of corruption, which is in key regulatory systems. No. 3, it needs to bring the best in class that we have, digital transparency tools, because the COVID era has shown us that these are both more possible and more urgent to accelerate than either the public or private sector had previously recognized.

So let me just look at those very briefly. First, why collaborate with the private sector when in parts of Central America the private sector is so rife with informality and poor compliance and therefore distrusted? Well, first, it is because the expertise in order to have a right relationship between 2 sectors has to come from those 2 sectors. Second, the incentives for those in both sectors to do the right thing when they don't want to needs to come in part

from the benefits that they get by engaging with those who are seeking to do the right thing and are doing it at best-in-class levels.

So that means that, for example, the goal is to maximize the ability of U.S. businesses to encourage Central American businesses to formalize and to improve their standards in order to be able to be integrated into our supply chains. That is one example.

Second, what does it mean to go upstream? So the basic idea is that so much anti-corruption work is necessarily downstream with actors in the justice system, but it leaves out the fact that most of this comes—most of this corruption comes from 4 regulatory systems that are critical to the success of U.S. business to be able to expand economic opportunity to underserved communities and integrate with those who are least included. We have to fix rule of law there first. So that means go big on regulatory systems and getting the rule of law right there. What are those regulatory system? Tax, customs, permitting, and public procurement. If you can fix those, just think of the ways in which U.S. business can expand economic opportunity through supply chains and investment in ways that will increase the incentives and therefore create a virtuous cycle that those that didn't really want to get with the new standards start doing so, because it benefits them.

Digital tools are key. So imagine, for example, using the Mexican best practice, a mandatory electronic invoice. If we know that our suppliers or potential suppliers, including MSMEs, need to pay their taxes and will pay their taxes because they know that the tax authority gets a copy of the invoice electronically, then we are able to make a commitment to going much bigger in integration. Then that creates the virtuous cycle.

The same thing happens in customs with single windows. We can get more into the TFA single windows. Also in licensing and permitting. We have huge investment plans potentially in underserved communities, but if those underserved communities happened to be the very ones that struggle to provide for non-corrupt licensing and permitting systems, then U.S. business pulls away. Then we are in the vicious cycle instead of virtuous cycle.

So let me just close by saying we need to go big on this. This is the moment, because COVID has shown that it is in everybody's interest, even those that don't really believe in compliance, to support digital for at least resiliency purposes. So let us take advantage of that. Go big on digital transparency for rule of law and for economic recovery. We need to do it in cross-sectoral partnership with you.

[The prepared statement of Mr. Leaman follows:]

PREPARED STATEMENT OF J. WELBY LEAMAN

Your subcommittee hearing on May 6 was outstanding in highlighting that corruption and lack of economic opportunity are the 2 biggest root causes of why way too many people in Central America can see hope for a better life only by leaving home.

Corruption and lack of economic opportunity are not 2 separate challenges that can be addressed on separate tracks; they are 2 sides of the same coin.

- U.S. business cannot adequately expand economic opportunity to those who most need it in Central America without better rule-of-law, and
 - The private sector is an irreplaceable partner in getting rule-of-law right.
- To illustrate why and what we can do about it together, I want to show you on 1 slide an ambitious but very practical anti-corruption agenda that we have devel-

oped in 2 hemisphere-wide business associations—the Association of AmChams of Latin America, and the Americas Business Dialogue.

We call this project Digital Tools for Rule of Law & Economic Recovery because it is a model for how to make more integrated progress in Central America on both root causes simultaneously, where they intersect.

It has 3 key characteristics, which target 3 of the main reasons that the anticorruption gears keep slipping in Central America:

- It is a cross-sectoral partnership, giving the private sector an anticorruption role that goes beyond compliance alone;
- It goes upstream to the source of corruption, within key regulatory systems; and
- It applies powerful digital transparency tools that the COVID era has shown us are both more possible and more urgent to accelerate than either sector had previously recognized.

On that first point, why is collaboration with the private sector so important—especially when, in parts of Central America’s private sector, informality and poor compliance are good reasons for distrust?

- First, corruption is a relationship gone bad between 2 sectors, so the expertise to redesign it right is held by both those sectors.
- Second, one of the strongest incentives for businesses in Central America to raise their standards is so they can have a shot at being a supplier to U.S. businesses. But to harness that requires working with U.S. business on systemic reforms that build the trust they need to begin looking for more local suppliers.

That leads to the second row of the slide: Much anticorruption work focuses on downstream actors within the justice system, but we also need to go upstream more often, to the source of corruption, reengineering incentives in the 4 regulatory systems where weak rule of law most undermines businesses’ ability to expand opportunity and hope to those who most need it.

Those systems are tax, customs, permitting, and public procurement. Consider them twofers. The 2 biggest root causes intersect here:

- Take tax: If local businesses are high risks for not paying their taxes, U.S. businesses will avoid on-boarding local suppliers. This hits hardest those who most need hope: Small suppliers, especially in regions of high informality.
- Or take permitting: U.S. businesses’ best-laid investment plans for underserved communities may not get to break ground if permits are unpredictable.

Digital transparency tools can get these incentives right.

- In tax, mandatory electronic invoicing incentivizes compliance, since the tax authority sees the VAT paid on each invoice. To ensure inclusion, we can help make these platforms mobile data-friendly and integrate on-boarding tutorials for small suppliers.
- In customs, much of the IT cost of single windows is already covered, thanks to the WTO Trade Facilitation Agreement. Into these platforms, we can now add rule-of-law enhancements, like anonymous-tip buttons for any portal user to report corruption.

Let me close with why this Digital Tools agenda is so promising right now:

- COVID-paralyzed paper- and person-based regulatory processes, which cost Central America a lot of shovel-ready private investment. But COVID also sped up digital adoption by a decade in many sectors.
- As a result, we know we can accelerate transparency through e-government much more quickly than previously thought. Even those not committed to transparency will recognize the reforms as at least critical to resilient growth, so resistance should be lower than usual.

The U.S. Government’s commitment to addressing root causes of Central American emigration is an opportunity to jump start this upstream approach, using digital tools to improve both rule of law and economic opportunity. To get the details right requires cross-sectoral collaboration. You can count on us.

APPENDIX A: DIGITAL TOOLS FOR RULE OF LAW & RECOVERY (DT4RR): A KEY POLICY RESPONSE TO ADDRESS ROOT CAUSES OF MIGRATION CHALLENGES IN THE WESTERN HEMISPHERE

- Summary of DT4RR
- Relevance for U.S. Policymakers
- Relevance for Central America
- Beneficiaries
- How Incentives Can Work in a Multi-Stakeholder Model of Rule of Law
- The “How”—The Co-Creation Process for Implementing DT4RR
- Broader Support for This Model

SUMMARY OF DT4RR

Weak rule of law perpetuates inequality, stifles development, and suppresses investment in the Western Hemisphere, driving joblessness and emigration. Past capacity-building initiatives have not met the scale of the challenge. Therefore, as our economies begin to emerge from the COVID-19 pandemic and economic crisis, government digitalization should be prioritized to help us to “build back better”, ensuring the transparency and resilience of regulatory processes in an environment where remote and on-line work will persist.

Digital tools are efficient and scalable solutions to address the root causes of corruption and to unlock inclusive and sustainable economic recovery and growth. Digital tools improve transparency and reduce opportunities for corruption, while ensuring more predictable government services and the resilience of regulatory processes given the persistence of digitalization, accelerated during the pandemic. The World Bank has noted that economies with cumbersome administrative procedures are associated with fewer legally-registered firms and a smaller tax base compared to economies with more efficient regulations, providing a fiscal incentive for reform.

Implementing digital tools will also benefit workers across the Western Hemisphere, where corruption and economic pain are at the root of migration challenges. A collaborative and practical agenda is now needed to bring stakeholders together and shift cultural norms toward a new model of Rule of Law.

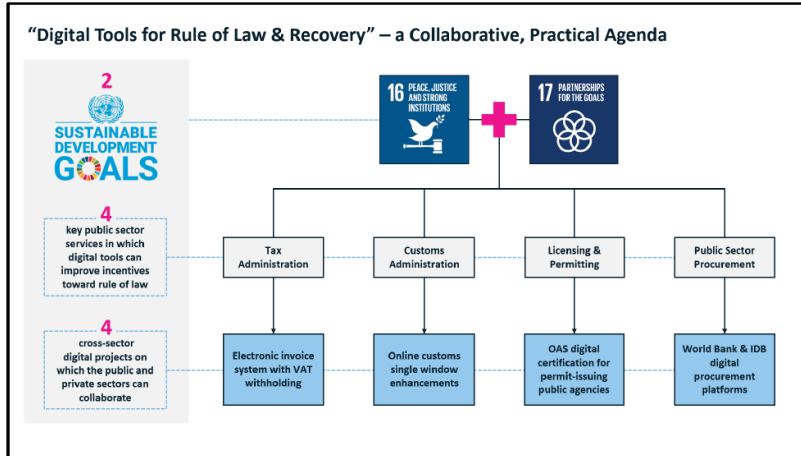
Walmart is specially equipped to take on a partnership role, given our long history of investment in the region. As a leader in retail in Mexico and Central America (operating 3,400+ units), and a presence in vulnerable communities across the region, Walmart is well aware of the challenges faced by policy makers, businesses, and the public with regards to rule of law.

The “Digital Tools for Rule of Law & Recovery” (DT4RR) agenda proposes working with governments, private sector, multilateral organizations, and civil society in the Americas to jointly plan, fund, and implement the introduction of key digital tools into government to enhance regulatory systems. The objective is to drive forward digital transparency and efficiency of enforcement through IT platforms, some of which already exist thanks to the WTO Trade Facilitation Agreement. Single windows have been established in some governments; now we need to work together to build-out additional functions into those single windows. This can be accomplished by ensuring digital certification for permitting processes, the inclusion of Micro, Small, and Medium-sized Enterprises (MSMEs) in supply chains.

The top priorities are 4 key regulatory systems:

- Tax Administration
- Customs Administration
- Licensing & Permitting
- Public Sector Procurement.

These 4 priorities were identified by the Association of American Chambers of Commerce in Latin America and the Caribbean (AACCLA) Rule of Law Task Force as the areas that both: (1) Have historically posed rule of law problems and (2) have broad relevance to the U.S. private sector’s ability to increase investment in underserved Central American communities and integrate small and underrepresented Central American suppliers into U.S. companies’ supply chains. Addressing rule of law weakness in these regulatory contexts, on both sides of the regulatory relationship, can drive simultaneous improvement on both of the top root causes of hopelessness in Central America: Corruption and lack of economic opportunity.



For purposes of these comments, we will illustrate the model by discussing in detail 2 of these regulatory verticals: Tax administration and the granting of licenses and permits.

(1) *Tax Administration.*—The DT4RR agenda entails tax system reforms that advance electronic invoicing systems in order to incentivize tax compliance. For governments, this enables increased tax collection, while for private sector, this promotes formalization and integration of MSMEs and others into global value chains. Specifically, DT4RR reforms should advance mandatory electronic invoicing, to maximize transparency; ensure VAT withholding within e-invoice systems; train MSMEs on compliance that “speaks the language of MSMEs” and highlights success stories to show the benefits of compliance; facilitate of digital signatures; and allow for on-line querying of tax authorities’ blacklists.

In Latin America, Mexico has experience with mandatory e-invoicing, and several best practices that can be adopted in other countries. Elsewhere, Walmart is working with USAID to provide training to suppliers on e-invoicing and docking digitally into tax compliance systems. All of these e-taxation measures can fortify trust among stakeholders, revolutionizing relationships in the supply chain and advancing economic inclusion.

