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QUARTERLY

Latin America: Our Southern Neighbor

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Featuring an Interview with Ambassador **Michael G. Kozak**

LETTER FROM THE PUBLISHER

Are you breathing yet? Between the election and the Covid-19 pandemic, most of us couldn't wait for the end of 2020. But with the election over and a vaccine on the horizon, it behooves us to look around at the world we're entering in 2021. South America is the place *in*FOCUS Quarterly has chosen to start. Our Southern Neighbor runs the gamut from allies to friends to trade and security partners to adversaries.

JPC Senior Director Shoshana Bryen's interview with Acting Assistant Secretary of State for the Western Hemisphere Mike Kozak lays out American diplomacy.

Craig Deare suggests melding U.S. NORTHCOM and SOUTHCOM, among other changes. The combinations of Steven Dudley and Alex Papadovassilakis, and Jay Nordlinger and Eric Rozenman bring us up to date on El Salvador and Nicaragua. Drugs are the bane of our relations: Emanuele Ottolenghi traces Hezbollah's operations, while Lt. Peter Harrington, who leads a U.S. Coast Guard group, explains how our military interdicts drugs at sea. Lawrence Franklin explains China's moves in the Caribbean. Dollarization is the purview of Prof. Steve Hanke, while flaws in the U.S.-Mexico-Canada Free trade agreement are explained by Jeffrey Schott. The condition of Jewish communities in South America and Israel's improving relations with South American governments are covered by Daniel Mariaschin and Mark Klugmann.

Shoshana Bryen reviews *Supreme Disorder: Judicial Nominations and the Politics of America's Highest Court* by Ilya Shapiro – no, the review is not late. Had you tried to read this outstanding resource about our nation's highest court during the past six months, you might have had a heart attack. Now, you can read it calmly and – I think – will find it illuminating at many levels.

If you appreciate what you've read, I encourage you to make a contribution to the Jewish Policy Center. As always, you can use our secure site: http://www.jewishpolicycenter.org/donate

Sincerely,

Matthew Brooks,
Publisher

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A "Big Idea" for Latin America

by CRAIG DEARE

As a new administration takes office, the time is ripe for new approaches to improve the quality of the security relationship the United States has with its counterparts throughout Latin America. U.S. foreign policy in general, and U.S. national security strategy in particular, does not routinely focus on the nations of Latin America, where threats are assumed to be less pressing than in other parts of the world. The national security interests of the United States were captured succinctly by the Project on National Security Reform:

> *To maintain security from aggression against the nation by means of a national capacity to shape the strategic environment; to anticipate and prevent threats; to respond to attacks by defeating enemies; to recover from the effects of attack; and to sustain the costs of defense.*

If these interests are at varying degrees of risk in other parts of the world, they are also under assault in Latin America. Obviously, this part of the world is an environment we should wish to shape; after all, we share the same neighborhood. It seems clear that anticipating and preventing threats in Latin America is both prudent and cost-effective. Consequence management after the fact will be far more expensive, and these problems are on our doorstep.

U.S. national security interests in Latin America are undermined by three key threats: transnational criminal organizations, which exploit weak levels of governance across the majority of countries in the region; extra-regional actors, who fill the vacuum created by U.S. distraction and inattention; and finally, a number of regional political actors embracing ideological positions opposed to open political systems and free markets, which undermines progress toward democratic governance and stability.

All are exacerbated by poor governance, endemic poverty, and an inconsistent level of U.S. interest in and commitment to our neighbors. They thrive in an environment where many national governments are ill-equipped to confront them.

The Geographical Imperative

Though lack of capacity is not unique to Latin America, there is an important distinction: Latin America is the only region in the world where those adversely affected by violence and extreme poverty can walk to (and across) the U.S. border. It is also true that not all regional governments are incapable of handling these challenges – there are countries whose political systems have matured sufficiently to handle alternating political parties in power and maintain workable levels of governance.

At this juncture, the response required from the United States is not one requiring a dominant military component because the threats are not fundamentally military in nature – although there are elements and derivatives of a military tone. Rather, the combination of serious structural shortcomings and malign actors results in a toxic mixture that erodes effective governance throughout the region.

Enduring Interests

U.S. national security interests in Latin America are enduring and transcend administrations and political parties; what varies over time are levels of attention paid to the region and the ways and means used to pursue the ends. The most current expression emphasizes "the security of our allies and partners, an open international economic system that promotes opportunity and prosperity, respect for universal values, and a rules-based international order advanced by U.S. leadership that promotes peace, security, and opportunity through stronger cooperation to meet global challenges." It is not an exaggeration to state that all these interests are at risk throughout most of Latin America.

> The U.S. model is by far the most attractive model to emulate for the majority of the peoples of Latin America. Very few want to send their children to study in China, Russia, or Iran.

The good news in this potentially depressing picture is that for the most part, the U.S. model is by far the most attractive model to emulate for the majority of the peoples of Latin America. Very few want to send their children to study in China, Russia, or Iran. The bad news is that the U.S. national security system is poorly structured to deal with the nature of the threats and challenges within Latin America. What is lacking is a coherent U.S. effort to actively promote that ideal-model type with willing partners in the region.

U.S. policymakers must recognize the limits of what can be done, and how much help is needed. Even if the United States had the resources and interest necessary to effect important and tangible change, the initiative to fundamentally upgrade their systems must rest with the countries in the region. Beyond that, given the underlying conditions seen throughout the region, the solutions are not exclusively, or even primarily, within the purview of the U.S. government to address. Real progress depends on more than a well-integrated, whole-of-government approach. What is truly needed includes our most productive elements (namely, the private sector) and beyond, including nongovernmental organizations (NGOs), private charities, universities, religious orders – in a word, our civil society. Empowering someone to bring those sectors into the mix is a key element to future success.

If the interagency community is challenged to provide coherent solutions at the individual country level – and it is – the notion that it can do so region-wide is unrealistic. What is lacking in that regard is an overarching coordinating entity with authorities to direct the various key federal actors – Department of State/U.S. Agency for International Development, Department of Defense, Justice, Homeland Security, Treasury, and Commerce, among others. The Senior Director for the Western Hemisphere on the National Security Council lacks the authority to effectively direct, control, or task these departments and other Cabinet-level agencies.

> An Americas Command… that includes Mexico recognizes that the neighborhood is important to the entire region (to include the United States and Canada) and implies an organizational structure sufficient to that task.

A Wholistic Approach

We need to move beyond the "Special Envoy for Latin America" and designate a serious regional expert heavyweight to lead a new team authorized and empowered to develop, coordinate, and lead policy for the region. The vision would entail going beyond the governmental sector serving as a "partner of choice," to include a broader civil society–to–civil society engagement, encouraged and supported by the interagency entities of the U.S. Government. It would build upon an already existing proposal – that of the Integrated Regional Centers (IRC) suggested by the Project on National Security Reform:

> *Shift the existing system's emphasis to the regional level with regional directors heading integrated regional centers, which act as interagency headquarters for national security policy… convening Cabinet members and integrated regional directors based on issues, not statutory membership. The departments and agencies support IRCs by providing capabilities. This option builds on the success of the regional military commands while correcting the current civil-military imbalance by providing a civilian counterpart to the regional commands; it allows Washington to focus on global and long-range policy and strategy; and it gives embassies clear authority to coordinate their country plans.*

The IRC model is a necessary but insufficient first step in the right direction. This Big Idea would go beyond the IRC concept to give it the additional responsibility of also engaging more effectively with the "civil society" – universities, NGOs, churches, the private sector – to do those things not well suited to the government per se.

The idea is to work smarter, not necessarily harder or with more money. Resources will be required elsewhere in the world to confront the threat du jour and traditionally have not been available. But a truly comprehensive approach that includes nongovernmental actors, coordinated, synchronized, and supported by the U.S. government, would be a game changer. There are areas of concern with duplication of effort that would be deconflicted, as well as gaps and seams that could be recognized and addressed by an entity authorized and bestowed with available – but not coherently integrated – capabilities. The Latin American "Policy Director" would lead a team of regional- and country-specific as well as functional experts (economists, lawyers, judges, political scientists, anthropologists, sociologists, security and defense specialists, law enforcement officers, and so forth) to identify the key elements to assist in addressing essential developmental goals for the region.

A U.S. Air Force Special Operations Forces Airman with Special Operations Command South and his Panamanian security force counterparts secure an airfield during an exercise in Colon, Panama. (Photo: Staff Sgt. Osvaldo Equite/U.S. Army)

Unrealistic, Too Bold & Unworkable?

A natural reaction to this proposal is that it is unrealistic, too bold, unworkable, or a combination of all three. Perhaps. But prolonging the status quo is demonstrably ineffective; after all, the status quo is what got us here. A system-wide reform effort is currently unlikely, but a pilot program in one specific part of the world might well succeed.

In the event that the Big Idea is too great a leap and simply too hard to pursue, there are other more limited – but still innovative – recommendations that could help in the near term.

First, recognizing the real threat presented by transnational criminal organizations (TCO), as well as the fact that a number of different actors play a role in identifying the threat as well as dealing with it, a new administration might establish a joint interagency task force (JIATF) with the broad mandate to go after the TCO threat. The idea is to build upon the JIATF-South model, which integrates many of the interagency actors with the Department of Defense (DOD) and Coast Guard to conduct detection and monitoring operations regarding the interdiction of illicit trafficking and other narco-terrorist threats in support of national and partner nation security. This Joint Interagency Task Force–Transnational Criminal Organizations (JIATF-TCO) would incorporate law enforcement and intelligence agencies to fuse all available information to identify the gamut of bad actors involved in the broad range of criminal actors and activities.

The other critical aspect is the action side of the equation. This JIATF-TCO would coordinate and execute the take-down of TCO groups and other criminal activities, both internationally and domestically. The notion of synchronizing policy, diplomacy, defense, intelligence, finance, law enforcement, and clandestine and covert action by one centralized and integrated entity is easier said than done but is essential to combating the ability of nonstate actors to exploit the gaps and seams in our current organizational construct. This organization should be led by a senior civilian with recognized gravitas and experience such as a former Director of Central Intelligence (DCI), former FBI director, or retired combatant commander.

A Role for DOD: NORTHCOM v SOUTHCOM

Beyond recognition by the State Department that greater Pentagon support is a positive thing, there are two structural changes that could also help. The first is the creation of the Office of the Assistant Secretary of Defense (ASD) for Western Hemisphere Affairs,

elevating the seniority of the individual responsible for crafting policy for the region. There was a short period of time when this was in effect, when the ASD for Homeland Defense and Americas' Security Affairs played that role to a limited degree, complementing the Deputy Assistant Secretary of Defense for Western Hemisphere Affairs as needed. During that time, both ASDs who held that office were hired first and foremost for their expertise in homeland defense issues. They were not Latin American specialists. But having an Assistant Secretary of Defense engaged with those details, playing an active role within both the interagency and senior regional counterparts, proved helpful.

The second and related idea is to consider consolidating the responsibilities for oversight of security cooperation and foreign military sales programs within the region under the supervision of a single geographic combatant commander. There are two basic options regarding how the Unified Command Plan should incorporate Mexico. One is to maintain the status quo with Mexico, Canada, and the Bahamas as part of U.S. Northern Command. The other alternative makes the case to include Mexico (and portions of the Caribbean region) within the purview of one geographic combatant command as the logical step to provide operational support to the policy shop in the Office of the Secretary of Defense. Admiral James Stavridis has testified:

Merge SOUTHCOM and NORTHCOM [U.S. Northern Command] into a single Americas Command. The artificial division of Mexico from SOUTHCOM hurts our unified purpose throughout Latin America and the Caribbean. Making this one command… with a sub-unified command in Colorado Springs retaining NORAD [North American Aerospace Defense Command] and air defense, would be efficient, save resources, and improve focus on the Americas.

I absolutely think we should merge NORTHCOM and SOUTHCOM, not only for the efficiencies, but I think there are cultural connections, to get Canada and Mexico, two of the largest economies in the Americas, into the flow of our work to the south.