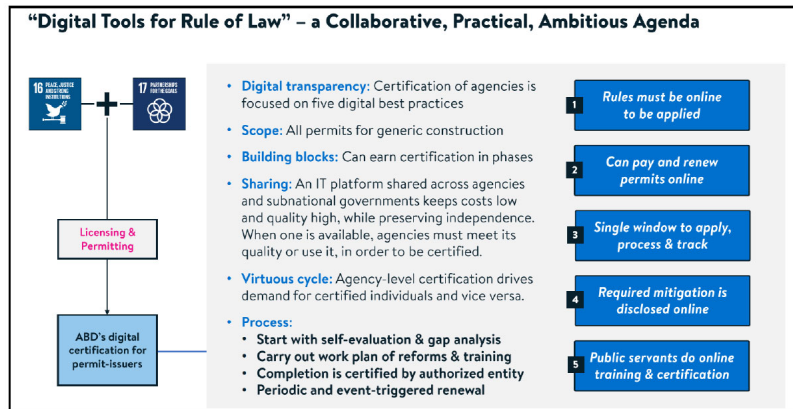


(2) *Licensing & Permitting.*—Over-reliance on paper-based and in-person regulatory processes creates backlogs in license and permit approvals, generating opportunities for corruption. Digital licensing can reduce approval backlogs and corruption risk, while also stimulating the economy and increasing tax receipts. Much of private-sector investment requires licenses and permits. Notably, the permit-de-

pendent construction sector represents 7 percent of world-wide employment, and it is estimated that for every 10 jobs directly related to a construction project, 8 jobs may be created in the local economy. Nevertheless, according to the World Bank, by May 2020 61 percent of the 190 economies that it tracks were no longer facilitating permit applications. In Latin America and the Caribbean, over 80 percent of processes were on lockdown.

Evidence of the benefits of reform in licensing and permitting includes a 2019 study which examined the performance of an electronic system for business licensing and land usage in Guadalajara, and found that bribe requests by municipal agents fell by 74 percent after its introduction.

The DT4RR agenda would introduce a set of digital best practices for licensing & permitting to reduce approval backlogs and corruption risk. Reforms should start with the certification of government agencies and public servants in best practices, namely: Placing rules on-line, allowing for on-line payment and renewal, facilitating single windows, disclosing required mitigation on-line, and training public servants. Such a certification is currently in development in collaboration with the Americas Business Dialogue and the Organization of American States.



RELEVANCE FOR U.S. POLICY MAKERS

This initiative addresses U.S. priorities vis-à-vis the Americas region and the world. Rule of law projects will advance inclusive economic development and help to stem economic migration (particularly from the Northern Triangle), while also supporting U.S. workers and businesses, who face an uneven competitive playing field and challenging investment climate due to high levels of corruption.

In February President Biden introduced a \$4 billion plan to address the root causes of migration from Central America, and has engaged Mexico to support this effort. On March 1, the White House released a U.S.-Mexico Joint Declaration in which President Biden and Mexican President Andrés Manuel López Obrador “agreed to collaborate on a joint effort to address the root causes of regional migration” and to this end expressed support for policies that “promote equitable and sustainable economic development” and “combat corruption.” During their April 7 call and June 8 meeting, Vice-President Kamala Harris and President López Obrador reaffirmed the need for collaboration on addressing the root causes of migration from the Northern Triangle, “including poverty, violence, and lack of economic opportunity.”

In May, the White House released a Call to Action to the Private Sector to Deepen Investment in the Northern Triangle. The Call to Action is an initiative for businesses and social enterprises to make new, significant commitments to help sustainably address the root causes of migration by promoting economic opportunity in the Northern Triangle region. Key activities to be advanced under this initiative include a “Reform Agenda”: “Commitments to support greater transparency, predictability, and stability in the business enabling environment by facilitating regional government efforts to adopt international best practices in licensing, permitting, procurement, regulation, and taxation.” Our work is perfectly poised to act on these objectives.

In addition to its impact on rule of law, the DT4RR agenda yields benefits including:

- Stimulating the economy and increasing tax receipts. The World Bank has noted that economies with cumbersome administrative procedures are associated with fewer legally registered firms and a smaller tax base compared to economies with more efficient regulations.
- Digitalization can increase Government uptake of internet-based services, which will in turn upskill public servants and introduce the wider public to digital platforms.

RELEVANCE FOR CENTRAL AMERICA

COVID-19 has exacerbated already severe economic pain for families across the Americas, a root cause of the current waves of emigration. Efforts to advance an inclusive economic recovery in the region will run up against the same persistent challenges that existed pre-pandemic, unless the rule of law challenges stifling the economy are addressed.

Furthermore, governments in the LAC region want more of their domestic businesses, especially MSMEs, to be incorporated into wider supply chains, both domestically and globally. This integration is a valuable step toward formalization and social inclusion for populations. A key obstacle to building resilient supply chains in the region is a pervasive lack of trust—both between government and business, as well as between large companies and potential suppliers (many of which are MSMEs that have not yet entered the formal sector). Walmart’s experiences as a long-term investor in the region have shown that above all, the key roadblocks are weak rule of law and high informality. These 2 issues create legal and reputational risks for the private sector, impeding the expansion of sourcing relationships in the region. The measures proposed in the DT4RR agenda, tackling tax, licensing & permitting, customs, and procurement, are at the root of much of the distrust that exists among stakeholders.

BENEFICIARIES

Subnational, national, and regional government agencies in Mexico and Central America, specifically those tasked with regulating tax, customs, licensing and permitting, and public procurement. The specific agencies, and the nature of their engagement, will depend on the specific needs identified when stakeholders convene to co-create programs.

HOW INCENTIVES CAN WORK IN A MULTI-STAKEHOLDER MODEL OF RULE OF LAW

As discussed above, because DT4RR is a cross-sectoral partnership, it has the potential to drive practical improvements in rule of law by re-engineering the informal cultural norms that too often govern the relationship between the sectors in Central America. As Douglass North’s Nobel Prize-winning economic development research demonstrated, institutional strengthening requires moving 3 levers: Formal legal norms, informal cultural norms, and enforcement practices. All 3 are necessary focuses in their own right, since none can adequately shape the other 2. Informal cultural norms are responsive to both positive and negative incentives, but it is essential to identify each stakeholder that is necessary for the success of the reform and then ensure that incentives are strong for each one.

For DT4RR, critically important stakeholders include private individuals and businesses who interact with the 4 targeted regulatory systems; Central American governments’ political leadership, which must invest the political will to commit to the digitalization reforms; public servants within Central American government agencies, who must perceive a benefit to implementing the reforms; and multilateral and international financial and technical assistance partners, such as the Inter-American Development Bank.

FOCUSING SPECIFICALLY ON THE PUBLIC AND PRIVATE-SECTOR INCENTIVES:

Incentives for Private Sector to Partner on Rule of Law.—The Association of American Chambers of Commerce in Latin America and the Caribbean (AACCLA) has embraced DT4RR as a top-priority rule of law project, and specific AmChams in Central America support it strongly. This reflects both their high standard of commitment to rule of law and the benefits that the project provides, including a more predictable and transparent regulatory climate, as well as reduced compliance risks within supply chains and broader business ecosystems. As a result, they will be able to accelerate investment to underserved communities and integrate more small businesses and underrepresented suppliers into their supply chains. In turn, this im-

proves incentives for other businesses in Central America to increase their commitment to rule of law, so that they are able to qualify for the benefits of integration into larger companies’ supply chains. This begins to build a virtuous cycle that changes informal cultural norms, as other businesses in Central America see many other businesses participating in a cross-sectoral partnership that advances rule of law. If done right, it will give rise to additional partnerships following a similar model.

Incentives for Central American Governments to Commit to Digitalization Reforms.—We have found Central American governments to be very responsive to the fact that DT4RR would advance their goals of attracting investment and promoting supply chain integration, by addressing the related rule of law barriers. This is very motivating to the best political leaders. Availability of foreign assistance, both financial and technical, will also increase governments’ incentives.

Incentives for Public Servants to Implement the Reforms.—It is useful to recognize public servants as a unique set of stakeholders who have not only institutional but also individual incentives to implement the rule-of-law reforms that comprise DT4RR. These incentives include the personal and professional development opportunities that DT4RR provides through digital skills and training.

We have also incorporated into the DT4RR design lessons learned from the success of the LEED certification for buildings and professionals. Because LEED-certified buildings can be designed only by LEED-certified architects, there is a virtuous cycle of incentives in which architects perceive value in getting their certification and, once they have it, have an incentive to propose LEED buildings. In like manner, the Americas Business Dialogue, in coordination with the Organization of American States, are working to roll out a certification in digital licensing and permitting best practices that can be earned both by government agencies and by individual public servants. Because agency certification will require trained and certified public servants, this certification promises to generate a virtuous cycle of incentives similar to in the LEED context.

THE “HOW”—THE CO-CREATION PROCESS FOR IMPLEMENTING DT4RR

There is a lot of work already under way to answer these questions, but most of the proposed solutions are highly stove-piped. They put business in one corner, and civil society and government in the other, when in fact all sectors should be actively co-creating rule of law solutions to our persistent challenges. That is how we will be able to bring more MSMEs into the supply chain and support more underserved communities. We propose the following steps to facilitate the co-creation of projects aligned with DT4RR, in partnership with stakeholders across sectors.

How to create digital tools for rule of law?	Case Study: The role of business in co-creation of digital tools to address tax non-compliance, which limits MSME integration in supply chains.
Don't do it by yourself Include the right stakeholders at the start to co-create the solution	Stakeholders brought to the table to co-create the solution <ul style="list-style-type: none"> Public servants at the bureaucratic level Public servants at the political level Solutions provider (e.g., digital services company) Funder (e.g., government, MDB) Business stakeholders
Don't just digitize a process Use digitalization as a chance to rethink and improve	Flawed initial solution: Digital withholding of VAT Business stakeholders, through their relationships with MSME suppliers, were able to identify potential barriers to success
Understand the barriers to success Will, knowledge, and/or capacity	Barrier: Access to Digital Digital tools and digitalized systems are not automatically inclusive for all populations (e.g., unbanked actors)
Solve for the barriers to success Will, knowledge, and/or capacity	Refined solutions One design feature of DT4RR is cross-sectoral coordination to ensure access within newly digitalized systems. <ul style="list-style-type: none"> For example, digital payment systems should be paired with efforts to digitalize cash, so as not to exclude unbanked users. Ensuring inclusive access to affordable data and mobile phones will ease MSME suppliers to be on-boarded seamlessly into digitalized public regulatory systems and U.S. companies’ digitalized compliance and operational programs.
Identify and Cite Existing Best Practices	Existing best practices incorporated into the solution Business stakeholders identified model of Mexico’s e-invoice, which was also incorporated into the solution. Because USAID, business stakeholders and MSME suppliers already have programs in place that are, among other things, training MSMEs on e-invoicing, those best practices can be incorporated.

BROADER SUPPORT FOR THIS MODEL

Examples of broader support for the measures called for here include the following:

- In March 2021, President Biden and President López Obrador issued a joint U.S.-Mexico declaration which identified the need for cross-sectoral partnership

to tackle inclusive economic opportunity and rule of law, both root causes of migration challenges.

- In 2018 Heads of State of the Western Hemisphere included in their joint declaration a call to simplify licensing and permitting via digital and other tools.
- In 2020 the G20 Leaders endorsed a set of principles for promoting public-sector integrity which included a call for digital public services.
- G20 Labour & Employment Ministers included in its declaration a commitment to “Enhancing digitalization of work-related processes, such as licensing and permitting, to promote safe and healthy working environments and speed the rebuilding of our economies.”
- In 2018, President Trump and the other Heads of State of the Western Hemisphere included in their joint declaration a call for simplification of licensing and permitting via digital and other tools, to strengthen both competitiveness and anticorruption.

This robust support already in place indicates that a strong U.S. Government and U.S. private sector commitment to this model will very likely be met with willingness on the part of some Central American governments and many international donors to move forward with this project.

The below list contains a broader set of high-level instances of support for the measures called for in the DT4RR agenda.

INTERNATIONAL SUPPORT FOR DIGITAL TOOLS FOR RULE OF LAW & RECOVERY

B20 Recommendations of the Integrity & Compliance Task Force (2021; To Be Published)

Recommendation 1.1, “The G20 should encourage investments in adequate training and selection of public officials engaged in procurement, licensing and permitting, and increase technical and managerial capacity to effectively define tenders in terms of project requirements, scoring models and participation criteria.”

B20 Recommendations of the Employment & Education Task Force (2021; To Be Published)

Recommendation 2.1, “. . . The G20 should reduce administrative and legislative barriers that encumber the ability of businesses to establish, operate and grow; including investments in digital government tools and processes.”