Lack of capacity is not unique to Latin America (but) Latin America is the only region in the world where those adversely affected by violence and extreme poverty can walk to (and across) the U.S. border.

The proponents of the current configuration make the compelling point that the political, economic, social, and security entity that is North America should be conserved and strengthened. They argue that the defense of the United States demands having Canada and Mexico as special and unique partners as part of a dedicated defense structure. The downside of this option is that the status quo essentially places a wall around the United States, Canada, and Mexico, which may convey a message of writing off the rest of the hemisphere. It confers status upon Mexico as a key strategic partner, but at the cost of appearing to neglect the rest of our neighborhood. The notion of an Americas Command versus either the status quo or a Southern Command that includes Mexico recognizes that the neighborhood is important to the entire region (to include the United States and Canada) and implies an organizational structure sufficient to that task. The disadvantage, at least in the short term, could be a message received by Mexico that suggests the United States does not value the unique relationship that has developed since 2002. It is an important debate that merits serious consideration at the highest levels of DOD.

There are many other smaller details that could also contribute to improving the ways in which the U.S. Government pays attention to and interacts with the key actors in Latin America. But unless major initiatives are undertaken, the smaller moves are probably akin to simply rearranging the deck chairs – and there are icebergs ahead.

U.S. national security interests in Latin America are enduring and transcend administrations and political parties; what varies over time (is the) level of attention paid to the region.

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Avoiding Latin America's Currency Disasters

by STEVE H. HANKE

For decades, Latin America has been littered with one currency crisis after another. The best way to avoid these is to dump their disaster-prone currencies and replace them with the U.S. dollar, as Panama, Ecuador, and El Salvador have done. Dollarization occurs when residents of a country use a foreign currency instead of the country's domestic currency. The term "dollarization" is used generically and covers all cases in which a foreign currency is used by local residents. Even though other foreign currencies, such as the euro, are sometimes used instead of local currencies, it is the U.S. dollar that dominates; hence, the use of the term dollarization.

There are different varieties of dollarization. Unofficial dollarization occurs when a country issues domestic currency but foreign currencies, or assets denominated in foreign currencies, are also used as a means of payment and/or a store of value. Data on the magnitude of total unofficial dollarization are unavailable. However, estimates of U.S. dollar notes held abroad provide a sense of the magnitude. The U.S. Federal Reserve estimates that as much as 72% of all dollar notes are held abroad. Today, the stock of dollar notes outstanding is $1.99 trillion. So, as much as $1.43 trillion worth of dollar notes are held overseas. And this is just the tip of the iceberg. Indeed, that number only includes U.S. dollar notes held overseas. If we add in all the uses of the U.S. dollar as a unit of account and vehicle currency for the execution of foreign trade and capital transactions, a simple fact emerges: The world is unofficially highly dollarized.

Another class of dollarization is semiofficial. In this case, a monetary system is officially multimonetary. Both domestic and foreign currencies are legal tender. Peru is an example. With semiofficial dollarization, foreign currency bank deposits are often dominant, but a domestic currency is still widely used for transactional purposes and mandated for the payment of taxes.

Semiofficial systems force local central banks to compete with foreign challengers. Consequently, a domestic central bank in such a system should, in principle, be more disciplined than would otherwise be the case. However, the economic performance of unofficially and semiofficially dollarized emerging-market countries has been highly variable and generally unimpressive.

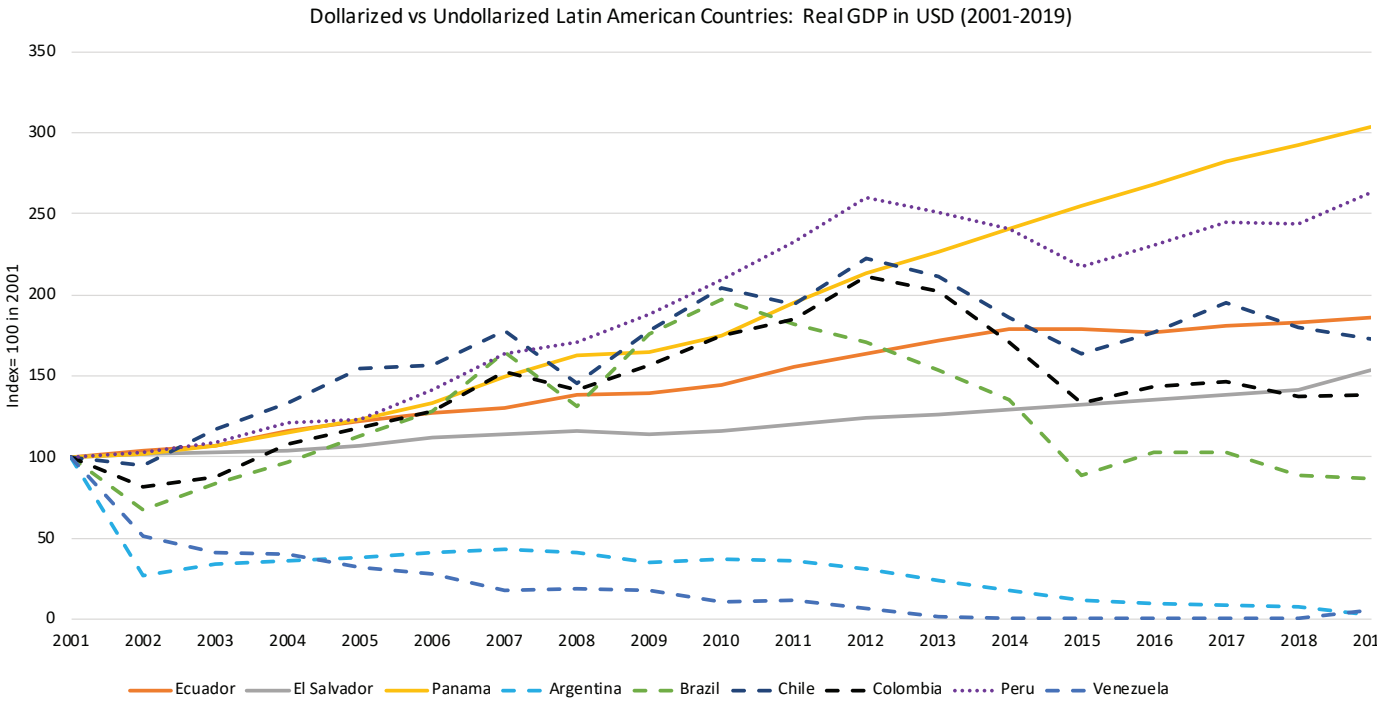
> Panama can be seen as a small pond connected by its banking system to a huge international ocean of liquidity. Among other things, this renders unnecessary the traditional lender-of-last-resort function performed by central banks.

Who Does It?

Official dollarization occurs when a country does not issue a domestic currency but instead adopts a foreign currency. With official dollarization, a foreign currency has legal tender status. It is used not only for contracts between private parties but also for government accounts and the payment of taxes. Today, the following 37 countries and territories have dollarized systems: American Samoa, Andorra, Bonaire, the British Virgin Islands, the Cocos (Keeling) Islands, the Cook Islands, Northern Cyprus, East Timor, Ecuador, El Salvador, Gaza, Greenland, Guam, Kiribati, Kosovo, Liechtenstein, the Marshall Islands, Micronesia, Montenegro, Monaco, Nauru, Niue, Norfolk Island, the Northern Mariana Islands, Palau, Panama, Pitcairn Island, Puerto Rico, San Marino, Tokelau, the Turks and Caicos Islands, Saba, Sint Eustatius, Tuvalu, the U.S. Virgin Islands, Vatican City, the West Bank. This list does not include monetary unions, like the European Monetary Union, in which member countries all use a "foreign" currency, namely the euro.

The Case of Panama

Panama, which was dollarized in 1903, illustrates the important features of a dollarized economy. Panama is part of the dollar bloc. Consequently, exchange rate risks and the possibility of a currency crisis vis-à-vis the U.S. dollar are eliminated. In addition, the possibility of banking crises is largely mitigated because Panama's banking system is



Sources: Banco de la República (Coloumbia), Banco Central de Reserva del Perú, Banco Central de Venezuela, Banco Central del Ecuador, Departamento Administrativo Nacional de Estadísticas (Colombia), DolarToday, Economist Intelligence Unit, International Monetary Fund International Financial Statistics, InmueblesenCaracas.com.ve, and World Bank. Calculations by Steve H. Hanke, The Johns Hopkins University

Note: Solid lines represent dollarized countries; dashed lines represent non-dollarized countries. Peru (dotted line) is semiofficially dollarized.

integrated into the international financial system. The nature of Panamanian banks that hold general licenses provides the key to understanding how the system as a whole functions smoothly. When these banks' portfolios are in equilibrium, they are indifferent at the margin between deploying their liquidity (creating or withdrawing credit) in the domestic market or internationally. As the liquidity (credit-creating potential) in these banks changes, they evaluate risk-adjusted rates of return in the domestic and international markets and adjust their portfolios accordingly. Excess liquidity is deployed domestically if domestic risk-adjusted returns exceed those in the international market and internationally if the international risk-adjusted returns exceed those in the domestic market. This process is thrown into the reverse when liquidity deficits arise.

The adjustment of banks' portfolios is the mechanism that allows for a smooth flow of liquidity (and credit) into and out of the banking system (and the economy). In short, excesses or deficits of liquidity in the system are rapidly eliminated because banks are indifferent as to whether they deploy liquidity in the domestic or international markets. Panama can be seen as a small pond connected by its banking system to a huge international ocean of liquidity. Among other things, this renders unnecessary the traditional lender-of-last-resort function performed by central banks. When risk-adjusted rates of return in Panama exceed those overseas, Panama draws from the international ocean of liquidity, and when the returns overseas exceed those in Panama, Panama adds liquidity (credit) to the ocean abroad. To continue the analogy, Panama's banking system acts like the Panama Canal to keep the water levels in two bodies of water in equilibrium. Not surprisingly, with this high degree of financial integration, there is virtually no correlation between the level of credit extended to Panamanians and the deposits in Panama. The results of Panama's dollarized money system and internationally integrated banking system have been excellent when compared with other emerging market countries.

For example, since Panama is part of a unified currency area, its inflation rate mirrors, broadly speaking, the rate of inflation in the United States. Over the past 16 years, inflation in Panama has averaged 2.8% per year; whereas, the U.S. inflation rate has averaged 2.1% per year.

Creating Stable Growth

In addition to lower and less variable inflation rates, officially dollarized countries produce higher and more-stable economic growth rates than comparable countries with central banks that produce domestic currencies. Dollarization is, therefore, desirable. The figure above shows the normalized values of real gross domestic product (GDP) in terms of U.S. dollars between 2001 (index value = 100) and 2019 for nine Latin American countries. Three—Panama, Ecuador, and El Salvador—are officially dollarized, while Peru is semiofficially dollarized. In the three officially dollarized countries, real GDP growth has been more stable and generally superior to growth in the countries that issue their own domestic

Annual Inflation Rates in the United States and Panama (%)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
United States	2.68	3.39	3.23	2.85	3.84	-0.36	1.64	3.16	2.07	1.46	1.62	0.12	1.26	2.13	2.44	1.81
Panama	0.47	2.86	2.46	4.17	8.76	2.41	3.49	5.88	5.70	4.03	2.63	0.14	0.74	0.88	0.76	-0.36

Source: International Monetary Fund

currencies. While Peru's growth has only been surpassed by Panama's, it is less stable than growth in the three officially dollarized countries. The sharp changes in terms of trade, which were associated with the commodity cycle, affected the volatility of real GDP measured in U.S. dollar terms much more in the countries that issued their own domestic currencies than it did in those that were officially dollarized.

Montenegro and Zimbabwe

Whereas Panama has been dollarized for over a century, several non-Latin American countries have dollarized only recently. One is Montenegro, where I served as a State Counselor and adviser to President Milo Djukanović (1999-2003). In 1999, Montenegro was still part of the rump of Yugoslavia. Montenegrins were fed up with the depreciating Yugoslav dinar and Yugoslavia's endemic inflation. This should be no surprise. Yugoslavia's great hyperinflation peaked in January 1994, when the monthly inflation rate was 313 million percent.

Montenegro's official currency in 1999 was the discredited Yugoslav dinar. But the mighty German mark was the unofficial coin of the realm. Indeed, Montenegro was unofficially dollarized. Montenegro's president, Milo Djukanović, knew that the German mark was his trump card. If Montenegro officially adopted the mark, it would not only stabilize the economy but also pave the way for reestablishing Montenegro's sovereignty. On November 2, 1999, he boldly announced that Montenegro would officially adopt the German mark as its national currency. This was Montenegro's first secession step.

The Montenegrin economy stabilized immediately and began its steady growth amid falling inflation. In May 2006, voters in Montenegro turned out in record numbers to give a collective thumbs-down to their Republic's union with Serbia. Montenegro was once again independent. And, on March 15, 2007, Montenegro signed a stabilization and association agreement with the European Union (EU), the first step toward EU membership. Then, on December 17, 2010, Montenegro received word that it was a candidate to join the EU.

Another recent case is that of dollarization that occurred in Zimbabwe.

> In 2008, Zimbabwe realized the second highest hyperinflation in world history with a monthly inflation rate in November of that year at 79,600,000,000% (79.6 billion percent).

In 2008, Zimbabwe realized the second-highest hyperinflation in world history with a monthly inflation rate in November of that year at 79,600,000,000% (79.6 billion percent). Faced with that inflation rate and 100-trillion-dollar (ZWD) bills, Zimbabweans simply refused to use the Zimbabwe dollar notes. Consequently, Zimbabwe unofficially and spontaneously dollarized. In April 2009, the government was forced to officially dollarize. With that, the "printing presses" were shut down, the government accounts became denominated in U.S. dollars, a new national unity government was installed, and the economy boomed.

That rebound persisted during the term of the national unity government, which lasted until July 2013. During this period, real G.D.P. per capita surged at an average annual rate of 11.2 percent. And, with the imposition of dollarization and the inability for a monetary authority (read: a central bank) to extend credit to Zimbabwe's fiscal authorities, Zimbabwe's budget deficits were almost eliminated.

Zimbabwe's period of stability was short lived, however. With the collapse of the unity government and the return of President Robert Mugabe's Zimbabwe African National Union – Patriotic Front party in 2013, government spending and public debt surged, resulting in economic instability. To finance its deficits, the government created a "New Zim dollar," and Zimbabwe de-dollarized. The New Zim dollar was issued at par to the U.S. dollar, but traded at a significant discount to the U.S. dollar. The money supply exploded in Zimbabwe, and so did the inflation rate. Indeed, on September 14, 2017, Zimbabwe entered its second bout of hyperinflation in less than ten years.

It's time for Latin America to dump its junk currencies and dollarize.

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Latin America and Israel, More than Friends

by MARK KLUGMANN

Author's Note: Importantly for U.S. regional security, an increasingly intimate political relationship between Israel and Latin America is bearing fruit. While popular affection for Jerusalem is growing in the region, Iran and the radical Left are united and pushing back through their own political base, media outlets, and hybrid criminal-terrorist structures. In much of Latin America the diplomatic relationship with Israel can turn on its head in a single change of government. Washington has a stake and a role in what happens next.

September 2017 brought the first ever visit to Latin America by a sitting Israeli Prime Minister. En route to Buenos Aires, Benjamin Netanyahu told reporters, "This trip marks a new era in relations between Israel and Latin America."

Early signs of that new era came a couple of months later when the United Nations General Assembly voted en masse to condemn the moving of the U.S. embassy to Jerusalem. Argentina, Colombia, Dominican Republic, Mexico, Panama, and Paraguay won praise from Washington for abstaining. Two countries with embassies in Israel (plus a few microstates) joined the United States in voting "no" on the Jerusalem resolution: Guatemala and Honduras.

Over the next three years, Guatemala and Honduras followed the United States in moving their embassies to Jerusalem. Paraguay briefly did the same, though it was reversed following a change of government. Brazil and Colombia opened official trade and commercial missions in the Israeli capital. And the Dominican Republic, whose recently elected President is the grandson of a Lebanese immigrant, announced that it, too, was considering moving its embassy to Jerusalem.

Before the end of 2020, Argentina, Colombia, Guatemala, Honduras, and Paraguay had designated Hezbollah a terrorist organization. Brazil and Honduras stood with Israel in opposing a hostile, politicized resolution in the World Health Organization. Argentina and Uruguay adopted the Working Definition of Antisemitism of the International Holocaust Remembrance Alliance (IHRA). A senior official of AIPAC ranked Latin America as the most pro-Israel region in the world.

Hemispheric Security

For the United States, the significance of countries electing pro-Israel leaders is that each such victory adds to a critical consensus on hemispheric security: Each government so disposed simultaneously demonstrates an organic resistance to *chavismo*, Iran, Hezbollah, and other regional threats. The posture of Latin American countries with regard to Israel correlates well with their stance on key aspects of regional security and geopolitics of importance to the United States.

The hostility of the Latin Left toward Israel predates – and predicts – the close ties that Hugo Chavez would forge with Iran. In 1973, Cuba terminated relations with Israel, as did Nicaragua's Sandinista regime in 1982. Throughout the 1980s Managua under the Sandinistas was a haven for Middle Eastern terror groups. When Nicaragua's democratic opposition took power in 1990, relations with Israel were restored. After Daniel Ortega returned to power in 2007, Nicaragua maintained relations with Israel for several years before breaking them again in 2010. In 2017, following quiet negotiations, and likely with one eye on Washington, Nicaragua restored relations with Israel.

Venezuela's Hugo Chavez and Bolivia's Evo Morales each broke relations with Israel in 2009. Ten years later, when Morales, who had denounced Israel as a "terrorist state," fell from power, the new interim government promptly restored Bolivia's relations with Israel. With the return to office of the Morales bloc following the most recent Bolivian elections, relations with Israel have been maintained, but a future controversy in the Middle East may once again provide

> The most important megatrend in Latin America's tilt toward Jerusalem is the rise of Evangelical Christianity.

Brazilian President Jair Bolsonaro and Israeli Prime Minister Benjamin Netanyahu at the Western Wall in 2019. (Photo: Alan Santos/Planalto Palace)

the pretext for a new rupture. Similarly, while the Caracas regime of Nicolas Maduro has no relations with Israel, the virtual government of Juan Guaido does.

Geopolitics is alive in Latin America and often spinning on a Middle Eastern axis. The 1992 terror bombing of the Israel embassy in Buenos Aires which left 29 dead, and the 1994 terror bombing of the Jewish AMIA center in that city which killed 85 people, have been linked to Iran and Hezbollah. In the decades since, Venezuela has scaled up the involvement of Iran and Hezbollah in the region, creating what Joseph Humire of the Center for a Secure Free Society describes as "a central hub for the convergence of transnational organized crime and international terrorism." Though the tri-border region of Argentina, Brazil and Paraguay has long had a concentration of Hezbollah activity, the introduction of nonstop flights connecting Caracas with Teheran and Damascus adds a new dimension.

National security analysts Magdalena Defort and William Preston McLaughlin warn that "Iran's presence in Latin America is an imminent threat to peace and political stability in the Western Hemisphere." They fear that some countries in the region serve as "a base for Iran's asymmetric attacks on the United States and other Latin American countries, as well as a laboratory and warehouse for the Islamic Republic's WMD programs, and a haven for many illicit activities of its terror proxy, Hezbollah."

Elections Matter

Policy officials in Washington attuned to the penetration of Iran and Hezbollah in the region will see that each political contest in Latin America that offers a choice between contenders who seek deeper ties with Israel versus rivals who would turn their backs on her carries larger strategic implications.

In surveying the list of U.S. allies that joined in the terrorist designation of Hezbollah, it should be noted that in essentially every instance, the president who made that decision had won election against a rival coalition aligned in the opposite direction.

Elections matter, and many countries in Latin America are no more than one election away from possibly changing their alignment. That would include two of Israel's and the United States' most steadfast allies: Guatemala and Honduras. The most recent changes of government in Argentina and Bolivia have seen friends of Israel replaced by the other side. Only with direct U.S. lobbying did the new government of Argentina accede to maintaining the terrorist designation of Hezbollah.

Awareness of the stakes of each election provides the logic for sustaining a regional alliance supported by a stable, coherent policy posture that encourages the success of one's natural allies. These will be the easiest and earliest victories in the battle against international terrorism and violent subversion in our hemisphere.

It should be noted that support for Israel in Latin America is not explained by the political weight of Jews in each country. The few countries with a Jewish community of relevant size (yet still less than 1% of the population) such as Argentina, Uruguay, Brazil, Costa Rica, and Mexico, have not generally produced the most pro-Israel governments – and under Leftist governments have been hostile.

The most important megatrend in Latin America's tilt toward Jerusalem is the rise of evangelical Protestant churches. For example, both Honduras and Guatemala are majority evangelical, and for President Jair Bolsonaro in Brazil, evangelical support was essential to his victory. The interest of the Dominican Republic in Jerusalem cannot be explained by the handful of Jews in that country, but rather by support from an active Christian constituency. Evangelicals, just 3 percent of Latin America in 1990, are by some estimates now 20 percent, and it may be higher than that.

Relationships Matter

However, demographics alone are not sufficient. The personal connection to Israel of a national leader is often essential in understanding why some countries join with Israel on issues like Jerusalem, Hezbollah, UN votes, and so forth, while others do not.

El Salvador (to say nothing of Nicaragua), despite having similar levels of Protestantism as Guatemala and

Honduras, leans differently with respect to the Middle East. While his two neighbors have forged a strategic alliance with Jerusalem, Salvadoran President Nayib Bukele, though keeping proper and amicable relations with Israel, has cultivated a close connection with Qatar.

The case of Paraguay also underlines the significance of the personal dimension. Shortly before his term ended in 2018, Paraguayan President Horacio Cartes moved his embassy to Jerusalem. When the new President took office, he immediately reversed that decision. Early in his career, Cartes had reportedly gotten business support from a pro-Israel Jewish family, and formed a lasting friendship. Later, as a candidate for President he worked with Israeli political consultants, which, in turn, led to him having a bilateral meeting with Prime Minister Netanyahu during his 2017 visit to Buenos Aires.

Israeli efforts to cultivate and build personal connections can be remarkably fruitful. In 1991, the Israeli development agency MASHAV invited a group of young Latin Americans to participate in a two-month leadership development program in Israel. One of the participants, Juan Orlando Hernandez, decades later became President of Honduras, and his country soon became one of the five UN members that most often abstained from resolutions opposed by Israel. In 2018, when Honduras was next in the standard rotation for the presidency of the UN General Assembly, an anti-Israel bloc enlisted a rival candidate and Honduras was defeated 128-62.

A significant anti-Israel media apparatus is also at work in Latin America. Iran operates a Spanish-language network called HispanTV, founded in 2011. In 2005 the late Hugo Chavez created TeleSur. Qatar-based *Al Jazeera* created a digital media platform called AJ+ Español, directed, it says, at "los jóvenes de (the youth of) América Latina." The assessment of Leah Soibel of pro-Israel Fuente Latina is that when "HispanTV airs slanderous stories about Israel, like alleging that IDF soldiers harvest Palestinian organs, or that Israel is behind the coronavirus, they do so with one purpose in mind – to fuel anti-Israel sentiments in the Hispanic world."

The economic dimension of the regional contest was structured by Venezuela's *chavistas* in partnership with Iran, and largely executed through its ALBA trade and investment alliance. When petroleum prices were high, grants of oil won the late Hugo Chavez a strong voting bloc in the OAS. However, in recent years, as the U.S. ramped up oil production, driving down prices, the *chavistas* lost their war chest, and the populists lost their mandate.