B20 Recommendations of the Digital Transformation Task Force (2021; To Be Published)

Recommendation No. 4, “Foster Governments’ and companies’ responsible development and deployment of digital technologies, by leveraging public and private cooperation in R&D, promoting investments and effective use cases sharing.”

U.S.-Mexico Joint Declaration (3/1/2021) [LINK]

“Both leaders . . . agreed to collaborate on a joint effort to address the root causes of regional migration, to improve migration management, and to develop legal pathways for migration . . . [and] directed the Secretariat of Foreign Relations and the Department of State to engage with the governments of neighboring countries, civil society, and private sectors through policies that promote equitable and sustainable economic development, combat corruption, and improve law enforcement cooperation.”

G20 High-Level Principles for Promoting Public Sector Integrity through the Use of Information and Communications Technology (ICT) (10/22/2020) [LINK]

*** These principles were endorsed in the G20 2020 Leaders’ Declaration ***

Principle No. 1, Provide digital public services to improve efficiency and reduce opportunities for corruption: “G20 countries should introduce or enhance the use of such technologies, where appropriate, to provide government services, such as . . . licensing, etc.”

G20 Labour & Employment Ministerial Declaration 2020 (9/10/2020) [LINK]

Page 9, “As our labor markets begin to recover, we will continue to take actions . . . these actions may include . . . Enhancing digitalization of work-related processes, such as licensing and permitting, to promote safe and healthy working environments and speed the rebuilding of our economies.”

G20 Digital Economy Ministerial Declaration (7/22/2020) [LINK]

As our societies and the global economy digitalize, there are ever greater opportunities to advance standards of living . . . Digitalization is also increasing the importance of boosting job opportunities, increasing market access for Micro, Small,

and Medium Enterprises (MSMEs) . . . We continue to support international co-operation and multi-stakeholder engagement to design and implement evidence-based digital policies to address these challenges.

B20 Special Report to the G20 on Recommendations for COVID-19 Recovery (8/2020) [LINK]

Recommendation 2.B—Minimize unemployment & increase employability, “Deploy digitalized government services to support social distancing and public health efforts without harming employment, such as licensing and permitting, so shopkeepers, entrepreneurs, and construction crews can maintain employment and quickly restart and rebuild economies.”

Recommendation 6—Digitalize responsibly and inclusively, “Accelerate digital government efforts, including vital public services, [such as] digitized licensing and permitting, based on the principles of right to privacy and security of data for all users, and reduce opportunities for corruption while strengthening transparency and integrity”.

B20 Recommendations of the Digitization Task Force (10/2020) [LINK]

Policy Action 4.1, “The G20 should overcome the digital skills divide by supporting high quality educational programs for all, fostering access to the most affordable technology for all, promoting partnerships to create safe digital environments, and accelerating the digitization of government services including licensing, permitting, tax collection, and procurement”.

B20 Recommendations of the Integrity and Compliance Task Force (10/2020) [LINK]

Introduction: “. . . Existing technologies, such as digitized government services in licensing, permitting, procurement and taxation can help to reduce corruption during and after the pandemic . . . (emphasis added).

Recommendation 2, “The Saudi Arabia B20 Presidency aims to promote public and private sector integrity through the application of information and communication technologies in order to reduce opportunities for corruption, enhance effectiveness and efficiency in the public and private sector, strengthen transparency and increase public trust. Technologies that support the digitization of government services, including licensing, permitting, tax collection and procurement serve a crucial role”.

B20 Recommendations of the Future of Work & Education Task Force (10/2020) [LINK]

Policy Action 1.3, “Review, reduce and simplify tax, bureaucratic and other structures to encourage formal sector participation, including the digitization of relevant public services (e.g. licensing and permitting).”

Summit of the Americas Heads of State Joint Declaration (4/14/2018) [LINK]

Paragraph 32, “[We commit to] Fostering coordinated, transparent practices in the issuance of government permits inter alia by the use of one-stop shops, including in the area of construction, as a measure to prevent corruption, promote competitiveness, and expedite the corresponding permits”.

Americas Business Dialogue/Inter-American Development Bank COVID-19 Recommendations (4/27/2020) [LINK]

Paragraph B.8, “Governments should accelerate their digital transformation to ensure that public administration may continue and to enable remote working and business operations, by removing reliance on paper and promoting the use of digital technologies for all transactions and procedures . . . Regulatory systems with a rapid investment facilitation impact, such as licensing and permitting, should be especially prioritized during the crisis”.

IMF Managing Director’s Remarks to the U.S. Chamber of Commerce (6/2/2020) [LINK]

“We are going to see a rapid modernization in how we operate . . . and we will also see a tremendous expansion of e-commerce, e-learning, e-transfers, e-payments, and e-governance. E-governance is particularly important, and at the IMF we would like to see more transparency and accountability in governance as well as in the way the economy functions.”

APPENDIX B: THE ROLE OF THE U.S. CHAMBER OF COMMERCE IN ADVANCING RULE OF LAW

Few factors rival the rule of law as a foundational criterion to predict a company’s ability to do business profitably and to maintain a sustainable business model over

time. The U.S. Chamber of Commerce’s member companies have consistently identified weak rule of law as the No. 1 challenge to doing business in Central America, from criminal gangs disrupting distribution routes, to delays in trade and investment plans as a result of corruption and complex paper-based bureaucracies.

The U.S. Chamber of Commerce’s Coalition for the Rule of Law in Global Markets has been at the forefront of promoting adherence to rule of law and a culture of integrity as key to governments’ ability to increase investment, participate in global trade, and drive sustainable economic growth. We have identified 5 elements that level the playing field for American companies and determine the ability of any business to make good operating and investment decisions. These elements are Transparency, Predictability, Stability, Accountability, and Due Process. The forthcoming fifth edition of the Global Business Rule of Law Dashboard (2021) demonstrates that the rule of law, as evaluated against these 5 elements, remains a significant challenge in the region, with all but Costa Rica (ranked 44 on the dashboard) and Panama (ranked 69) scoring below 50 percent; El Salvador (88), Nicaragua (98), Guatemala (102), Honduras (100) all were in the lowest quartile of the report, which profiled 113 markets.

Accordingly, a focus on the rule of law should be viewed as the keystone of success for any new Central America strategy. The U.S. Government should reframe their work to better incorporate business considerations into the assistance and approaches deployed to combat corruption and promote the rule of law, specifically targeting factors that prevent companies from investing and/or expanding their investment in the Northern Triangle countries of Central America and the wider region.

Strengthening the rule of law is also a priority for the Chamber’s Association of American Chambers of Commerce in Latin America and the Caribbean (AACCLA), which launched a rule of law task force in 2019. Companies and the American Chambers of Commerce have identified the region’s potential to make meaningful progress in improving the rule of law and combatting commercially-relevant corruption by taking practical steps to implement digitalization in 4 key areas of public-private sector interaction: Taxation, customs administration, licensing and permitting, and Government procurement. Digitalization of these functions would require significant resources, but would create a more efficient and accountable business environment, allowing foreign (and domestic) companies and investors to comply with local and international laws and regulations, while reducing corruption.

APPENDIX C: 2018–2021 RECOMMENDATIONS OF THE AMERICAS BUSINESS DIALOGUE: TRANSPARENCY & INTEGRITY

The Americas Business Dialogue (ABD) is a private sector-led initiative facilitated by the Inter-American Development Bank (IDB) aimed at fostering a high-level public-private policy dialog between business and government leaders of the Americas on the region’s priorities, challenges, and opportunities for economic growth and development. In 2018, the ABD developed a set of policy recommendations which were submitted to the Heads of State of the Western Hemisphere at the Summit of the Americas (SoA) and published as Action for Growth. Recommendations No. 1–8 focus on Transparency & Integrity. Recommendation No. 8 directly aligns with DT4RR, and offers a role for the private sector to supporting implementation of paragraph 32 of the Lima Declaration, to which Western Hemisphere heads of state committed at the 2018 SoA (see Appendix A, Broader Support for This Model). With President Biden hosting the next Summit, we have an opportunity to spotlight cross-sectoral progress on digitally transparent licensing and permitting, as well as on other ABD recommendations, including No. 7 below.

Review the recommendations below and at <https://tinyurl.com/abdrec>.

RECOMMENDATION NO. 1: Address ultimate beneficial owners in accordance with international standards.

RECOMMENDATION NO. 2: Strengthen and modernize public procurement systems to ensure integrity, transparency, and competition along the different stages of the procurement process, as well as throughout the entire life cycle of the contractual relationship.

RECOMMENDATION NO. 3: Implement mechanisms to ensure legitimate, transparent, and technically sound regulations, and adopt administrative simplification plans.

RECOMMENDATION NO. 4: Strengthen the mechanisms of open government, including transparency, citizen participation and collaboration, and public integrity systems as a policy measure to increase trust in government and democracy.

RECOMMENDATION NO. 5: Encourage the private sector to adopt comprehensive integrity mechanisms, including codes of corporate conduct, accompanied by effective implementation and periodic review of compliance plans.

RECOMMENDATION NO. 6: Disclose corporate expenditures to the public sector, using leading practices in expenditure disclosure, such as those implemented by the extractive sector.

RECOMMENDATION NO. 7: Develop a mechanism for private sector and inter-government coordination on regulatory cooperation projects that helps economies implement a shared set of Good Regulatory Practices (GRPs), to develop competitive economies and support participatory and transparent democracies.

RECOMMENDATION NO. 8: Develop a certification in best practices for issuance of permits and make it available via a Massively Open On-line Course (MOOC) to any government and current or prospective public servant who wishes to qualify, coordinated by a public-private multilateral partnership.

Chairman CORREA. Thank you very much for your testimony, Mr. Leaman.

Now I will call on our third witness. I would like to recognize Ms. Umaña Araujo to summarize her statements as well in 5 minutes or so.

Welcome.

STATEMENT OF CLAUDIA UMAÑA ARAUJO, PRESIDENT, THE SALVADORAN FOUNDATION FOR ECONOMIC AND SOCIAL DEVELOPMENT (FUSADES)

Ms. UMAÑA ARAUJO. Thank you, Mr. Chairman and Ranking Member for the opportunity to testify before this subcommittee.

The aspect that I would like to convey is that Central American civil society is and will play an important role in promoting a long-term vision and the structural changes that need to be made to address the climate conditions that create the push factors.

Today we need to stabilize and maintain our young democracies. On this front public corruption and weak rule of law are the most persistent and long-standing challenges for the strengthening of democratic institutions and sustaining inclusive social, economic, and environmental development in the region.

We have been raising awareness on how corruption has eroded democratic norms, exacerbated poverty, widened social inequality, and contributed to the conditions that force migrants to leave their homes.

I would like to address the elephant in the room. Wide corruption and migration are still a problem in countries where the U.S. taxpayers have contributed so much. Your collaboration has been a catalyst for good governance and you have been a strategic ally. The United States has invested around \$1 billion in my country between the first and the second Millennium Challenge Accounts, and donations to reinforce security, support economic growth, and institutional strengthening. For this we are very grateful.

In terms of the fight against corruption, the cooperation has helped also unite the civil society through a just cause. I would like to share a benchmark of the U.S. cooperation, one that enabled the creation of a group of diverse civil society members that promoted the enactment of the Freedom of Information system and the fight against corruption in El Salvador.

But putting it all together was not easy. It required years of advocacy to pass a Freedom of Information law, but when it did, it turned out to be the top 5 legislation of Sunshine Laws across the world. Civil society provided the social mobilization to promote merit-based appointments for key oversight officials, such as the supreme court justices, the attorney general, and the institute of

access to public information to enable an ecosystem of transparency where laws governed the life of citizens. The contributions of the U.S. Government was a catalyst in all of these processes. It entails supporting a vibrant civil society that was willing to address the sensitive issues, engage political actors, and build bridges across sectors to reach a common ground in favor of good governance and prosperity.

In this context, migration is just the peak of iceberg of a long list of structural deficits in a country like mine and we need to acknowledge that the problem is systemic and a long-term commitment.

So what went wrong? Well, also democratic fatigue. There is a backslide in most of the Central American countries democracies are fragile because they have not been able to deliver the prosperity that was expected of them. Good governance matters and we can never take democracy for granted.

In the case of El Salvador, trust in the traditional parties eroded and the corruption cases enabled the coming into office of President Bukele that claimed he would combat corruption. But once in office and harnessing the potential of social media, he has exercised power by defying the checks and balances of the Republic. We need to keep rule of law and not enable rule of fear.

So what is next? At this time I can assure you that civil society is still a very important ally for the United States in spite that every day the civic space is deteriorating and shrinking and the access to information, freedom of expression and association, are currently in danger. There is concern of the risk of political persecution against civil society organizations that they are advocating for accountability and the respect of rule of law. Breaking the vicious cycle of corruption in the region will require a holistic long-term approach that brings together governments, civil society, and businesses under an innovative and common anti-corruption agenda.

Rule of law is a path to development and prosperity. That fight against corruption can only prosper correctly in a democratic system. We must be clear that transcending from under development to development and there are no shortcuts.

Thank you.

[The prepared statement of Ms. Umaña Araujo follows:]

PREPARED STATEMENT OF CLAUDIA UMAÑA ARAUJO

JUNE 9, 2021

Thank you for the opportunity to testify today before the U.S. House of Representatives Committee on Homeland Security. My name Claudia Umaña Araujo and I am the president of the Salvadoran Foundation for Economic and Social Development, FUSADES, a Salvadoran Think Tank, apolitical and non-profit organization that promotes economic and social progress for all Salvadorans through sustainable development and within a system of democracy and individual liberties.

The aspect that I would like to convey this morning is, that Central American Civil Society is and will play an important role in promoting a long-term vision on the structural changes that need to be made in order to address the chronic conditions that create the push factors.

Today the Northern Triangle needs to stabilize and maintain the institutionalization of our young democracies. On this front, public corruption and weak rule of law are the most persistent and long-standing challenges for strengthening democratic institutions and sustaining inclusive economic development in the region. As Fusades we have been raising awareness in El Salvador on how corruption has

eroded democratic norms, exacerbated poverty, widened social inequality, and contributed to the conditions that force migrants to leave their homes.

DEMOCRATIC FATIGUE

According to the Economist Intelligence Unit's Democracy Index, there is a backslide in most of the Central American countries.¹ Democracies are fragile because they have not been able to deliver the prosperity that was expected of them. The democratic institutions even though they were in general well-designed, their performance did not meet the level of expectations of a modern society,² specially the younger generations. Good governance matters and we can never take democracy for granted. In El Salvador since the signing of the Peace Accords, we have had the opportunity to experience civil liberties and stability in relation to other countries in the region. But we have been battling with serious problems, like gang-related violence, corruption, inequality, lack of a good education and migration. On a positive note we had advanced in free elections, freedom of speech, access to information, apolitical armed forces and an independent constitutional court.

But trust in the traditional parties eroded, President Bukele ran to office in 2019, claiming he would combat corruption and promised change while he capitalized on the corruption scandals. Harnessing the potential of social media, and using twitter as his government communication platform, he has exercised power beyond the constitutional limits and by defying the checks and balances mechanisms of the Republic.

Bukele had gained control of the National Assembly when his party and allies obtained a supermajority in the legislative branch. With his charismatic leadership he won the Congress elections by a landslide. And has installed a logic of the "winner takes it all". On the first day of the new legislative session in May 2021, the Salvadoran legislature acted to remove unconstitutionally 5 supreme court justices and the general attorney—a worrisome trend by President Bukele and his party undermining the separation of powers. These movements allowed him to consolidate control over all 3 government branches.³

His rapid consolidation of power by using the tools of democracy to destroy democracy is a trend in an authoritarian path that can leave power unchecked and become very corrupt, "Power tends to corrupt, and absolute power corrupts absolutely".⁴ The USAID, international allies and international cooperation have been clear in reiterating that the respect for the separation of powers, a strong civil society, an independent judicial system and strong rule of law are pillars of any democracy.⁵

We are no longer by the rule of law, and slowly moving to a rule of fear. Instead of having separation of powers, now we have a total concentration of power. Ricardo Zúñiga in his visit to El Salvador met with President Bukele, and he asked to reverse the changes to the court and attorney general, but the president said this was not an option, that his decisions were irreversible. In the last weeks a raising tension between El Salvador and the United States has been noticeable.⁶ It is regrettable to see how in a matter of weeks a relationship has deteriorated with a strategic ally of El Salvador that provides a home to more than 2 million Salvadorans and sends remittances that constitute more than 20 percent of our GDP.⁷

According to the 2020 Corruption Perceptions Index from Transparency International, the Northern Triangle countries have a worse ranking than at least 103 of the 180 countries surveyed, with Honduras ranking at 157, Guatemala at 148, and El Salvador at 104. A confluence of internal and external forces in recent years—including the penetration of organized crime and narcotrafficking into local governance and national politics, and the fiscal measures that the COVID-19 pandemic and natural disasters have demanded—has opened new ground for corrupt practices and exacerbated old ones.

¹ "The Economist Intelligence Unit's Democracy Index recorded a decline in their overall score, as country after country locked down to protect lives from a novel coronavirus. The global average score fell to its lowest level since the index began in 2006". See The Economist Intelligence Unit, "Democracy Index 2020: In sickness and in health?", accessed June 7, 2021.

² FUSADES, "Las Instituciones Democráticas en El Salvador: Valoración de Rendimientos y Plan de Fortalecimiento", accessed June 7, 2021.

³ FUSADES, "Para no perder las libertades, debe restablecerse el orden constitucional", accessed June 7, 2021.

⁴ Lord Acton, "Letter to Archbishop Mandell Creighton", accessed June 7, 2021.

⁵ USAID, "USAID redirects assistance for Salvadoran government institutions to civil society groups", accessed June 7, 2021.

⁶ Alexander Pineda, "Bukele se reúne con cuerpo diplomático para justificar destituciones de fiscal y Sala", *Diario El Mundo*, accessed June 7, 2021.

⁷ FUSADES, "El Salvador. Año Político Junio 2020—Mayo 2021", accessed June 7, 2021.

The justice systems need reforms, capacity-building efforts, and resources that incentivize accountability and transparency over impunity and corruption. The 2014 Plan of the Alliance for the Prosperity in the Northern Triangle (A4P) provided an initial blueprint to update and expand upon for supporting national, regional, and international anti-corruption efforts, but efforts fell short of their intended objectives.

In Guatemala, the emblematic United Nations (UN)-backed International Commission against Impunity (CICIG) and the attorney general directly led to the jailing of both then-President and then-Vice President. In Honduras, in 2016, a case at the Honduran Social Security Institute—where an estimated \$300 million in public funds were embezzled—provoked civil unrest and sparked the creation of the Organization of American States (OAS)-backed Mission Against Corruption and Impunity (MACCIH).⁸

Today, CICIG and MACCIH have ceased. CICIG will end operations by the end of the month in El Salvador. These decisions, among others that have undermined transparency and anticorruption mechanisms were widely criticized by the international community and civil society, and seen as a step backwards in the fight against corruption in these countries and a lack of commitment of the governments in sustainable mechanisms to pursue corruption.

UNITING CIVIL SOCIETY THROUGH A JUST CAUSE

According to a recent article of the *New York Times* about the questionable results of the U.S. cooperation in the Northern Triangle, and that I am part of the civil society space in El Salvador, that has been dedicated to build a well-governed and prosperous society over the past decades. I would like to address the elephant in the room: Why corruption and migration are still a problem in a country where the U.S. taxpayers have contributed significantly with millions and billions of dollars.⁹

First, the fight against corruption had been showing great progress and concrete results until recently. For the first time in Salvadoran democratic history, a former president was indicted and then convicted for grand corruption. That showed to the people of El Salvador, and especially to their elected officials and public servants, that using public resources for their own benefit, in a country where almost 40 percent of the population still lives in poverty, had severe consequences. But getting to that point was not easy at all: It required years of civil society advocacy to pass a Freedom of Information Law,¹⁰ which came into effect in 2011 and ended among the top 5 legislations of that kind across the world; a significant amount of money for the Institute for Access to Public Information (IAIP, by its acronym in Spanish), which started functioning in 2012,¹¹ to enforce the new legal framework; hours of training to government employees from national and local entities to provide public information to citizens who requested it; and tons of resources, energy, time, and social mobilization to promote transparent and merit-based appointments of the heads of key oversight officials, such as the Supreme Court justices, the Attorney General, and the Institute for Access to Public Information, to enable an ecosystem where laws, and not private interests, govern the life of millions of Salvadorans.¹²

The contribution of the U.S. Government was critical in all the processes I just mentioned. It entailed not only supporting a vibrant civil society that was willing to address sensitive issues, including the organization I currently represent, but to engage with political actors and build bridges across different sectors to reach common ground in favor of good governance and prosperity. In other words, if you want to pick a benchmark of U.S. cooperation in the Northern Triangle, the enactment of the Freedom of Information System in El Salvador is definitely one.

In this context, migration is just the peak of the iceberg of a long list of structural deficits in countries like mine. Good service delivery is a simple aspiration if citizens are not even able to understand where the money goes. Moreover, if citizens are not able to hold their government accountable, probably there won't be any public service at all, and their taxes will end up in corrupt hands. When we think about the roots of any issue, such as migration, we are acknowledging that the problem is sys-

⁸See Atlantic Council, "Combating Corruption in the Northern Triangle, Prioritizing a whole-of-society approach", accessed June 7, 2021.

⁹Nathalie Kitroeff and Michael D. Shear. U.S. Aid to Central America Hasn't Slowed Migration. Can Kamala Harris? <https://www.nytimes.com/2021/06/06/world/americas/central-america-migration-kamala-harris.html?action=click&module=Spotlight&pgtype=Homepage>, accessed June 9, 2021.

¹⁰Ley de Acceso a la Información Pública.

¹¹USAID was instrumental in the early phase of the IAIP, to pay their functioning.

¹²See FUSADES, "Sistema Nacional de Transparencia y Anticorrupción: Diagnóstico y propuesta".

temic in the sense that there is more than one solution and that these are long-term.

The lack of a robust open government is one of the main causes of the lack of opportunities that ends in massive irregular migration. But thanks to the Freedom of Information System that the government established together with civil society organizations, the private sector, media outlets, and international cooperation we started to see important outcomes. In 2015, the Institute for Access to Public Information confirmed that declarations of assets submitted by government officials had to be disclosed.¹³ This consequential decision triggered 3 important paths: (a) That the supreme court's probity unit, ordered the starting of the judicial process for illicit enrichment, (b) efforts within the investigative journalism community, which informed the public about mismanagement of public resources, (c) the Attorney General Office opened investigations regarding the abuse in the use of public funds and proceed to the indictment of big corruption cases, of 3 former presidents. That's how in 2016, former president Antonio Saca, who is now in prison, was arrested for mismanaging more than \$300 million; and how in 2018, Mr. Saca was finally convicted. This is the only case that concluded. The other 2 presidents, one died and the other one ran from justice.¹⁴

By 2018, apprehensions of Salvadorans at the Southern Border had significantly decreased in comparison with the spike seen in 2014. Even in 2019, when a new spike took place, El Salvador kept much lower numbers compared to our neighbors.¹⁵

However, since 2019, and particularly over the past 16 months, we have seen an accelerated deterioration of basic principles of transparency, democracy, and the rule of law; and what was built in the past decade to make sure Salvadorans had a government responsive to their needs and accountable for its actions, has been swept away in a few weeks.

The crucial actions that eroded the transparency institutions were: (i) The appointments of the access of information authority with commissioners that lacked independence and technical knowledge they needed to perform their duties, (ii) the approval of the Law for the use of products for medical treatments in exceptional public health situations caused by the COVID-19 pandemic;¹⁶ it eventually benefits people who could have participated in acts of corruption due to the immunity established in said law,¹⁷ (iii) the government decision not to publish the First Descriptive Report on the Quality, Effectiveness, and Legitimacy of the use of Public Funds in response to the COVID-19 pandemic. In said report, a series of irregularities with a criminal appearance are found that must be investigated,¹⁸ (iv) breaking the agreement of the International Commission against Impunity in El Salvador (CICIES), (v) the recurrent attitude of the government of trying to induce authorities to investigate actions of opposition politicians exclusively and using institutions as instruments of political persecution by the government.¹⁹

We cannot deny that there were structural factors that enabled the situation we're facing right now. Social and economic inequality, the lack of renovation within the political parties' leadership, and poor levels of political culture and collective memory of a society that suffered the bloodiest civil war in the continent in the past century are some of those structural factors.