Complementing the growth of evangelical Christianity in Latin America, the economic and technological success of Israel has added new allure for partnering with the "start-up nation." In addition to the longtime interest in security and military cooperation with Israel, Latin America looks to Jerusalem for trade, investment, technology and tourism, as well as technical assistance in areas like water and agriculture.

Building Alliances

But behind the favorable trends, it must be emphasized that the turn toward pro-Israel governments in Latin America took place one country at a time and one election at a time. A high price is paid when official Washington, in its bilateral relationships, seems indifferent to the stakes or, worse, has worked against the political health of the forces that support the larger web of security alliances.

Indeed, there has been no permanent or comprehensive effort to guide the formation of a *de facto* trilateral alliance joining the interests of Latin America, Washington, and Jerusalem. It is overdue. To do so would hardly be unprecedented and could be bipartisan and stable if driven from Capitol Hill. Though different in form and context from what might be done with respect to Latin America, the unanimous Congressional approval of the TAIPEI Act with regard to Taiwan demonstrates that Washington still sees the utility of building strategic alliances, as it did during the Cold War. And compared to the complexities of the recent brokering of relations between Israel and some Arab allies of the United States, active support for the partnering of Latin America and Israel would be simple.

> Many countries in Latin America are no more than one election away from possibly changing their alignment. Including … two of Israel's … most steadfast allies: Guatemala and Honduras.

Former Chair of the House Foreign Affairs Committee Ileana Ros-Lehtinen noted that if every pro-Israel member of Congress would also extend a hand to the friends of Israel in Latin America, "it would lead to better governments and stronger regional security. The governments most hostile to Israel have typically mistreated their own people, while the political forces in Latin America that are good friends with Israel are also good allies for the United States."

The multi-dimensional clout of the United States throughout the hemisphere, together with the natural affinity for Israel in much of Latin America, can and should be leveraged in favor of regional political forces that will support a strong security alliance.

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Interdicting Drug Movement by the U.S. Military

by LT. PETE HARRINGTON, USCG, CAPT. TIMOTHY BROWN, USCG, and CDR. DON TERKANIAN, USCG

Far offshore in the Eastern Pacific Ocean, it seems as though you are the only trace of human life for hundreds of miles. There is nothing but the vastness of the ocean and the ever-present, often indiscernible line on the horizon where the water meets the sky. Overhead, a Maritime Patrol Aircraft (MPA) flies, searching for vessels in a cat and mouse game that pits law enforcement against illegal smugglers. The solitude is interrupted when the MPA detects a vessel suspected of smuggling, known as a go-fast, operating at a high rate of speed. Go-fasts are often spotted by the white trail, or rooster tail, behind the vessel as its engines churn through the water.

The 40-foot go-fast is headed north, 378 miles west of Acapulco, Mexico with a load of 900 kilograms of cocaine and enough fuel onboard to feed its two thirsty outboard engines as it sprints toward U.S. shores. The MPA relays the position of the go-fast to the Coast Guard Cutter STEADFAST, patrolling 30 miles to the north of the go-fast, and the entire 76 person crew jumps into action as they launch their pursuit boat with a specialized law enforcement team onboard to catch up to – and board – the go-fast. The pursuit boat engages its engines for a high- speed pursuit, reaching the go-fast, which continues to flee, despite the orders of the pursuit boat to stop. Meanwhile, the STEADFAST's crew coordinates its actions with Coast Guard District 11, which authorizes the use of warning shots and disabling fire, delivered from a specialized weapons package onboard the pursuit boat, to stop the go-fast. The crew aboard the pursuit boat shoots the engines of the go-fast, disabling it and bringing it to a stop. With the go-fast stopped, the boarding team onboard the pursuit boat begins to board the vessel.

Almost immediately upon boarding, someone onboard the go-fast sets fire to a fuel barrel quickly engulfing the vessel in flames, forcing the occupants of the go-fast to jump into the water to escape the ravaging flames. The boarding team unsuccessfully attempts to extinguish the fire and quickly shifts its focus to saving the lives of the six suspects in the water. Although the boarding team is unable to conduct a full investigation and search of the vessel, a portion of the 900 kilogram load of cocaine is recovered before the go-fast burns to the waterline and sinks. All six persons from the go-fast are rescued and later detained onboard the STEADFAST to be brought to the U.S. for prosecution. The Department of Justice prosecutes the case, most notably handing down a harsh sentence to the individual who set the fuel barrel on fire, Jesus Soto-Martinez, who receives a sentence of 21 years and three months on number of charges, including knowingly using fire to commit a felony offense.

In FY2019, the 207.9 metric tons of cocaine removed by the Coast Guard is equivalent to 4.16 billion individual doses ... enough for EVERY American to be drugged for almost 13 consecutive days.

A Constant Battle

Stories like this are not uncommon to the Coast Guard's daily operations. Over the past three years, the Coast Guard has participated in more than 1,100 cases like this one. Despite Transnational Criminal Organizations' (TCO) relentless endeavors to traffic harmful drugs through an adaptive set of tactics and exploiting vulnerable pockets of society, American partnerships with South and Central American nations continue to have a stabilizing effect in the region.

Although these partnerships enable and increased level of cooperation, the Coast Guard is only able to disrupt approximately 10% of the known flow of narcotics into the United States. While this may seem like a grim statistic, the outlook is positive; in FY2020, the Coast Guard interdicted nearly 380,000 pounds of cocaine and other dangerous drugs, depriving TCOs of more than $5.3 billion in profits. In FY2019, the 207.9 metric tons of cocaine removed by the Coast Guard is equivalent to 4.16 billion individual doses. That is enough for EVERY American to be drugged for almost 13 consecutive days.

While the Coast Guard continues to achieve success, the playbook for interdiction is ever changing; Drug Trafficking Organizations (DTOs) shift their smuggling tactics to counter the efforts of the U.S. by altering smuggling routes and use of increasingly sophisticated practices to

Coast Guard Cutter Sherman docks before offloading approximately 11 tons of cocaine seized in the Eastern Pacific. (Photo: U.S. Coast Guard)

avoid detection through the use of low profile vessels, semi-submersible vessels, and fully submersible vessels to achieve their goals. By attacking the profit source of the cartels in the maritime transit zone, where they are most vulnerable, the U.S. and its partners are able to leverage interdiction as part of a holistic approach to mitigate the cartels' expansive influence, which is enabled by illicit smuggling.

Partner Nation Efforts

For years, the U.S. Government has trained, equipped, and coordinated with dozens of countries across the Western Hemisphere to help stem the flow of illicit drugs through their waters. As a result of those efforts, partner nations today are contributing to counterdrug operations more than ever. Partner nations in the Western Hemisphere have increased their interdiction capacity in recent years, a capability built through decades of cooperation. The Coast Guard continues to expand capacity building initiatives to assist partner nations in developing their organic maritime governance capabilities, with the added benefit of helping to address challenges and threats to U.S. national security interests.

While the U.S. Government has seen success stories in recent years, a continued "whole of government" approach is imperative, which includes financial support from the Department of State and Coast Guard assistance to build comprehensive maritime governance and logistics systems. Notably, in June, the Coast Guard and Colombian Navy conducted a multi-day boarding of the vessel CAP WHITE, in the Western Caribbean. After extensive efforts by multiple U.S. and Colombian agencies, more than 16,700 pounds of cocaine were seized, the largest Coast Guard cocaine seizure in the Caribbean region in 12 years.

Furthermore, Coast Guard personnel are posted throughout the Western Hemisphere as attachés, liaisons, maritime advisors, and drug interdiction specialists. These personnel develop strategic relationships with partner nations to facilitate the coordination of real-time operations; confirmation of vessel registry; waivers of jurisdiction; and disposition of seized vessels, contraband, and detained crews. The Coast Guard's law enforcement, legal, and regulatory expertise are in high demand among Central American partners, whose navies more closely resemble the Coast Guard, focused primarily on maritime law enforcement. Coast Guard international training teams, as well as Coast Guard units deployed in the region, increase professional interaction, shiprider activities, and training in conjunction with operations. The invaluable operational knowledge and skill sets conveyed by Coast Guard law enforcement personnel, coupled with the increased capability of partner nations and their assets, enable countries' maritime enforcement agencies to emerge as powerful force multipliers in the Western Hemisphere.

Working in conjunction with the Departments of State and Justice, the Coast Guard has negotiated, concluded, and maintained 34 counter drug bilateral agreements and operational procedures with partner nations in the Western Hemisphere. These agreements enable the Coast Guard to board suspect vessels, facilitate interdictions in underpatrolled territorial waters of partner nations, deter illicit activity in the littoral regions, and coordinate interdiction and apprehension operations throughout the Western Hemisphere. Nearly 60 percent of all Coast Guard interdictions in fiscal year 2020 involved the use of a bilateral agreement or operational procedures.

Persistent Presence

In order to maintain influence with our partners, the U.S. Government needs to exercise persistent presence including efforts by with and through our foreign partners. American efforts to foster regional collaboration and foreign networks are critical to illuminate illicit behavior where it occurs and to elevate rules-based order throughout the maritime domain. Weaker nations and dictatorial regimes in our hemisphere are being exploited and leveraged against us by our adversaries. Shining a spotlight on these nefarious activities will undermine their efforts and will empower our like-minded partners to stand strong for freedom and democracy.

Recently, the former defense minister of Mexico was arrested in the United States on charges of drug trafficking and money laundering. Additionally, the former head of the Mexican equivalent of the FBI was indicted in the U.S. for receiving bribes in exchange for information and safe passage of drug shipments to the U.S. In the unstable state of Venezuela, Former President Nicholas Maduro was charged with drug trafficking by the Unites States as a part of his suspected leadership of the Cartel de los Soles along with the Chief Justice and Minister of Defense being charged with related offenses. By maintaining constant oversight of our partners, the U.S. aims to reinforce its foothold in the progress it has made internationally. The seemingly unlimited funding of Drug Trafficking Organizations presents a significant threat to those in positions of power who are motivated by money rather than the administration of a just, legal society. Although graft and corruption continue to threaten our successes, it is important to recognize the determination our partners have made toward increasing efforts, capabilities, and contributions to the war on drugs.

The measures taken by partner nations is not without significant risk; while American law enforcement is directly involved in drug interdiction, its members enjoy the relative safety of their homes while not engaged in operations. This is not the same story that those in Latin America experience as the threat of violence against law enforcement and their families persist, even when off duty. In 2009, the family of one of Mexico's Marines was brutally murdered as retaliation for his role in the death of cartel leader Arturo Beltran Leyva. The cartel message to troops involved in the drug war: "You go after us, we wipe out your families." The danger of the cartels is not limited to those seeking to dismantle their profit centers. The UN reports a relationship between homicide and known drug trafficking routes. High drug trafficking routes, like those on the coastlines of Honduras and Guatemala and on their shared border, have murder rates more than double of those areas with lower or no known trafficking. The violence, corruption, extortion, and instability that is caused by trafficking drives families from their homes to seek safe havens elsewhere.

> ...partner nations today are contributing to counter-drug operations more than ever.

On the Front Lines

U.S. Coast Guard members are privileged to take their efforts to the front lines on the war on drugs while making a measurable impact on illicit traffic. This does not preclude our members from experiencing an increase in risk while conducting operations. The Coast Guard has seen a rise in aggressive tactics taken by smugglers who carry weapons or attempt to use their vessel as a weapon in an effort to evade capture. In early August, the Coast Guard was notified of a vessel travelling at a high rate of speed just off the coast of San Diego. Knowing that time is of the essence, the Coast Guard diverted Coast Guard Cutter FORREST REDNOUR from a nearby operating area and notified Customs and Border Protection (CBP) who also diverted an intercept boat to assist.