At this point, it is clear that at the domestic level only civil society and independent media can contain the path to an authoritarian regime. It is also clear that without the support of the international community in protecting human rights defenders, civil society, and journalists, the concentration of power will be even greater than it is right now. And also, without an international community that enforces multilateral agreements, from the Inter-American Democratic Charter to the conditions in development funds granted by cooperation agencies and international banks, the job will be almost impossible.

¹³FUSADES, "Informe de Coyuntura Legal e Institucional segundo semestre de 2015", accessed June 7, 2021.

¹⁴FUSADES, "Informe de Coyuntura Legal e Institucional segundo semestre de 2018", accessed June 7, 2021.

¹⁵Jonathan Hiskey, "Decision Points: The Changing Dynamics of Emigration Intentions in Northern Central America", accessed June 7, 2021.

¹⁶OAS Promulgated by means of legislative decree No. 7 dated May 5, 2011 and published in the Official Gazette. No. 85 Volume 431 of the same date May 5, 2021.

¹⁷Statement from the OAS General Secretariat on CICIES, accessed June 7, 2021.

See "Ley para el Uso de Productos para Tratamientos Médicos en Situaciones Excepcionales de Salud Pública ocasionadas por la Pandemia COVID-19", accessed June 7, 2021.

¹⁸Statement from the OAS General Secretariat on CICIES, accessed June 7, 2021.

¹⁹Statement from the OAS General Secretariat on CICIES, accessed June 7, 2021.

THE USA HAS BEEN A STRATEGIC ALLY FOR GOOD GOVERNANCE

The United States has invested a total of \$737 million in El Salvador through the Millennium Challenge Account I and II, which has been used to renovate schools, improve roads, agricultural projects, and empower women. It also supported the national civil police with equipment and the justice system with investment in technology and training, and more recently has donated \$30 million to combat COVID-19. In addition, USAID has donated \$96 million to reinforce security and support economic growth and institutional strengthening.²⁰ For all of these as Salvadoran we are very grateful.

Our countries have intertwined destinies, and the United States has proved to be a strategic ally because we've had a long-term relationship based on a common vision; prosperity and democracy are two fundamental pillars.

An example of this shared view, is the Northern Triangle Prosperity Project, which pillars are still in place like fostering the productive sector, developing human capital, improving citizen security and access to justice, and strengthening institutions and improving transparency. Much of the capacity building for judges and the general attorney's office, during this time, the democratic institution framework of El Salvador was able to persecute the corruption cases that we have previously mentioned. Currently, there are other great initiatives for the region, like the creation of the Northern Triangle Anticorruption and Impunity Center (Centro contra la Corrupción y la Impunidad en el Norte de Centroamérica)²¹ promoted by civil society organizations, and on the other hand the announcement of U.S. Vice President Harris, regarding the creation of the Anticorruption Regional Taskforce, both very promising tools to combat corruption.²²

Breaking the vicious cycle of corruption in the region will require a holistic, long-term approach that brings together governments, civil society, and businesses under a common anti-corruption agenda with bold, innovative, and locally-driven policy solutions. It's important to placing a special emphasis on building capacities, strengthening existing cooperation with local partners, and finding new spaces for collaboration to combat corruption over the long term in Central America.²³

We appreciate the assistance that the United States has given the region during the past decade. But the challenge that we face is complex and long-term.

At this time, I can assure that civil society is still a very important ally for the USA and that every day the civic space is deteriorating and shrinking, and we need to continue to work to strengthen democratic governance. Freedom of expression is threatened and there is harassment and attacks against the independent press. Freedom of information has been weakened due to the loss of autonomy of the Institute for Access to Public Information, and the government's refusal to release information. There are also big concerns regarding freedom of association, due to government intimidations and the risk of political persecution against civil society organizations that are advocating for accountability and the respect for the rule of law.

USAID, along with cooperation agencies from European countries, can continue to work with civil society to promote increased transparency. A continuously-involved civil society and independent media will be important factors in promoting a long-term vision on the structural changes that need to be made.

Due to the digital revolution,²⁴ transparency and rule of law need to become part of the Northern Triangle Public Agenda and to be able to do so, there is a need to understand new ways to create specific messages targeting different audiences that would spark higher public interest.

CONCLUSION

There is no one answer for addressing the root causes of migration, being a multi-causal humanitarian crisis. I firmly believe that civil society leaders can help focus on generating support for innovative policy solutions to some of the most pressing challenges in the Northern Triangle, which are similarly many of the root causes of migration in the region. Civil society in El Salvador has come together joined by

²⁰ See La Prensa Gráfica, "Llegada de Jean Manes, encargada de negocios de EUA en El Salvador", accessed June 7, 2021.

²¹ Visit: www.ccinoc.org.

²² Soudi Jiménez, "En visita a Guatemala, la vicepresidenta Kamala Harris apunta que debemos cortar de raíz la corrupción", Los Angeles Times, accessed June 8, 2021.

²³ See Atlantic Council, "Combating Corruption in the Northern Triangle, Prioritizing a whole of society approach", accessed June 7, 2021.

²⁴ George W. Bush Presidential Center. Bush Institute. A Digital Strategy for Competitiveness and Integration in the Northern Triangle. <https://www.bushcenter.org/publications/resources-reports/reports/digital-strategy-for-competitiveness-and-integration-in-the-northern-triangle.html>, accessed June 9, 2021.

democratic values and we will stand together to collaborate on this pursuit. Achieving lives with dignity and creating the dream of prosperity in our counties is our priority.

Rule of law is necessary to a path to development and prosperity. We need people to believe in democracy and foster a culture of rule of law instead of impunity. We need to ensure that all the lost progress regarding corruption and impunity in Central America is regained. This means a cultural change where there is respect to human dignity, civic education in what it means to live in a prosperous society. We must be clear that in the path of transcending from underdevelopment to development, we cannot bypass the democratic process.

We need to incorporate more voices and through diversity of visions build a better future where institutions are more in tune with citizens' needs. We need new standards on regards to transparency in the digital era, there are more tools like blockchain, and in general to walk together in the exploration of new and creative ways to tackle the push factors. Innovations and civil society in the region must be part of the equation.

Cooperation and a long-term perspective are essential. But cooperation can't be a blank check, we need to create more sustainable mechanisms for oversight and tracking via comprehensive metrics. The continued support of the U.S. Congress on democratic promotion, the separation of powers, and the independence of the judiciary in the Northern Triangle should be maintained to foster reforms.

Chairman CORREA. Thank you very much, Ms. Umaña Araujo. Thank you very much.

Now, we will hear from our fourth witness, Mr. Rooney, who will summarize his statements in about 5 minutes as well.

Welcome, sir.

**STATEMENT OF MATTHEW M. ROONEY, MANAGING DIRECTOR,
BUSH INSTITUTE-SMU ECONOMIC GROWTH INSTITUTE,
GEORGE W. BUSH INSTITUTE**

Mr. ROONEY. Thank you very much, Mr. Chairman, for the opportunity to be here today.

Mr. Ranking Member, Members of the subcommittee, it is an honor in fact to be with you today to discuss the need for action to eliminate corruption in the nations of Central America, particular El Salvador, Guatemala, and Honduras.

The George W. Bush Institute may not be well-known outside the Dallas beltway. They are a think and do tank located in Dallas, Texas founded by President and Mrs. George W. Bush when they left the White House in 2009 with an agenda that follows up on many of the areas of public policy that particularly motivated them, in particular free trade and freedom around the globe.

Our program for Central America came into existence about 3 years ago specifically to offer proposed reforms that could put the economies of those countries on the more rapid growth track.

Mr. Chairman, Mr. Ranking Member, Members of the committee, the spike or the appearance of a crisis in numbers of Central Americans risking their lives to enter the United States has produced the usual calls for quick fixes to address the root causes of this migration. We all know that the real solution is more complicated, but the situation is not hopeless and it can be resolved if we are practical and patient. In fact today I would like to suggest that the George W. Bush Institute has piloted an approach which could be scaled and become part of a practical solution to the problem.

Beginning in 2018 we launched our Central America Prosperity Project with the objective proposing and promoting policy reforms to put those economies on a more robust growth path. At the center of the CAPP approach, the C-A-P-P approach, is a working group

that brings together about 30 thought leaders from the 3 nations of Guatemala, El Salvador, and Honduras. Half of the group are women, a third are under the age of 40. Participants include business, policy, politics, academia, journalism, and civil society, including human rights, environmental, business, and labor groups. In the interest of full disclosure, I should note that Claudia Umaña, my friend and colleague, is a member of that group and I am grateful, Claudia, for your commitment to our program.

We brought that working group together for a series of structured round tables to consider why the economies of the Northern Triangle don't grow and create jobs more rapidly. Obviously, as Mr. Leaman has already pointed out, lack of private-sector investment in job creation is one of the cornerstone reasons for that. But in digging deeper, the group agreed that the underlying cause of this faltering investment in job creation is, as Mr. Leaman has already pointed out, corruption, that is ubiquitous in the region.

So working with private-sector colleagues in the United States and elsewhere and academic partners, we concluded that the wider use of digital technologies—here I am echoing Mr. Leaman again, my friend and colleague—the wider use of digital technologies for access to government services in particular would curtail opportunities for both petty and grand corruption, make government more transparent, and begin to restore public confidence.

So in May 2019 we issued a call to the 3 governments to develop and implement [inaudible] that work to organize a series of workshops in the region to identify the policy impediments to mobile services and wider use of digital technologies and to develop national implementation plans. Just a year ago we published a proposed road map to implementation of a regional digitization strategy that starts with each country's baseline and offers a pathway to regionally integrated market for digital services.

We believe the United States could encourage and shape these reforms by a very simple mechanism of offering to enter into an agreement with the region on digital trade.

In late 2020 we carried out a simulated negotiation of such an agreement using the digital trade provisions of USMCA, the U.S.-Mexico-Canada Agreement, as a starting point. We assembled Guatemalan, Honduran, and Salvadorian negotiating delegations, made up of tech entrepreneurs, business association leaders, civil society representatives, and experienced trade negotiators. To play the United States in our simulation, we engaged 2 retired senior American trade negotiators. The outcome of the simulation, which we published earlier this year, suggests that the region has the necessary foundation, that the region's reforms are taking shape in ways that may or may not be consistent with U.S. practice, and that a formal agreement with the United States would both help shape the reforms to ensure that they are consistent with U.S. practice and lock those reforms in over the long term.

We believe that this model can make a downpayment on the reforms needed to curtail corruption in the Northern Triangle, enabling those countries to attract the investment they need to put their economies on a more robust growth track.

While strengthening the economies of these countries is only one piece of what is needed to stem the flow of migrants to our borders,

it is a critical piece that if implemented effectively will address one of the primary reasons why Central Americans flee their countries.

With that, Mr. Chairman, Mr. Ranking Member, I thank you again for the opportunity to be here today and look forward to your questions and comments.

[The prepared statement of Mr. Rooney follows:]

PREPARED STATEMENT OF MATTHEW M. ROONEY

JUNE 11, 2021

CURTAILING CORRUPTION IN CENTRAL AMERICA

Mr. Chairman, Mr. Ranking Member, Members of the subcommittee, it is an honor to be with you today to discuss the need for action to eliminate corruption in the nations of Central America, particularly El Salvador, Guatemala, and Honduras.

The George W. Bush Institute-SMU Economic Growth Initiative, which I lead, focuses on North American economic integration and competitiveness; immigration reform; the role of cities in growth; and the conditions for growth in Central America.

Mr. Chairman, Mr. Ranking Member, Members of the Committee, the spike in numbers of Central Americans risking their lives to enter the United States has produced the usual calls for quick fixes to address the “root causes” of this migration.

We know that the real solution is more complicated—but the situation is not hopeless and can be resolved, if we are practical and patient.

In 2018, the George W. Bush Institute launched our Central America Prosperity Project (CAPP), as it has come to be called, with the objective of proposing and promoting policy reforms to put the region’s economies on a more robust growth path. At the center of the CAPP approach is a working group that brings together 30 thought leaders from Guatemala, El Salvador, and Honduras. Half the group are women, and a third are under the age of 40. Participants represent business, policy, politics, academia, journalism, and civil society, including human rights, environmental, business, and labor groups.

We brought our working group together for a series of structured roundtables to consider why the economies of the Northern Triangle don’t grow and create jobs more rapidly. One immediate and obvious answer is lack of private-sector investment, but we encouraged our group to dig deeper. The group eventually agreed that the underlying cause of faltering investment and job creation is the corruption that is ubiquitous in the region.

The region’s corruption ranges from the petty graft of a low-level functionary who demands a cash payment to do their job, or a customs inspector or cop on the beat who extorts money to look the other way—all the way to kickbacks for government contracts, and, ultimately, to government agencies that are so compromised by conflicts of interest that the public has lost all confidence in them.

Working with private-sector colleagues in the United States and elsewhere, and academic partners, we came to the conclusion that wider use of digital technologies for access to government services would curtail opportunities for both petty and grand corruption, make government more transparent, and begin to restore public confidence.

The Bush Institute in May 2019 urged the 3 countries to develop and implement a regional digital strategy. This proposal was welcomed across the region and our working group felt empowered by encouragement from the U.S. Government, many Members of Congress, and international institutions like the Inter-American Development Bank.

During the ensuing year, we worked 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. In June 2020, we published a proposed roadmap to implementation of a regional digitization strategy that starts with each country’s baseline and offers a pathway to a regionally integrated market for digital services.

We believe that the United States could encourage and shape these reforms simply by offering to enter into an agreement with the region on digital trade. In late 2020, we carried out a simulated negotiation of such an agreement, using the digital trade provisions of USMCA as a starting point. We assembled Guatemalan, Honduran, and Salvadoran negotiating “delegations” made up of tech entrepreneurs, business association leaders, civil society representatives and experienced trade ne-

gotiators. To “play” the United States, we engaged 2 retired senior trade negotiators.

The outcome of this simulated negotiation, which we published earlier this year, suggests that the region has the necessary foundation, that the region’s reforms are taking shape in ways that may or may not be consistent with U.S. practice, and that a formal agreement with the United States would both shape the reforms to be consistent with U.S. preferences and lock those reforms in over the long term.

Of course, the region’s challenges go well beyond digital services—COVID has proven that. The value of the proposed digital agenda is not that it addresses every challenge. But it represents a very powerful tool backed by the commitment by a broad network of Central American leaders to the hard political work of driving reforms that will strengthen the foundation for future prosperity.

We believe that this model can make a down payment on reforms needed to curtail corruption in the Northern Triangle, enabling those countries to attract the investment needed to put them on a more robust and more inclusive growth trajectory.

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.

Chairman CORREA. Thank you, Mr. Rooney, for your testimony. I want to thank all our witnesses today for your testimonies.

I will now remind the subcommittee that each one of us will have 5 minutes to ask questions of the panelists. Now I will recognize myself for 5 minutes of questions.

I have a question—my first question is really for all the panelists. The United States has been providing foreign assistance to the Northern Triangle for the last 4 decades—not 1, 4 decades. Congress has historically put conditions on the aid appropriated to the Northern Triangle. The Biden administration talks about \$4 billion of additional aid to address the root causes of migration. This aid subject to similar conditions.

What we do different this time?

Please, Ms. O’Neil.

Ms. O’NEIL. I am sorry. Thank you. I will turn it over to my colleagues.

You know, I do think one thing that we have not done in Central America is use U.S. tools unilaterally. That is something we can do. So whether that is Department of Justice, whether that is Treasury and investigations, whether that is some of the neutrals that the State Department has. We can’t just expect Central America to come along. In the end we cannot solve this problem without willing partners in Central America. I think those are the people Claudia is talking about, civil society that Welby is talking about, business. All of those matter. But I think one thing that we have not done consistently or with much force prioritizing is to use the tools we have here in the United States.

Chairman CORREA. Thank you.

Ms. Umaña Araujo. Yes, Claudia.

Ms. UMAÑA ARAUJO. Thank you.

I totally agree with Shannon. I think there are—we have very limited resources because the institutions are so weak. But this morning I heard very innovative ideas. Well, first it is—we have to use the—I mean use the tools but with a modernizing view, the digital agenda, and of course using the resources that you have in the region. I mean civil society can play a better role, more decentralized than only talking to governments.

So I think that it is using the same tools, only the new ones that are modern and the actors in a different context.

Chairman CORREA. Thank you.

Mr. Leaman.

Mr. LEAMAN. I just focus on 3 differences from the past.

No. 1, stop stovepiping. The idea of having economic inclusion or economic opportunity projects on one side and rule of law on the other put the private sector on the one side, civil society sector on the other doesn't work because of this leaky bucket problem. You are pouring a bunch of economic opportunity money into a bucket that has a rule of law hole at the bottom.

So partner specifically with the private sector, including the AMCHAMs, as U.S. standard businesses on rule of law but in particular on rule of law that gives you a twofer. It is the part of rule of law that would really—if it improves will maximize economic opportunity effects. So that is why this digital tools for rule of law and recovery project focuses in on that.

Chairman CORREA. Mr. Rooney.

Mr. ROONEY. Thank you, Mr. Chairman.

So I have a couple of observations. I agree with everything that others have said here today in response to your question. One thing I would note is that when we talk about the root causes, fundamentally the root cause of the region's instability and also in the migration from the region, is the fact that the region is in the middle of a demographic boom. Very youthful populations, thousands of young people entering the job market each year and finding a lack of opportunities. The United States and Mexico meanwhile are in a demographic stability or even contraction phase. So it is almost inevitable that there is going to be some movement of people from those countries to the United States simply because of the demographics.

The other thing is I think we should be realistic about what we can actually accomplish. We can't solve these people's problems all by ourselves. We can't do this for them. So we are—with our foreign assistance we are not controlling the outcome and we are not driving the train all by ourselves. We are buying ourselves a seat at the table and enabling ourselves to engage constructively with those governments and civil societies to try to resolve these questions.

I do think that ultimately you need a helpful partner. In many cases, under the current circumstances, that partner is going to be civil society and the private sector, but at some point you need a government that is committed to these objectives alongside you and committed to achieving them.

That is what happened—that is why we finally succeeded in Colombia, that is why we have had any success we can claim in Mexico. As long as that condition isn't given, we are going to be struggling with this problem.

Chairman CORREA. Thank you very much.

Now I would like to recognize the Ranking Member of our subcommittee, the gentleman from Michigan, Mr. Meijer, for 5 minutes of questions.

Sir, welcome.

Mr. MEIJER. Thank you, Mr. Chairman, and thank you to all of our witnesses here today for your testimony.

I want to drill down on something that Ms. O’Neil said. You mentioned the focus on—or opportunity in answer to the Chairman’s question, the opportunity to use more of our governmental tools and to not be afraid of taking some unilateral approaches. One thing that didn’t come up in the testimony today, but is something that I have seen in other locales, and I fear may be the case in the Northern Triangle as well, is where differing parts of our government may have differing objectives. I am thinking, specifically in the case of the Northern Triangle, the tension between what could be State Department efforts to promote good governance or promote the civil society versus Drug Enforcement Agency efforts to counter narcotics trafficking or production.

Could you speak a little at what the risks are or how we can better potentially align and frankly rank order the priority of U.S. efforts in the Northern Triangle. You know, our talk today here is focused on corruption, which naturally leads into governance, but we are engaged in a number of different missions throughout the region with different components of our U.S. Government.

Ms. O’NEIL. Great. Thank you. That is an important question.

I would say 2 things. When we have seen the U.S. Government work better on priority issues, for instance, with Mexico in the past, it is when someone above some of the levels of the operating levels of the assistant secretary or the like brings those all together. So I think in this having Vice President Harris as the point person makes a big difference. Because you can bring everyone to the table and sort out some of those differences. I am not even sure in many of these cases it is that they have different agendas, I think it is just that they have particular agendas that are operating in parallel and not engaging in ways that would be constructive and useful.

So I think that is—just on an interagency process having a principal that has influence and weight, and obviously the Vice President is the person to do that or one of the people to do that, I think that is important.

The thing I would actually say with Central America is—or one of the challenges for our Government and for you all is that part of it not just—it is not different agendas, it is that some of this is not yet on people’s agendas. I will just use FinCEN as an example here. This is an agency that is incredibly important for the United States, but it is an agency whose budget is somewhere in the range of \$125 million and it has 300 investigators. These individuals are in charge of tracing all the money from every counterterrorism, you know, case around the world—ISIS and al-Qaeda and all kinds of other organizations that, you know, we rightly worry about. It is charged with all the narco-trafficking, all of these illicit flows that are, you know, hundreds of billions of dollars. You know, they receive over a million different, you know, kind-of trusted, you know, customer things from banks every day and they just can’t wade through this. There is very few people that are designated just to the Western Hemisphere in general and the narco-trafficking—fewer than you would think—but almost none to Central America.

So I think increasing that budget and having investigators directly on this issue would make a huge difference. So it is not that they are at cross-purposes, it is just that there is not a priority in the Treasury for these kinds of things.

Mr. MEIJER. Thank you, Ms. O'Neil, and thank you also for raising the attention of—you can't have corruption without having a place to put money, you can't take that bribe or you won't be engaged in that on a massive scale if you are not able to expatriate the funds or otherwise have access to international banking and financial networks in order to put those to use for your own benefit. So, you know, tamping down on that side at least—we have seen this against criminality and narcotics trafficking. Raising the cost of that and frankly trying to tip that incentive scale is important as well.

I wanted to turn next to Mr. Rooney. You know, you started to go through some of the brief outlines of the Central American Prosperity Project. I wonder if there is anything additional you think you should share beyond what was offered in your testimony, sir.

Mr. ROONEY. Thank you for that opportunity, Mr. Meijer. I appreciate that.

One of the objectives that we pursued in that project was to build a network among our Central American friends. It is frankly a bit of a payoff from that initiative that Ms. Umaña is here with us today because we also wanted to bring our friends in contact with decision makers and political influencers inside the United States, and particularly in Washington. So the network that we have built actually represents a group of people who are committed to their countries, committed to trying to find resolution to their country's challenges, understanding that in some cases those challenges are greater than their countries can deal with all by themselves. But they are committed to their countries and they are committed to one another, they are committed to the network. We have found it possible to work through that network to explore questions of current events as they arise. There has been a lively discussion among that group about the bitcoin issue in El Salvador over the past number of days, for example. So I would just like to offer that group to this committee as an opportunity to ground truth your conversations, as Claudia has done for us here today, also to explore ideas that you might be thinking about in terms of policy initiatives that the United States might carry out in the region, programmatic initiatives that you might put forward to the administration. Our network puts you within 1 or 2 degrees of separation of an incredibly wide array of of Central American society.

We are happy to coordinate conversations with the networks such that you can get a kind-of a first-hand sense for how the given programmatic [inaudible] program. I think we have accomplished it.

So I hope there will be opportunities to work with this committee along those line in the future.

Mr. MEIJER. Thank you, Mr. Rooney.

With that, Mr. Chairman, I yield back.

Chairman CORREA. Thank you, Mr. Meijer.

Now the Chairman recognizes Mr. Bishop for 5 minutes of questions, sir.

Welcome.

Mr. BISHOP. Thank you, Mr. Chairman.

I was sitting here pondering and trying to think about what I might ask. I know, Mr. Chairman, your question—I have been doing this for years and years and years, what do we do different. I was listening to the witnesses' answers. If I could just sort-of recap.

Ms. O'Neil, I think I heard you say use U.S. tools unilaterally. Ms. Araujo—excuse me, I am sorry about the pronunciation—you have emphasized that there are very few resources and we need modern tools. Mr. Leaman, you talked about stopping stovepiping and recapped your 3 ideas about economic opportunity and tying that to the rule of law. Mr. Rooney, frankly, you sounded a little fatalistic to me. That is to say you say we buy a seat the table and we stay engaged.

I will tell you, all of that sounds not very encouraging to me. Mr. Leaman, maybe I will go directly to you. I thought you have a very polished note—concept, which sounds like a novel and interesting idea, but it is not proven out, is it? I mean and so—well, let me first ask you that. I mean there is no proof of case here. It is not like you have taken this out on a pilot basis and made it work, you are just brainstorming a new idea, aren't you?