FORREST REDNOUR immediately responded, launching its small boat to attempt to stop the suspect vessel. When the vessels converged, the suspect vessel began operating erratically, refusing to heed the orders of U.S. Law Enforcement. Both the FORREST REDNOUR's small boat and CBP's intercept boat were rammed by the suspect vessel as it attempted to evade capture, causing damage to both vessels and putting the life and safety of those involved at risk. Fortunately, the CBP intercept boat was able to use its onboard force package to disable the engines of the suspect vessel, ending the chase. Law enforcement personnel took the vessel and its occupants into custody along with their illicit cargo of nearly 240 kilograms of methamphetamine, resulting in the largest Coast Guard interdiction of methamphetamine in four years.

Conclusion

The continued efforts of Drug Trafficking Organizations to traffic their illicit products into the United States, coupled with the collateral damage incurred by those involved, underscores the importance of this mission. The Coast Guard along with its government and international partners must perpetually adapt to a dynamic environment while maintaining unity of effort. The issue at the forefront of this fight is undeniable, the lives of millions are at stake.

Capt. TIMOTHY BROWN *is the Chief of Maritime Law Enforcement. He, Cdr.* DON TERKANIAN *and Lt.* PETE HARRINGTON *are assigned to the Coast Guard's Response Directorate in Washington D.C.*

Hezbollah: Narco-Terror and Crime in Latin America

by EMANUELE OTTOLENGHI

Will the Biden administration go after Hezbollah's drug trafficking and money laundering networks?

Hezbollah's direct involvement in the drug trade is well documented, ongoing, and a threat to U.S national interests. The Biden administration needs to build on the past four years and pursue Hezbollah's money laundering and drug trafficking networks even more vigorously than the Trump administration did.

Project Cassandra: Hezbollah's Criminal Networks

Much of what we know today is the result of Project Cassandra, a decade-long operation run through the Drug Enforcement Administration's Special Operations Division, which sought to stop Hezbollah from trafficking drugs into the United States and Europe.

Hezbollah's intimate connection to Latin American drug cartels became known by coincidence when, in 2007, Colombian wiretaps meant to monitor *La Oficina del Envigado,* the Medellin cartel later named by DEA as a key partner to Hezbollah, picked up Arabic conversations traceable back to a man named Chekry Mahmoud Harb. DEA brought in an Arabic language expert who suddenly realized Hezbollah was arranging multi-ton shipments of cocaine to the Middle East while working with the Medellin cartel. The resulting investigation, code named Operation Titan, eventually opened a Pandora's box, which led to numerous cases spanning more than a decade. The main takeaway was that this was not a small sideshow by loosely affiliated individuals. It was a multi-billion-dollar, worldwide operation orchestrated by top officials within Hezbollah's inner circle.

Hezbollah still depends financially on Iranian largesse. But its growing budget – in itself a consequence of Hezbollah's expanding role in the region as an Iranian terror proxy – means that outside sources of income have become more important in the past two decades. Hezbollah has financed itself not only by leveraging expatriate communities through charitable donations, but also by recruiting members of the Lebanese diaspora to build an elaborate global money laundering operation – Hezbollah's laundromat – for the benefit of organized crime. Profits from such schemes help finance Hezbollah's operations at the tune of hundreds of millions of dollars a year.

> ...twice in 2004 and 2006, the U.S. Treasury sanctioned Hezbollah financiers in the Tri-Border Area [of Argentina, Brazil and Paraguay]...

Perhaps the most famous network DEA targeted was the one run from Colombia by Ayman Joumaa and his associates. U.S. authorities believe that Joumaa, a Lebanese-Colombian dual national, operated a global network of companies in Latin America, West Africa, and Lebanon, laundering money for Mexican and Colombian cartels, to the tune of $200 million a month of drug proceeds. He took a commission for each operation that went to Hezbollah's coffers. As a prime target for Project Cassandra, Joumaa was indicted in 2011 but has so far eluded U.S. justice.

DEA revealed the full extent of Hezbollah's terror-crime nexus and its centrality to Hezbollah's organizational structure in February 2016, when Operation Cedar came to fruition with multiple arrests across Europe. Operation Cedar was a DEA joint operation with European law enforcement agencies across seven countries, which targeted a large Hezbollah money laundering network. DEA shared intelligence with its French counterparts, who eventually coordinated a continent-wide effort. Fifteen individuals were prosecuted, and dozen others are mentioned in the November 2018 French court's verdict against the arrested culprits. By then, the DEA had been chasing Hezbollah money-laundering operations on behalf of drug cartels for nearly a decade.

According to a former U.S. official familiar with the case, the targeted

ring involved shipments of cocaine to Europe, paid for in Euros, which Hezbollah couriers then transferred to the Middle East. This was not the usual money-laundering scheme on behalf of crime syndicates. Hezbollah also made more than €20 million a month selling its own cocaine, in addition to laundering hundreds of millions of Euros of cocaine proceeds on behalf of the cartels via the Black Market Peso Exchange, retaining a fee. During the arrests, authorities seized €500,000 in cash, luxury watches worth $9 million that Hezbollah couriers intended to transport to the Middle East for sales at inflated prices, and property worth millions – peanuts compared to how much the network laundered overall.

In January 2016, French raids led to the arrest of prominent Hezbollah facilitators Mohamad Noureddine and Hamdi Zaher El Dine. Four days after their arrest, the Treasury sanctioned them. Referring to the sanctioned duo, then-Acting Under Secretary for Terrorism and Financial Intelligence Adam J. Szubin said that Hezbollah relied on such facilitators "to launder criminal proceeds for use in terrorism and political destabilization." The money was going to Hezbollah's arms procurement effort, to sustain its military engagement in Syria. Treasury stopped short of explicitly identifying the two as Hezbollah members, but said they were providing material support to Adham Tabaja, whom Treasury had already sanctioned in 2015 as a Hezbollah member and financier.

The DEA's February 2016 announcement also detailed the Hezbollah hierarchical structure in charge of its illicit operations since as early as 2007. The DEA named it the BAC – an acronym for the Business Affairs Component of Hezbollah's External Security Operation. It identified the BAC's founder as the late Hezbollah arch-terrorist Imad Mughniyah. After his death in a car bomb in Damascus, in February 2008, the BAC's leadership was bequeathed to Abdallah Safieddine, Hezbollah's representative in Iran, and to his right-hand man, Adham Tabaja.

> The Obama White House wanted a nuclear deal with the regime in Iran … and the ayatollahs turned Hezbollah's activities into a bargaining chip.

Ultimately, it matters little who runs the show. The BAC is part of the integrated command-and-control structure of Hezbollah. It acts as a money collector to finance the organization as a whole. Money is fungible, and each dollar the BAC makes is a dollar Hezbollah gets, regardless of whether it goes to fund schools to indoctrinate the young, pay pensions for widows of fallen fighters at the Martyrs' Foundation, procure arms for Syria, or pay salaries for Al-Manar broadcasters. It is the same pot.

Obama Put Cassandra on the Backburner

Project Cassandra achieved much, but it did not stop Hezbollah's ongoing illicit activities. The Obama administration officially made the terror-crime convergence a national security priority in 2011. By then, Hezbollah's alliances with Latin American drug cartels were well in the sights of U.S. law enforcement agencies. Yet according to an expose published in *Politico* in 2017, by 2012, the same administration that had just declared fighting the crime-terror convergence a national security priority increasingly stymied efforts to investigate, capture, and prosecute Hezbollah financiers. The Obama White House wanted a nuclear deal with the regime in Iran – possibly as a prelude to a major realignment of U.S. foreign policy in the Middle East – and the ayatollahs turned Hezbollah's activities into a bargaining chip.

To be fair, the continuation of Hezbollah's Latin gig was not entirely Obama's fault. For much of Obama's tenure, regional politics conjured up a perfect storm to protect Hezbollah's operations in Latin America. Castro-Chavista anti-American regimes that aligned themselves with Tehran were on the rise, with their influence reaching even Paraguay, a traditionally center-right conservative country, where a leftist Bolivarian was president from 2008 to 2012. Worse: Some of these governments increasingly merged with organized crime cartels to take a cut from the booming cocaine trade. Washington could go after Hezbollah in Colombia all it wanted, but in many other regional capitals, its agents got the cold shoulder – Venezuela and Bolivia both evicted DEA agents, in 2005 and 2009, respectively. When the Obama White House turned its sights on a grand bargain with Iran, what was already arduous under the prevailing regional politics of the time became even more difficult.

Project Cassandra turned out to have been well named. It clarified, to anyone listening, the extent and depth of Hezbollah's involvement in organized crime. Narco-terrorism – a hybrid threat involving the toxic convergence of organized crime and terror finance networks – should have spurred more aggressive investigations, prosecutions, and sanctions. Especially for Latin American governments, whose societies are being crippled by the criminal syndicates Hezbollah works with, this should have been a wake-up call. But like the prophecies of Homer's Cassandra, it wasn't.

Nader Mohamad Farhat during his extradition to Miami.

Part of the reason for this failure lies with the politics of the Iran deal. Recalcitrant U.S. allies in the region also contributed to the problem: Much as they were willing to confront organized crime, recognizing that cocaine trafficking financed terrorism was another matter.

The Trump administration tried to fix both problems by leaving the Iran deal and turning the screws on Iran. That included giving new impetus to Hezbollah narco-terror finance investigations and lobbying regional allies to designate Hezbollah as a terrorist organization. Regardless, Hezbollah had time to regroup, especially when it comes to a key component of the narco-terrorism convergence, namely money laundering.

The Tri-Border Area

It is possible that, as part of its efforts to reconstitute disrupted operations, Hezbollah increased diversification of its trafficking routes, mirroring what drug cartels have also been doing. That involved a shift to Paraguay, thousands of miles south of Colombian ports, and neighboring Brazil. Cocaine trade through Paraguay and Brazil has been on the uptick for some time. Brazil, fast becoming one of the world's largest consumers of the white powder, is also increasingly a top transit country for cocaine delivery to Europe. The surge of cocaine dealing there was a windfall for local organized crime, and expectations of similar profits led the cartels to expand their operations into Paraguay as well.

Hezbollah had already built a well-oiled, multi-billion dollar money laundering machine in the Tri-Border Area of Argentina, Brazil and Paraguay, or TBA, which cleans organized crime's ill-gotten gains through multiple waypoints in the Western Hemisphere, West Africa, Europe and the Middle East.

This particular corner of eastern Paraguay is not, by any means, the only node of Hezbollah's Latin American operation. But it is an important one. When Hezbollah carried out its devastating bombing of the Buenos Aires Jewish Cultural Center (AMIA) in July 1994, operatives in the TBA provided logistical support to the planners and the hit team. One of them was arrested in Ciudad Del Este in 2000 due to his suspected ties to the attack.

In an effort to curtail their activities, twice in 2004 and 2006, the U.S. Department of Treasury sanctioned Hezbollah financiers based there. In the past two decades, local authorities arrested a handful of Hezbollah fugitives in the TBA at the behest of U.S. authorities. Paraguay eventually extradited them to the U.S. Yet these isolated actions have had little impact. The wheel keeps turning.

Evidence of how important the area has become both to organized crime and Hezbollah's revenue streams is likely to emerge from the arrest and prosecution of a key Hezbollah facilitator, Nader Mohamad Farhat.

Farhat used to run a money-exchanging business out of two tiny storefronts in Ciudad del Este, on the TBA's Paraguayan side. Despite the unassuming size of his business, U.S. prosecutors consider his operation "one of the largest money laundering networks in South America." Farhat was arrested at his home in May 2018 and, after a yearlong legal battle, extradited to Miami to face money laundering charges. He is also a co-defendant in another money laundering case before the Eastern District of New York. Although this is not formally a Hezbollah terror-finance case, U.S. officials have referred to Farhat as a "Hezbollah supporter."

During their raids on Farhat's offices, investigators seized a host of documents, including blank checks worth millions of dollars, potentially providing evidence about other companies involved in his scheme and other documents possibly revealing a Brazilian money exchange through which Hezbollah moves funds from Paraguay to Lebanon.

The biggest catch in the Farhat operation, however, was a hard drive containing 1.41 terabytes of data – much more than a typical personal computer can store. A court document indicates that the trove of information included a chart "that purportedly shows how the money-laundering scheme was organized." With the chart in hand, investigators could confirm what open sources had indicated for years – how Hezbollah's laundromat really works – and could map out the entire network and then begin taking down its various

components one by one.

Tellingly, part of the fraudulent transactions associated with Farhat's operation went through cut-outs in the United States, mimicking a pattern already seen in past investigations against Hezbollah's narco-terrorism illicit finance networks. Given that the United States is both a profitable market for cocaine and Hezbollah's mortal enemy, it comes as no surprise that Hezbollah financiers would wish to make a buck here, in the process helping cartels flood U.S. markets and pollute the financial system through laundering operations.

These vulnerabilities make it clear that an incoming Biden administration should not make Obama's mistake again and cannot lower its guard against this threat. They show that our law enforcement and judicial systems, as well as our banking and commercial sectors, are far from winning this battle. What's more, while Farhat languishes in jail awaiting trial, hundreds of companies implicated in suspicious transactions both in the U.S. and in the TBA continue to operate, carrying on with their trade.

The Terror-Crime Nexus: Worse Than You Think

There's also an operational side to Hezbollah's international network that ties into its drug trafficking and the resulting laundromat. In just the past few years, authorities have thwarted plans to carry out bombings in Thailand, Panama, and London, and additional plots based in Detroit, New York, and Cyprus. All of these operations have one thing in common: the use of massive quantities of ammonium nitrate to build bombs. This chemical could be found in icepacks and fertilizer, so Hezbollah operatives relied on local friendlies to buy and store those products. They needed companies to order large quantities under the guise of legitimate commercial operations, and they needed to accumulate the products slowly so as not to attract attention. (In one case, a front company bought thousands of first-aid kits, each containing an icepack, over the course of years.) Hezbollah operatives also needed warehouses to store the merchandise until the moment they received the order to assemble the explosives and carry out an attack. They further needed false papers and safehouses from which to operate or lie in wait. All of these things cost money.

> The incoming Biden administration should not make Obama's mistake again and cannot lower its guard against this threat ... our law enforcement and judicial systems, as well as our banking and commercial sectors, are far from winning this battle.

The friendly facilitators who provide these services are not bomb-makers or sharpshooters. They are businessmen devoted to the cause and ready to help when the call of faith, family, and party mobilizes them. The assassins may come in at the last minute to execute the plot, but it is the businessmen who raise the funds to make an attack possible, and who, when called upon, also patiently provide its building blocks to the operatives.

A recent U.S. case against a Hezbollah operative makes it clear what Hezbollah has in mind and why the convergence of terror and organized crime is so toxic. In June 2017, U.S. authorities announced the arrest of Samer El Debek just outside of Detroit. According to court documents, Hezbollah trained him to handle ammonium nitrate and dispatched him to Thailand in 2009 to clean up a safe house filled with ice packs left behind after a thwarted attack. Hezbollah later sent El Debek to Panama to scout the Panama Canal, where an attack might have disrupted global shipping.

Tragically, sometimes terror plots succeed. In 2012, a Hezbollah suicide bomber blew up a bus transporting Israeli tourists in Burgas, Bulgaria. The bombing killed the Bulgarian bus driver and five Israelis, including a pregnant woman, and injured 32 others. According to the Bulgarian interior minister, the perpetrator worked with as many as five accomplices, who had been planning the attack for a year and a half. In other words, it took not just one willing martyr, but a network, with funds and resources.

To Thwart Attacks, Follow the Money

Disrupting such attacks, the main focus of counterterrorism operations, remains critical but insufficient. As with countering narcotics, so, too, with the war on terror: Without aggressive prosecution of those who carry out Hezbollah's financial transactions, the illicit networks that provide financial and logistical support for the terrorist organization are likely to reconstitute quickly, continuing to assist drug trafficking and, in the process, sustaining Hezbollah's financial needs.

In the TBA and elsewhere in Latin America, Hezbollah's laundromat remains mobilized to turn its revenues into clean cash that can buy arms for Hezbollah and fund terror attacks overseas. Such laundromats, each one strengthening America's enemies, need to remain an urgent American priority.

EMANUELE OTTOLENGHI *is a senior fellow at the Foundation for Defense of Democracies.*

Chinese Military Bases in The Caribbean?

by LAWRENCE A. FRANKLIN

China's Communist Party (CCP) seems to be implementing a multidimensional strategy in the Caribbean, reaping economic, political and potentially military gains a few miles offshore the United States. China's ultimate objective of its Caribbean strategy may well be to confront the U.S., not only with its presence near the mainland U.S., but also with a situation analogous to America's military presence in the region of the South China Sea. There, China created new islands in the sea, pledged not to militarize them, then went and militarized them.

It is important to remember that China also promised Hong Kong autonomy until 2047, then, in 2020, jumped the gun by 27 years. "Hong Kong will be another communist-run city under China's strict control," U.S. Secretary of State Mike Pompeo declared in July. China is clearly not a government that honors its agreements.

The CCP leadership has also been launching a diplomatic effort in the Caribbean with the goal of delegitimizing the state of Taiwan, while encouraging regional countries to open relations with the People's Republic of China (PRC).

Chinese shipments of military and police equipment to several Caribbean states could be developing into beachheads for future People's Liberation Army (PLA) "advisory groups" in the Western Hemisphere. China's construction projects already include the modernization of airports and seaports, which could increase Chinese geopolitical and military influence in the region. Chinese Defense Minister Wei Fenghe already is on record expressing China's willingness to deepen military cooperation with Caribbean countries.

Additionally, China has been investing considerable revenue in the economies of the hemisphere's anti-American Caribbean socialist states of Cuba and Venezuela. China's establishment of a Caribbean Belt and Road Sector is an opportunity for CCP intelligence operatives to suborn the sovereignty of Caribbean countries by luring these societies into "debt trap" economic dependency on China. In Sri Lanka, for instance, the country's inability to pay back its Chinese creditors for Beijing's modernization of the port of Hambantota has resulted in the South Asian country's effective loss of the port.

> Were China to establish a beachhead in the Caribbean, the U.S. could be faced with a dark replay of the 1962 Cuban missile crisis.

China's Caribbean offensive so far includes a "medical diplomacy" initiative that is providing Latin America, but especially the region's island states, with face masks, personal protective gowns and gloves, ventilators, ambulances, and pharmaceuticals. In May, China convened a video-link conference on the COVID-19 virus at the vice-ministerial level with the nine Caribbean countries that have diplomatic relations with Beijing: Antigua, Barbuda, Barbados, the Bahamas, Dominica, Granada, Guyana, Suriname, and Trinidad and Tobago.

China's dominant role as a world leader in the production of pharmaceuticals and medical devices is, as presumably intended, enabling the Chinese to garner considerable good will in the region. China has already delivered 30,000 virus test kits to Jamaica and at least 100,000 protective masks to Cuba as well as about 100 ventilators to the Dominican Republic. China also has built hospitals in Dominica, St. Kitts, Barbados, and Trinidad, as well as a children's hospital in Jamaica. Throughout the COVID-19 virus epidemic, China has also donated medical supplies to around 15 Caribbean states.

Chinese investors are plowing millions of dollars into tourist-oriented construction projects. China's state-supported construction enterprises are building hotel resorts in the Bahamas, Guyana and Barbados. Of more concern to U.S. security interests is the ongoing seaport expansion project in the already commercially important port at Kingston, Jamaica, as well as the port at Freeport, Bahamas, China's possible new base of operations 90 miles off the U.S. coast.

Kingston Harbor in Jamaica. (Photo: Lucia Gajdosikova / Alamy)

Other Chinese sponsored port projects are underway at Cuba's ports of Santiago and Mariel, as well as Guyana's port of Berbice. Another Chinese construction project that deserves scrutiny for its implication for U.S. national security is China's modernization of Guyana's Cheddi Jagan international airport. Once the site of U.S. Air Force military operations during World War II, with its runway of over 10,000 feet, it is capable of hosting Chinese military jet aircraft. However, disagreements over the terms of the original contract signed in 2011 are a source of tension between the Chinese contractor and the usually pro-Chinese Guyanese government. China also has an interest in regional access to raw materials such as bauxite from Jamaica, and offshore oil near Guyana.

The Chinese regime is effectively employing "soft power" by way of propagating anti-U.S. diplomacy through China's regional ambassadors and Confucius Institutes. Particularly active in this regard is Liu Quan, the China's Ambassador to Suriname. China's propaganda arm has established approximately 10 of its 45 pro-Communist Confucius Institutes in the region, in Antigua and Barbuda, Suriname, the Bahamas, Barbados, Cuba, Guyana, Jamaica, Trinidad and Tobago, and Venezuela. These institutes propagate the same ideological pro-Chinese Communist Party, anti-Taiwan line. Additionally, the Confucius Institute in Suriname, home to one of the largest number of overseas Chinese of any country in the region, may also be attempting to recruit agents.

In 2018, the Dominican Republic revoked its diplomatic ties to Taiwan, presumably to take advantage of the economic opportunities that relations with China might bring.

China's military agenda in the Caribbean region includes the Peoples Liberation Army (PLA) Air Force, which has donated Chinese Y-12 transport aircraft to Guyana. PLA military aid continues to arrive in Jamaica. Chinese-produced motorcycles have been exported to West Indian police forces in Trinidad and Tobago, and police cars to Guyana. Moreover, selected military officers from virtually every Caribbean country continue to receive training at Chinese military academies.

Were China to establish a beachhead in the Caribbean, the U.S. could be faced with a dark replay of the 1962 Cuban missile crisis. China could insist that the U.S. reduce, or entirely withdraw, its considerable military force structure in the Western Pacific Ocean, in exchange for a draw-down of PLA assets in the Caribbean – or any other bargain it dreamed up.

U.S. policymakers need seriously to address Communist China's aggressive expansionist policies in the Caribbean. The U.S. should not permit the PLA Air Force or the PLA Navy to establish bases that could interfere with American freedom of navigation, both for commerce and for military convoys re-supplying NATO allies in the event of a military crisis. The U.S. can ill afford any Chinese drive to place under threat any Western Hemisphere country, much less the United States.

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"The Hemisphere of Freedom"

An *in*FOCUS interview with Ambassador Michael G. Kozak

Ambassador Michael Kozak is Acting Assistant Secretary (A/AS) of State for Western Hemisphere Affairs. He previously served as Senior Bureau Official for Democracy, Human Rights and Labor, following tenure as Senior Adviser to the Assistant Secretary. Ambassador Kozak has served as Acting Special Envoy for Monitoring and Combatting Anti-Semitism and negotiated a UN resolution respecting freedom of expression. As Senior Director on the National Security Council staff, he had responsibility for Democracy, Human Rights, International Organizations, Migration, and Detainee issues, and authored the first National Security Presidential Directive on Democracy and Human Rights since the Carter administration.

***in*FOCUS: You have had a long career, serving in many difficult places. Can you give us a sense of the transformations you have seen economically, politically, and in the daily lives of average people?**

Ambassador Michael Kozak: When I joined the State Department nearly 50 years ago, there were only a handful of democracies in our hemisphere. Today, the vast majority of the countries in the Americas–the Hemisphere of Freedom – are democracies. We are getting ever closer to the ideal that OAS member states committed to when they signed the Inter-American Democratic Charter in 2001.

We've also seen a trend toward increasing economic integration and pro-market policies throughout the region. If you look at U.S. trade numbers, it's very clear. We are the largest trading partner in the region, because the United States supports policies that protect the rule of law, promote transparency, and provide an attractive business environment for entrepreneurs. U.S. firms operate according to values that produce good deals and quality work. These practices are critical to building sustainable, prosperous economies throughout Latin America and the Caribbean. This is particularly important now, as the region continues to combat COVID-19's challenges to economic growth, transparent governance, and sustainable development, and looks towards recovery.