Mr. LEAMAN. Well, I would say—I really appreciate that because I do think like getting—the devil is in the details here and getting it right in practice is what matters.

I do think that the COVID era is a just change in opportunity to another magnitude for a number of reasons.

No. 1, I mean just the amazing paralysis of regulatory systems during the COVID era that were paper-based and person-based means that a bunch of folks that as a general matter are seeking to undermine efforts like digital transparency when we try them in other contexts, now have an additional reason of their own, that is resiliency, to support digital transparency.

So in some ways you get exactly what you want in a difficult situation like this in that you can potentially identify each of the stakeholders that are necessary for success and get them aligned based on—

Mr. BISHOP. Mr. Leaman, I don't want interrupt you, but I have only got a couple of minutes to ask questions. It just—I mean—am I right, though that it is—or we are sort-of talking pie in the sky? This is not something somebody has shown that it can work?

Mr. LEAMAN. We have done it in pilots. What is necessary now is to sort-of do it at a large scale.

So like the Inter-American Development Bank has worked with us in Mexico to roll out several pilots of digital licensing and permitting. What we find is public servants, politicians, businesses, they all say that this makes life better.

Mr. BISHOP. OK.

Mr. LEAMAN. So there is an opportunity. But it has to go big—

Mr. BISHOP. All right. Mr. Rooney, let me just switch to you real quick because you were pretty candid and realistic.

Two things, maybe, really quickly. No. 1 is the United States seems to have this paternalistic idea that we are going to go down and we are going to—because of our great expertise we are going

to change their societies. Except for intervention and wars by foreign powers that helped us along in our colonial period, what happened here that can't happen by the indigenous efforts of those people in those countries? I respect them and I think that the notion we are going to nation build and use our tools unilaterally there seems like we are going to get more of the same that we have been having for 40–50 years.

Now, what about that? Are there any pull factors of the United States that we can more effectively address with our money than send it down there for more of the same?

Mr. ROONEY. Great question, sir. I think my take is a little bit beyond your 5-minute limit. But let me just try.

You called me a fatalist. I like to think of myself as a realist. Maybe the distinction isn't important.

In any case, I do think that ultimately these problems are going to be resolved by the people and the governments of these countries themselves. The best we can do—the most we can do is push them in the right direction. I think if you look back over our history as a Nation, you see there were numerous periods when we made mistakes, we made policy mistakes. We fell victim to corruption. We addressed—

Mr. BISHOP. No doubt.

Mr. ROONEY. We addressed that by in some cases creating watchdog agencies to discipline it, in other cases by creating a kind-of a social expectation or a political norm that we wouldn't fall under those temptations. So I think, in answer to your specific question, what has happened here that couldn't happen there—nothing. I think it is an accumulation of experience and, you know, as we get governments that are committed to this fight and are willing to make political sacrifices to pursue this fight, I think you will see progress take place.

I also think, just briefly, on the subject of fatalism, those 4 decades of American assistance have in fact contributed to a transformation of that region. Anybody who has been involved in that region over those 4 decades—my own personal experience with that region stretches back 20 years, and it is a vastly changed, and I would submit improved, situation in many ways.

Obviously the problems that exist, exist. I am not denying that. I think they are in the interest of the United States to try to wrestle with. But I think the process of finding committed domestic partners, empowering those partners, making sure that they have the resources they need to succeed, that is the work of decades not years. It can succeed. We have done it in other contexts and I think we can do it in this context.

Mr. BISHOP. Thank you, Mr. Chairman, for your indulgence. I yield.

Chairman CORREA. Thank you very much, Mr. Rooney. What I would like to do is go for a second round, if that is OK with the Ranking Member, a second round of questions. I will start out with myself for 5 minutes.

Ms. O'Neil, you said something very interesting, which is prioritizing our objectives—my words not yours—in Central America. Drugs, drug interdiction, corruption, economic development. Another one that hasn't been mentioned, communism. Translated

Russian, Chinese influence in Central America. Is this something that is a major factor right now?

Before you answer that question, I am thinking to myself, it is not communism but rather the influence of other emerging powers around the country in our own backyard.

How does this fit into the equation?

Ms. O'NEIL. Well, thank you.

You know, there has been—in Latin American there has been a—overall there has been significant influence and influx from both Russia and from China. Russia has been much more about disinformation and we have seen that in several cases, trying to disrupt elections or increase polarization in countries within the region. China has often been a much more heavy commercial hand. But we are seeing an increase in interest in the Chinese, in feeding into and controlling, for instance, when various countries put in 5G or other types of infrastructure systems, telecomms and the like and would have control of those.

So those are bigger—within the region are bigger discussions to be had.

Central America has not been a particular focus, or the priority for these 2 countries, but they are there as well. As we know, these are small countries and so a small amount of money from either of these 2 countries can be quite influential. So I do think that is a challenge.

The other challenge we have is as you see some countries become more authoritarian, you see democratic backsliding—for instance, in El Salvador with the current president. The surveillance tools that often China or others provide can be very attractive to them, sort-of that model of control of your population and particularly the opposition.

If you will just indulge me for 20 seconds, you know, one thing I do think about these countries is there are huge challenges in the government. But what I do see when I have visited these countries—or I lived in Guatemala 20+ years ago for a brief time, there are huge civil society reformers. There are all kinds of people who want change in their country. So it is not just the United States imposing from the outside our view of what we want, democratic values and human rights, and those sorts of things. There are huge populations there. So I see that more as we are helping actually majorities of these populations that care about corruption. When you look at polls, this is what people care about, they want to get rid of it. We are helping actually the majorities of these populations. We are not just going in and trying to change things. But some of these people are blocked by those that are in power.

So I see this not as an imposition from the outside, but in trying to work with those—the majorities of the people in these countries that actually want the changes that we want as well.

Chairman CORREA. Claudia, any thoughts on this influence? Possible communism, China, Russia?

Ms. UMAÑA ARAUJO. Yes. Thank you, Mr. Chairman.

We do perceive a renewed interest in our region from those countries. At least on the side of El Salvador it is becoming more evident. I would like to comment that what Shannon is saying, that you have great majorities of people that are interested in maintain-

ing the principles that both of our countries—or the region and the United States share, because let us be truthful, what are the other countries offering—are economic, probably goods to these countries, but there is no principles behind them. The general—I mean the general population, they want these better conditions of living. We don't perceive as the other countries, China and Russia, dedicated to the well-being of the general majorities.

So I believe that we can partner up because if not, the spaces that we currently have with civil society will close down and then we will be left, you know, only with the tools that you have unilaterally in the United States. I mean those are still going to be on the table, but our capacity to be part of the equation is becoming—it is eroding very fast in the region.

Chairman CORREA. Let me just say, Claudia, that I hear what you are saying and I am trying to in my mind very quickly make a distinction between the China, Russia economic geopolitical interest in Central America versus the United States. I would say this is our backyard. We have an interest in economic development, but also developing those civil democratic institutions because when things go wrong in Central America, we in the United States feel it. One way or the other, we are going to feel the implications. When things go wrong in Central America, China, and Russia are probably not going to feel it, but we are and we have a vested interest in making sure—you know, we are not an empire, we are trying to control outcomes, yet we don't want to be an empire. So we have a very interesting challenge before us to make sure that our backyard is well-maintained, so to speak. That we work on good democratic institution economic development because these are our neighbors.

So, you know, that is what I am trying to figure out in my mind. As Ms. O'Neil said, all these competing interests, trying to figure out how to put them together to make sure we come up with some good public policy that is a win-win all the way around.

I am out of time so I am going to call on our Ranking Member, Mr. Meijer, for another—for your set of questions, sir.

Mr. MEIJER. Thank you, Mr. Chairman, for going to this other round and thank you for your previous question as well.

You know, I am in agreement and overall sympathetic with the point Mr. Bishop raised about the challenges with especially America's legacy of involvement in a region that has all too often not augered for the benefit of folks in those countries and that has not been promoting stability.

At the same time, in the moment we are at, recognizing that the efforts to create sustainable stable modes of governance will support not only the benefit and the prosperity of the people, but also the prosperity of our shared continent and region and where we have seen all too often across the globe are Russian and Chinese interests. In Central and South America Chinese investments obviously are a far greater concern than Russian, but where those efforts have been aimed at destabilizing, aimed at creating conditions that can be exploited for a short-term geopolitical benefit rather than a broader sense of the rising tide, you know, helping out the entire region. We have tremendous opportunities to grow closer as a continent in ways that can not only shift our economic depend-

ence on China and on Indo-Pacific trade, but also promote stability, promote the rule of law, and promote a prosperity that will then ease the pressure that we have seen on migrant flows.

Now, again, I said this in my testimony, that is going to be a multi-year or a generational effort to better promote and integrate the Americas. But I certainly am appreciative that you are drawing light to that in your questions.

I want to just raise one more that I mentioned in my first round of questioning, about how American governmental efforts have at times, if not been at cross-purposes, have not been necessarily as aligned as they could be, and gave the example of counter narcotics efforts. I know we have seen a pretty strong—and to which Ms. O’Neil mentioned, potentially greater funding for FinCEN at the Treasury Department in order to crack down on some of that offshoring of corrupt assets.

I know in the United States we have seen bolstering of Know Your Customer laws, obviously in our banking system and some of that has extended in a slightly more piecemeal basis around especially LLCs purchasing real estate. This has been something in Miami-Dade County, in the city of Miami, and we have seen this as well in New York State to try to drain some of those areas, or at least bring some transparency to areas where large currency flows may be being stolen from the people of a nation and used for the benefit of the few.

Are there any additional ways in which current U.S. domestic policy may be inadvertently creating the conditions that aid corruption in the Northern Triangle countries? I will just open that to our set of witnesses.

Mr. LEAMAN. I would be glad to just mention 2 ideas.

One is the sort-of old tried-and-true, but it turns out tried-and-untrue, model of anti-corruption is one that inadequately factors in the chaos that can be caused in the process. You know, the J-curve chaos, where you are trying to make things better, but they actually become so dangerous and uncertain that basically all the key actors that want to do the right thing back up, they move away. So I think that is sort-of the core thing that can’t be done. It is why partnership is so important, because if you are partnering with the folks that want to do the right thing and are trying to and who can improve incentives for others, then you will get those details right.

So that is the generic thing. Then I would focus in on something that, you know, the broader committee I know really cares a lot about, the example of customs. Customs is actually a great place to get this sort-of thing right because customs is in part an enforcement function and it is in part a trade facilitation and therefore economic growth function. So if you look at, you know, what would it look like to get those 2 working not across purposes but well together where you have got, you know, in international policy at CBP experts on this. You know, the project that I proposed is one example of this more constructive model. It is very well—

Mr. MEIJER. Thank you. Thank you. Thank you. I appreciate that.

Mr. LEAMAN. Sorry.

Mr. MEIJER. I am running low on time, so just briefly wanted to say, obviously, the J-curve component is problematic—

Chairman CORREA. Please continue. Ignore the clock, go ahead and continue, Mr. Meijer.

Mr. MEIJER. You know, the J-curve component where the initial destabilization that may have can lead to some unintended negative consequences. We have seen that in other countries, specifically in the counterterrorism realm with them—if they can't fully know the customer so they shut off everything and it can potentially create more harm than good.

Now also specifically I am curious—and if the Chairman will indulge it—I would love to ask this question of the group—if there are any concerns that efforts to tamp down on money laundering, especially if it is within a country—ways in which that could encourage investments that may otherwise, although illicitly, be going into the economy of that nation more broadly, potentially routing them through criminal networks because of the greater enforcement? Are there ways in which we may be in efforts—in our best efforts to achieve stability undermining it by pushing what is in a gray zone, but obviously corrupt, pushing that straight into a black market and greater criminality?

Mr. ROONEY. You know, if I may, Mr. Ranking Member, 2 things come to mind in this conversation. One is you mentioned Know Your Customer. Know Your Customer is an important piece of banking regulation, particularly in the United States. It has the unintended effect in places like Central America of making it more difficult to get people who are not previously in the banking system into the banking system. Because we are talking about people with very modest means and they are very small accounts. Therefore the banking system finds the expense of properly administering Know Your Customer regulations to be prohibitive in terms of providing service to those people.

So that is an unintended consequence of that regulation.