The security situation in the region has evolved significantly since I first started. The fact that there is currently no war in the Western Hemisphere stands out. The region's longest-running armed conflict ended in 2016 with Colombia signing a peace accord with the FARC. The region has come a long way since the days of civil wars and dictatorships.

That doesn't mean that we don't face new and different security challenges. Combating transnational criminal organizations and the permissive environment that allows these groups to operate across our borders are critical elements of defending our sovereignty, and that of our partners. But in general, our Hemisphere is much more secure and prosperous because of our commitment to democracy, free trade, and freedom.

***i*F: How does the U.S. see its responsibilities regarding not only the influence of other powers in the region, but also militarization in the region by others including China, Iran, and Russia?**

Kozak: I like to think that our neighbors like to work with us because we're a pretty good partner. We respect their sovereign rights. We try to do what we say we will. On security we have reciprocal commitments with our neighbors to help protect them from aggression. The Rio Treaty was a model for the NATO treaty. It was invoked in 2001 to provide for a collective response to the 9/11 terrorist attack on us. We also try to create a fair playing field for businesses. We tend to believe in the same things as our partners. I've seen my counterparts from across the region grow very wary of partnerships with countries from outside our region, because they just operate differently. So, despite a few unfortunate, but noteworthy, exceptions we've had extraordinary partnerships with other countries in our region. I expect that will grow and expand, so long as we stay true to our common values.

***i*F: How are we doing on sharing responsibilities in the region?**

Kozak: We may not always agree on policy or rhetoric, but the United States respects our neighbors' sovereignty, and right to democratic self-determination. When our neighbors are tested, and when authoritarians subvert the democratic rule of law to retain power or unlawful profit, we as a Hemispheric community have an obligation under the OAS and Inter-American Democratic Charter to come together and support those who push back through democratic, constitutional institutions.

As a region, we have been coming together like never before to defend and promote democracy where it is threatened or repressed, as in Venezuela, Nicaragua, and Cuba. Some of our programs, including the Merida Initiative in Mexico, the Caribbean Basin Security Initiative, and the Central America Regional Security Initiative, provide support and training

to the institutions responsible to investigate and prosecute complex allegations such as those in money laundering and asset forfeiture cases.

The U.S. is working with neighbors in Mexico, Central America, and other parts of the hemisphere on a regional approach to stop dangerous, illegal immigration and to encourage migration through safe, legal, and orderly channels. And to build societies that provide everyone the opportunity to advance economically, in their own countries.

The América Crece program channels the resources and expertise of the U.S. government to create attractive business and investment environments that will catalyze private sector investment in energy, transportation, and telecommunications infrastructure across the region. Restoring jobs and growth requires creating the enabling conditions to attract private sector investment. We have built strong partnerships by providing training, mentoring, and other assistance to help partner governments address the permissive environment that allows Transnational Criminal Organizations to operate.

Ambassador Michael Kozak. (Photo: State Department)

***i*F: Tell us about The Clean Network and the 5G Clean Path, designed to keep China's IT vendors out of our communications -- because those vendors are controlled by the Chinese communist party.**

Kozak: I believe our Clean Path partners recognize that 5G security isn't a choice between the U.S. and China, but part of their obligation to protect their citizens and safeguard the trust of their networks.

Members of the Clean Network are concerned about their information and the security of their telecommunications networks based on internationally accepted digital trust standards. We have been working closely with many countries in the region to help them access cost-effective 5G technologies without sacrificing economic security or the integrity of their most sensitive data.

In recent months the Clean Network has grown to over 50 countries. We were proud to have Brazil, Ecuador, and the Dominican Republic take positions of leadership on 5G security. These countries recognize 5G security is essential to safeguarding their interests, their democracy, and their free-market values.

***i*F: Would a "Free Trade Area of the Americas" give Washington more soft power in the region?**

Kozak: Our economic engagement with the Americas cannot be overstated. This region is home to our biggest economic partnerships. We support entrepreneurship and free enterprise. We believe in transparency, and that transactions should go to the best bidder. We expect deals to be made respecting laws on corruption, labor standards and worker safety, and environmental sustainability. Not every country can say that.

The United States is the top trading partner for over two-thirds of the region's countries. We have free trade agreements with 12 countries in the Americas. The United States-Mexico-Canada Agreement (USMCA) fulfilled President Trump's promise to modernize and update this trade agreement. More than just the modernization of an existing agreement, it is a new engine for growth in the 21st century that will keep North America the most economically competitive region in the world.

U.S. goods and services trade with the Western Hemisphere totals nearly $2 trillion annually. We sell more to the Western Hemisphere than we do to all of Asia combined. In comparison, China's trade within the Western Hemisphere is around $330 billion. So, while there is always room for improvement, we are happy with our regional achievements on Free Trade.

***i*F: Is the OAS still the primary body for cooperation and communication in South America?**

Kozak: Yes. There is no doubt that the OAS continues to be the premier organization for addressing regional issues. There have been a number of other subregional organizations, but none of them have the breadth of member states, the mission, or the impact of the OAS. The OAS helps ensure democracy through highly respected Electoral Observation

Missions to help safeguard elections throughout the region.

*i*F: How deep is the pandemic-related destruction in Central and South America and how is the U.S. responding?

Kozak: Look, every country is dealing with the battle against COVID-19 according to the challenges in its unique environment, just as U.S. governors and mayors are working in their respective environments. But no country has invested as much as the United States to combat the COVID-19 pandemic. The United States has allocated more than $20.5 billion to address the global COVID-19 crisis, with over $1.6 billion in State Department and USAID emergency health, humanitarian, economic, and development assistance aimed at helping governments, international organizations, and non-governmental organizations (NGOs) fight the pandemic.

We will continue to seek opportunities to collaborate bilaterally or multilaterally. And we are achieving real results, helping nations around the world respond to COVID-19.

*i*F: What do our neighbors need most from us?

Kozak: The United States has provided billions in foreign assistance, but our programs yield the best outcomes when coupled with political will in our partner governments. The U.S. cannot be more committed to achieving prosperity in Central America than the host nations.

This summer, Secretary of State Pompeo announced the Administration's intent to provide $252 million in additional U.S. foreign assistance for El Salvador, Guatemala, and Honduras.

Beyond our foreign assistance money, we stand poised to mobilize billions in investment via the U.S. International Development Finance Corporation (DFC). The DFC is a critical tool in driving investment in support of laying the foundation for private sector investment in energy and infrastructure, while promoting good governance in Latin America and the Caribbean.

And we've seen great results! The U.S. government's vision for economic development is an investment-led approach that includes working with regional governments and the private sector to remove barriers to economic activity and opportunity, expand access to markets, and improve the environment for business and for new entrepreneurs. This includes overcoming the resistance of entrenched oligarchies to changes.

The programs we fund complement the development and security plans for each government. They help to address root causes of migration. They augment a private sector-led approach to create economic opportunity in Central America. This approach works because it removes barriers to economic activity, promotes government transparency and good governance, and improves the environment for business.

> The United States is the top trading partner for over two-thirds of the region's countries. We have free trade agreements with 12 countries in the Americas.

*i*F: Americans tend to turn off foreign crises. How can we remind Americans about what's going on, and how the U.S. government can help the people of Venezuela?

Kozak: Venezuela's current crisis has always been a test of the international community. We believe the way forward continues to be international cooperation to restore democracy, economic stability, and rule of law in Venezuela.

We remain committed to the people of Venezuela, who are suffering the impacts of an ongoing political and economic crisis created by the illegal Maduro regime's corruption and mismanagement that has led to severe food and medicine shortages, and left seven million Venezuelans in need of humanitarian aid.

The extent of economic collapse and associated suffering in Venezuela under Maduro and his cronies is staggering to consider. His abuses and ineptitude have caused Venezuela to experience the greatest collapse any economy in the world has ever suffered without war or natural disaster.

Today, 59 percent of Venezuelan families are unable to buy enough food, and one-third of the population struggles to meet their food needs. In addition, the crisis has forced over five million Venezuelans to flee their homeland, according to the UN. It's clear that Maduro is Venezuela's biggest problem, as well as the primary opposition to free and fair elections.

We are working with the international community to exert maximum political and economic pressure on the illegitimate Maduro regime to convince them to participate in real negotiations leading to a transitional government and presidential elections. Meanwhile, we continue to support the National Assembly led by Interim President Juan Guaidó because they are the last legitimate democratic representation in Venezuela.

*i*F: What should we do about Cuba?

Kozak: In Cuba, the regime continues to repress the Cuban people while it actively undermines democracy in the region. Most observers agree the human rights

situation has deteriorated over the last decade. We continue to pressure the Cuban regime to stop the repression of its citizens and its intervention in other countries, particularly Venezuela. Cuba's communist economic system has never been able to produce the resources it needs to feed its own people. Its economy is parasitic – depending for years on massive subsidies from the Soviet Union, and later on a revenue stream from its relationship with Venezuela.

But now the combined efforts of Maduro and the Cuban communist economic advisors have destroyed the wealth of Venezuela as well. It is affecting Cuba profoundly. Note that even as Venezuelans face extreme shortages at home, the Maduro regime continues to rob its people's oil and ship it to Cuba. So, our policy is to restrict the other key sources of revenue for the regime, to force it to face the deficiencies of its own model and allow freedom to its people. To this end, we are exposing the truth about the Cuban medical missions program – a money-making scheme based on human trafficking disguised as humanitarian assistance. We discourage travel that involves staying in hotels run by the Cuban military, and we are trying to break the the Cuban military's monopoly on processing remittances.

We are seeing a greater appetite for change in Cuba. Thanksgiving week hundreds of artists not normally affiliated with the dissidents demonstrated and obtained some promises from the regime to respect freedom of expression. The regime promptly reneged, but the very fact that they felt compelled to negotiate with their own people for the first time in decades is notable.

*i*F: Is the FARC returning to Colombia?

Kozak: Colombia is a vital strategic partner, and we are proud to stand with the Colombian people as they continue on the path to lasting peace and prosperity. We recently reaffirmed our support for the peace process in Colombia. The Columbian Government continues to implement the Havana accord to secure lasting peace.. This accord has led to the disarming of over 7,000 FARC excombatants, and the demobilization and reincorporation of almost 14,000 former FARC members. Only a very small number of people have sought to return to arms. This demobilization has resulted in a significant improvement in security, and therefore opportunities for prosperity, in many parts of the country.

Of course, challenges remain, and we strongly repudiate any calls to resume the conflict and engage in terrorism and violence. We also condemn the continued terrorist activities of the ELN and those who enable it.

*i*F: From your work as the Acting Special Envoy for Monitoring and Combatting Anti-Semitism, do Jews in Latin America find unique challenges living in the region?

Kozak: Hezballah's presence in the Tri-Border area presents a destabilizing factor to all of Latin America. We know that they are a particular threat given the attack on the AMIA in Argentina in 1994, the deadliest anti-Semitic attack in the Americas since WWII. In Chile, a small Jewish community lives alongside a very large (400k-500k) Palestinian ex-pat community, which has imported aspects of Middle East conflicts to Chile. Unfortunately, this year, we saw two members of Chile's Congress call for Boycott, Divestment, and Sanctions (BDS) of Israeli goods and services. As Secretary Pompeo stated on his recent visit to Israel, any BDS legislation runs counter to U.S. policy.

In Venezuela, the majority of Jews have fled that country in the face of anti-Semitic actions by Maduro and other senior regime officials. Our State Department Human Rights reports reveal evidence of governmental bias against Jews.

But we have bright spots. Brazil has applied for inclusion in the International Holocaust Remembrance Alliance. And Guatemala has moved its embassy in Israel to Jerusalem, from Tel Aviv. Honduras has announced plans to do the same by the end of the year, and the Dominican Republic is considering such a move.