Another set of concerns that occurs to me that hasn't been mentioned yet here today is there are a number of aspects of American trade policy which are driven by domestic internal U.S. sensitivities, industrial sensitivities, which curtail opportunities for our trading partners, even in our free trade agreements, like Central America. I am thinking in particular of the textile sector where a set of rules are in place to make it more difficult for apparel manufacturers in the region to source textiles and thread flexibly. So they are stuck with relatively high-cost mostly cotton and wool fabrics from the United States rather than the sort of performance fabrics and such things as you see in some of these athletic apparel that you see now. They can't really access those yarns without being stuck paying tariffs on their goods when they enter the United States.

So that is an example of something I understand the domestic political sensitivities that that represents, but it is curtailing job opportunities and investment opportunities in Central America.

You know, before 2000 Central America was a major exporter of textiles and apparel to the United States and China was a relatively minor exporter of textiles and apparel. After CAFTA, which was intended to open new opportunities for Central America in that space—simultaneously, however, we acceded to China entering the WTO and as a result China has swept away the textile sector

from Central America and the lines continue to diverge with Central America now exporting a relatively modest fraction of what it used to export to the United States and has been more than supplanted by China.

So if we are going to look at it that way, there are a couple of things we could do, which may be costly to you as Members of Congress, of course, because these are domestic sensitivities, but they are causing issues with respect to the fight for prosperity and transparency in Central America.

Mr. MELJER. Thank you, Mr. Rooney, and thank you, Mr. Chairman, for that indulgence.

I yield back.

Chairman CORREA. Mr. Bishop, you are recognized for 5 minutes of questions or a little bit longer, as the case may be.

Mr. BISHOP. Thank you, Mr. Chairman. Mr. Chairman, I commend you and I appreciate your graceful way of having this conversation. I am glad there are few enough people where can have this candid conversation. Very interesting to me.

I was mindful of some of the additional information just stated. It occurred to me, Mr. Rooney—and, Ms. O’Neil, I want to get to you because I didn’t—I really felt like I didn’t get a chance to get with some of the sort-of maybe jarring questions I had before. But they have a purpose. I think they help kind-of get the dialog moved along.

But, Mr. Rooney, before I go to Ms. O’Neil, it was interesting, you made a point that this accommodation of trade policy toward China not only maybe destroyed the textile industry in North Carolina and maybe destroyed the textile industry on Central and South America, which is a fascinating perspective and one that always helps broaden perspective.

As I think through that though, and one of the things that the nations there have difficulty perhaps moving forward, because the influence of the huge market to the north in the United States and the implications of that, but if we, for example, open the floodgates to immigration across our border in a way that provides the cartels a \$1 billion of revenue a year, doesn’t that then strengthen them and the countries south of our border so that it makes it yet harder for the forces of law and order to compete?

Mr. ROONEY. I think that is absolutely right. I do think that we—and the Bush Center has done a lot of work on immigration policy reform and border management. You may have seen President Bush’s book of portraits of immigrants, with which he hoped to humanize the discussion of immigration at this moment in this country. One of the things that we have noticed in that whole complex of issues is that one of the reasons why we have these surges of people appearing at our Southwestern Border is because we have an economy that produces large numbers of job opportunities, a very thriving economy, and many of those job opportunities would go begging if it weren’t for immigrants seeking to come in and do them.

So we would have an interest, in our opinion, in providing legal pathways for people to enter this country to work under defined circumstances, in most cases temporarily, returning home as the result of seasonal work fluctuations or whatever it may be. That

would actually reduce the incentive for people to try to enter this country in an illicit fashion.

But I think when looked at that way, reform of the immigration law in ways that would make the process more transparent, make it clearer to potential immigrants outside this country under what circumstances they might be admitted to this country to work, that would actually go a long way toward stemming those kind of surges of people to the border.

Earlier one of the Members asked about pull factors. That is a huge pull factor, those job opportunities. Your average Guatemalan or Salvadoran or Honduran campesino doesn't know anything about H1B or H2B or green cards or what any of those things mean. All they know is their uncle told them that if they could get to the United States they could get a job. So communicating to those people over time a consistent message about under what circumstances they might be able to enter this country to work, that is the key ultimately—or one of the keys to stemming those flows and securing the border.

Mr. BISHOP. Thank you, Mr. Rooney.

I am going to reorient the question a little bit, Ms. O'Neil, and then give it to you.

I imagine you and I have to see the world probably pretty differently, but I appreciate your input. So to the point I just made, if we have a massive opening to the sort of immigration we are seeing and then the cartels are getting \$1 billion or plus a year out of that, on top of that problem strengthening the cartels and their corrupt influence in those other nations, it seems we are also draining those nations of the law-abiding citizens that might be inclined to participate in the very difficult work of correcting the problems there that America has difficulty correcting as well.

At the end when we talk about—I mean when the administration comes out and says we are going to spend \$4 billion down there, it is like a drop in the bucket compared to these other influences, it seems to me. Isn't it time that we stop being cruelly naive and let our hearts sort-of govern our head? When we need to have a much tougher-minded recognition of the problems that we are creating just by virtue of—well, now, I don't—they were created nefariously, but just by virtue of a huge market here. Maybe—and I am going to get way out on a limb—you know, issues of drug legalization and so forth in the United States that might reduce the draw, the pull of, you know, legal narcotics trafficking and the like. But I don't think we are ever going to—well, so let me just leave it to you there. When we talk about engagement and going down and having nice meetings with these governments and sending \$4 billion, aren't we fooling ourselves, wasting the American people's money? Worst of all, creating an intolerable and unimproving situation for those countries there. Don't we need to sort-of take another look at how we were led by our heart when we should be led by our head?

Ms. O'NEIL. No, well, thank you for—that was an expansive question, and a good one, one that we should always be asking. You know, I would start just in the last conversation, you know, we talk a lot about here in the United States the China shock and what it did to some of our industries and many of our workers. I

would argue that the China shock on Mexico and Central America was much more acute and difficult for their economies than for ours because their workers are much more competitors with, you know, the billion Chinese that were coming in from the rural areas to the urban areas than most of our workers, because we—you know, on average the U.S. population is more of a middle-educated or higher-educated.

So these countries over the last 20 years are struggling just as much with that shock, if not more than frankly we are here in the United States and with many fewer resources. So I think as we—before we throw up our hand and say oh, you know, there is nothing to be done there, I think we also need to recognize that they have had a shock that is now fading as China's demographics change and as their geopolitical focus and things change.

So No. 1 is I do think that there is an opportunity right now that is very different than it was 20 years ago when they were facing this huge economic, you know, shock basically. No. 2 is I don't think you can compare apples and apples. The fact that cartels earn \$1 billion, the fact that we are talking about \$4 billion worth of investment or aid or programs, those are very different things. The cartels aren't taking their money and putting it in ways to do anything there. Some of it, yes, goes to try to corrupt politicians and other sorts of things, but this is not a comparative prospect. I think one of the things—and maybe this is how I see the world—but when I have been there, there is a whole group of people across all different levels of society, from rural areas to urban areas, they are people who want a different place in Central America than the one that they exist in today. Many of the people who are leaving to the United States, they want to stay ultimately. They want to go back. Even if you go and talk to communities here—and I know many of you have communities in your districts, you know, they still—they are building a house back home because some day they hope to go back there, even if perhaps they never will go back.

You know, one of the things that we have seen in the past, and there are a lot of good studies in terms U.S. migration is when there is the possibility of circular migration, when there is the possibility of a guest worker program where you can come and work here and then you and go back in a orderly and legal fashion and go back home, that you get a lot of—the circularity bring a lot of virtuous circles. You know, people come up here, they earn some money, they take it back home, they invest at home. People at home have different jobs because they have seed capital to create a small business or a taxi stand or whatever it is that they do. But there is a circularity there. There also is the bringing back of an experience, with an American experience and the values that are in the United States, the idea that you don't need to bribe the traffic cop, because that is not how it is done in the United States. You stop at the stop lights. There is sort-of an experience that is tied together too that brings back some of the things here. That doesn't take money, right. That takes experience and connections.

So I think as we—this is a huge problem for these countries and, as we know, a huge issue today in the United States. So as we think about this, yes, money is part of it. Of course, right. We have laid out various programs. Focus and pressure and using some of

the tools we have, that is another part of it. We have talked about different ways to do that. But I think this interpersonal connection and leveraging the El Salvadorians, Guatemalans, Hondurans that are here in the United States that want a better, you know, place at home for those who stay at home, leveraging the civil society organizations, the private sector that wants to follow the path that Welby is talking about, there are all these partner there. They don't necessarily need our money, but I do think they need someone to help them come together and leverage the resources they have, whether they are monetary or personnel or others, together. I think that is the role that some of the U.S. money, a smaller amount of money, right—we are not talking about fixing the whole economy. But that is what U.S. programs can help do, is give these people the resources to do the things that they would want to do anyway.

So thank you.

Mr. BISHOP. Thank you, Chair Correa, for your very wise administration of this hearing.

Chairman CORREA. Anybody else want to add onto Mr. Bishop's question?

Yes, ma'am, go ahead, Claudia.

Ms. UMAÑA ARAUJO. I would like to comment that there are so many things that can be done and I think that time is of the essence now. I really believe so. That the United States right now has this great opportunity also to—I mean in the fight against corruption, fighting narco-trafficking, it is a lot for our countries. We tend to go back to the United States looking for cooperation, but also to the World Bank, to the IDB. The IMF and the United States has also something to say about those multi-lateral organizations. I believe that we need to show more regarding the rule of law and transparency in the relationship with those international organizations.

I would like to say that lately in El Salvador there has been this great discussion about bitcoin. I mean we are dollarized and then at the same time we are trying to get bitcoin mainstreamed. Imagine, when we don't have the literacy. So a lot of things—I mean we are little countries and somehow we get to be like the testing grounds of these big ideas. Sometimes they go really good and sometimes they can go really bad.

So I think that we need always to be believing in institutions because we need to have this—not only, you know, only the good will of the people, but having institutions that live longer than our specific collaborations.

So in that sense, I think that the task force that was announced this week by Vice President Harris is also a very interesting aspect that I have never heard before. So let us keep being very creative.

Thank you so much, Mr. Chairman, for the opportunity.

Chairman CORREA. Anybody else want to add onto the question or answer to Mr. Bishop's question?

Mr. LEAMAN. I am glad to just—one of my favorite memories in this space is in a development meeting a few years ago, a SOUTHCAM general said, look, you know, when I look at where at the communities where Walmart wants to put new stores, it looks to me like my SOUTHCAM heat map in Central America. So,

you know, it is—we need—in that sense basically the partnership is the leverage, right. I mean \$4 billion might be small, but if it is used to facilitate the activity that is going to make a difference, I think it can be highly leveraged. But, again, don't pour it into sort-of, you know, stovepiped economic projects—accomplished their supply chain integration and their investment plans, are these specific rule of law interferences with those spaces.

So that is—that—we need to like have that partnership in a go narrow in order to go big basically.

Mr. MEIJER. Mr. Chairman, you may be on mute.

Chairman CORREA. Anybody else like to add anything on this one?

Mr. ROONEY. I am not—I do not know if that was directed at me, sir, but I appreciate it very much the discussion, but I thought Mr. Bishop's comments about the revenue that these different illicit movements of people and contraband into our country, the revenue streams that those represent to the cartels and that we ought to think about how our policy feeds those. I think that is an important insight.

Chairman CORREA. That being said, I thank the witnesses today and I really thank Mr. Bishop and Mr. Meijer for their insightful questions. I want to say that I walk away today with even more questions than I had 2 hours ago and with a different perspective on this. I thought I had a handle on it, and I do have a handle on much, much more.

So I look forward to continue working with my colleagues on these issues and with the witnesses. As I said, this can't be just a one committee hearing, one statement, one event, but rather a continuum of discussions long-term to address the ills in our own hemisphere.

Again, thank the witnesses for the testimony and the Members for their questions. Members of the committee may have additional questions and we ask the witnesses to respond when the Members do submit those questions in writing, ask you to respond to them.

The Chair reminds the Members that the committee record will remain open for 10 business days.

Without objection, this committee stands adjourned. Thank you very much. We will see you soon. Take care.

[Whereupon, at 3:27 p.m., the subcommittee was adjourned.]