*i*F: As a follow-on, there is an increase in the numbers of Protestants in South America. Are governments living up to their promises of religious freedom?

Kozak: Religious freedom is widely respected and upheld throughout our hemisphere. Fortunately, our hemisphere has not experienced persecution on the scale seen in places such as China and Iran. The 2019 Organization of American States' General Assembly meeting in Medellin, Colombia, approved the OAS' first-ever religious freedom text, and we renewed our support for religious freedom this year at the 50th OAS General Assembly. And in February Secretary Pompeo launched the International Religious Freedom of Belief Alliance, a first-of-its-kind coalition, with 32 members and counting. The Alliance had its first annual foreign minister-level meeting last month hosted by Poland.

But there continue to be challenges. In Nicaragua, the government continues to harass and intimidate religious leaders and worshipers. Since July there's been a significant uptick in attacks against Catholic churches by presumed government proxies. In Cuba, the Castro regime employs persistent harassment and intimidation campaigns against religious leaders. Through threats, detentions, travel restrictions and even violence, the regime has sought to control religious activity and curtail religious freedom. In Venezuela, religious leaders stated the Maduro regime and aligned groups disrupted church services, attacked churchgoers, and destroyed church property prior to the start of the COVID-19 pandemic.

*i*F: Thank you for your time, Ambassador Kozak.

The Jews of Central and South America

by DANIEL S. MARIASCHIN

The presence of Jews in Latin America dates back to the years of Christopher Columbus and the colonization of the Americas, as many Jews or "crypto-Jews" (Jews who had faked conversion to Christianity) came to the "new world" escaping persecution by the Inquisition.

Even though scattered Jewish immigration had occurred earlier, the greatest period of Jewish immigration into Latin America took place between the 1880s and the 1930s, as many Jews escaping discrimination and brutal pogroms in Eastern Europe found refuge in the open immigration policies of some Latin American countries, particularly Argentina and Uruguay. These were mostly Ashkenazi Jews. But there was also a smaller migration of Sephardic Jews from the Middle East and Northern Africa.

With the rise of Nazism some countries restricted immigration, making it difficult for Jews to enter when they most desperately needed to escape. But during and after World War II some Jews arrived as refugees.

Today, Argentina is the home of the largest Jewish community in Latin America with approximately 230,000 Jews.

Even the smallest Jewish communities of Latin America are generally well organized. They have their own synagogues, schools, community centers and umbrella institutions that represent them at the national level. And for the most part, they have a close connection to Israel. They are strongly Zionist, and many Latin American Jews have made Aliyah over the years.

These communities did face anti-Semitism, though not with the intensity seen in Europe. For a long time the Catholic Church fed anti-Semitic prejudices and stereotypes by continuing to teach that Jews killed Christ, even after the Second Vatican Council whose teachings reached some parishes quite late.

During World War II some governments were drawn to the Nazi ideology. In Argentina, the Peron government allowed many Nazi officials fleeing Europe to enter the country after the war, which is a great stain on Argentina's history.

In those countries where military governments took power during the Cold War there was particular cruelty against Jewish political prisoners. But with the consolidation of democracy in the great majority of the countries of the region, and the considerable improvement in Jewish-Catholic relations, classical anti-Semitism was relegated to margins of society.

Current Challenges

Though traditional anti-Semitism still exists in Latin America, the main challenges facing the region's Jewish communities recently have had more to do with dangerous ties between certain leftist governments and the Iranian regime. The emergence of Left wing anti-Semitism, in the form of anti-Zionism, is now a problem.

The Iranian Connection

When Mahmoud Ahmadinejad became the president of Iran in 2005, the ties between Venezuela and Iran grew considerably. The marriage of convenience between the Iranian president and Hugo Chavez, then president of Venezuela, inaugurated a difficult period for the Jewish community in that country. The anti-Israel and even anti-Semitic rhetoric of the government triggered large numbers of anti-Semitic incidents, some sponsored by the ruling party. Anti-Israel rhetoric was exported to other countries with close ties to Venezuela, such as Bolivia, Nicaragua, Ecuador, and El Salvador.

Today, under the rule of Nicolas Maduro, Hugo Chavez's successor, Venezuela has turned into a full-fledged dictatorship, with a political, economic and humanitarian crisis of unprecedented proportions. The anti-Israel and anti-Semitic rhetoric has decreased, as has the ability of the regime to influence other countries. The political landscape

Today, Argentina is the home of the largest Jewish community in Latin America with approximately 230,000 Jews.

Synagogue of the Israelite Argentine Congregation in Buenos Aires, Argentina. (Photo: Boris G / Flickr)

in the region has changed as well. But the ties between the Maduro government and the Iranians continue to grow, which is a source of great concern.

In recent months, several tankers carrying Iranian fuel arrived in Venezuela, openly defying U.S. sanctions against both regimes. They may also be carrying arms or explosives.

Unfortunately, Latin Americans, and local Jewish communities know too well how dangerous Iranian activities in the region can be. In 1992, a suicide bomber hit the Israeli Embassy in Buenos Aires, killing 29 people. Two years later, on July 18, 1994, a car bomb exploded in front of the AMIA Jewish community center, also in Buenos Aires, killing 85 people and injuring hundreds. Even though only secondary actors have been brought to justice, the involvement of the Iranian regime in both of these horrific terrorist attacks, acting through Islamic Jihad in the first attack, and Hezbollah operatives the second one, has been proven.

Just a day after the AMIA bombing on July 19, 1994, there was a plane crash in Panama, where 21 people, most of them Jews, were killed. The government of Panama later confirmed that the crash was the result of a terrorist attack perpetrated by Hezbollah.

According to counter-terrorism experts there are Hezbollah cells around the region, in Venezuela, but also Brazil, Chile and the border area between Argentina, Brazil and Paraguay. This area is considered the main source of Hezbollah financing outside of the Middle East.

Some countries in the region, such as Argentina (under former President Mauricio Macri) and Paraguay, have declared Hezbollah a terrorist organization. But other measures are needed to track Hezbollah's illicit activities and prevent it from raising money to fund terror. For this reason Guatemala recently enacted legislation to prevent terror financing, mainly by cracking down on Hezbollah's ability to transfer laundered funds.

In 2011, Ahmad Vahidi, then Iran's defense minister, was invited to Bolivia to participate in two military events. Vahidi had then, and still has, an Interpol arrest warrant (or "red alert") against him for direct participation in the planning of the AMIA bombing. When the visit took place, the government of Argentina, at the urging of the Jewish community, protested Vahidi's presence in Bolivia. Evo Morales, then the president of Bolivia, apologized to Argentina for the incident, and "invited" Vahidi to leave the country to prevent a diplomatic rift with Argentina, but Vahidi was not handed over to Interpol.

On Nov. 8 2020, Iran's Foreign Minister Javad Zarif attended the inauguration of the new President of Bolivia

Luis Arce (a close ally of former President Evo Morales) and pledged to strengthen ties with this Latin American country.

Iran will probably continue to try to strengthen ties with Argentina as well. In 2015, AMIA case prosecutor Alberto Nisman accused the Kirchner government of signing a pact with Iran in order to get immunity for the Iranians involved in the AMIA bombing in exchange for certain trade benefits. A few days later, Nisman was found dead in his apartment, a bullet to the head, and the case has still not been solved. Nisman had issued, in 2013, a comprehensive report detailing the presence of dormant Hezbollah cells in different parts of Latin America.

It is important to note that the secretary general of the Organization of American States (OAS), Luis Almagro, stated in June that Iran's presence in the region, particularly in Venezuela, threatens the region's peace and security.

Contemporary Anti-Semitism

With regard to contemporary anti-Semitism, Chile is probably the place where we've seen the largest number of anti-Semitic incidents in recent years. Home of the largest community of Palestinian descent outside of the Middle East, this country has become a hotbed for extreme anti-Zionist and anti-Semitic views. There is even a presidential candidate, from Chile's communist party, who continuously repeats anti-Semitic canards. Chile does not have adequate anti-discrimination legislation, which aggravates the situation.

Both Argentina and Uruguay have adopted the anti-Semitism definition of the International Holocaust Remembrance Alliance (IHRA), which is useful in identifying anti-Semitism. It would helpful for other countries to follow suit.

Last year, Almagro declared that the OAS General Secretariat would formally adopt the IHRA definition "with the goal of strengthening the OAS' efforts to counter anti-Semitism and xenophobia," which was a very important step in the fight against the regional manifestations of the world most ancient hatred.

The "Inter-American Convention against All Forms of Discrimination and Intolerance," which was sanctioned by the OAS several years ago, is also an important tool to combat anti-Semitism. As a member of the working group drafting this convention, B'nai B'rith successfully advocated for the inclusion of anti-Semitism as a form of discrimination.

In Argentina, the Argentine Football Association (AFA) recently adopted the IHRA definition as well, which is truly significant given the importance of the sport in that country. The day earlier, the University of Buenos Aires, the country's most prestigious university, did the same. And several provincial governments adopted the definition as well.

Relations with Israel

There is encouraging news coming from the region, as several countries have recently strengthened ties with Israel, which has a positive impact on the local Jewish communities.

Two years ago, Guatemala decided to move its embassy from Tel Aviv to Jerusalem. The government of Honduras recently declared that it will also be moving its embassy to Jerusalem soon. The government of the Dominican Republic recently joined the U.S. in voting against removing the arms embargo on Iran at the U.N. Security Council, and stated a few weeks ago, that it is considering moving its embassy to Jerusalem too. And Israel currently has very good relations with most of the countries in the region.

But despite these good bilateral relations, most Latin American countries have generally poor records when it comes to their votes at the U.N. on Israel-related resolutions. This may be gradually changing and, hopefully, given the swift changes taking place in the Middle East, several Latin American governments will take a fresh look at their voting patterns. This is certainly something that Jewish organizations at the U.N. will continue to strive for.

Both Argentina and Uruguay have adopted the anti-Semitism definition of the International Holocaust Remembrance Alliance (IHRA)...

The Importance of Cooperation

Looking ahead, it is critical not to underestimate the importance of close cooperation between the Latin American Jewish communities, the American Jewish community, and the State of Israel. As the world becomes smaller, we realize that there is a broad array of issues of mutual concern (ranging from the different manifestations of Jewish identity and continuity, to anti-semitism that affects local communities, to the activities of Hezbollah and the Iranian threat), which are best addressed by acting together.

Equally important would be for each community to strengthen its relations with friends and allies such as church groups, like-minded non-governmental organizations and the media. These alliances are essential when it comes to protecting our communities and advancing the values we so deeply care about.

DANIEL S. MARIASCHIN *is the CEO of B'nai B'rith International.*

Neighbor at Risk: Mexico's Deepening Crisis

by R. EVAN ELLIS

Ed Note: Our closest neighbor, and biggest trading partner is foundering: Mexico is in deep economic recession; flooded with crime and domestic insecurity; and facing rising political weakness in the government. In some respects, the bilateral relationship with the U.S. is strong, especially with regard to cooperation on illegal immigration. Now the U.S. needs to decide what to do before China makes inroads with our troubled neighbor to the South.

With 128 million people and GDP of $1.26 trillion, Mexico is strongly connected to the United States through geography, commerce, and family. What happens in Mexico directly affects the security and prosperity of the United States, and vice versa. Mexico, not China, is the United States' largest trading partner, with $614 billion in bilateral commerce in 2019. That exchange is reinforced by the United States-Mexico-Canada-Agreement (USMCA), which feeds and is fed by enormous U.S. investment – $101 billion in 2019. The performance of the Mexican economy, local conditions, and the effectiveness of its governance affects American jobs, investment, security, and lives.

Americans are victimized by activities related to illegal drugs, including the movement of cocaine, the production of opioids and synthetics, and distribution of fentanyl from China, Mexico-based drug gangs and territory, just as Mexicans are victimized by weapons illegally smuggled into the country from the United States. The United States depends substantially on the efforts by and cooperation with the Mexican military and law enforcement to help combat narcotraffickers and organized crime.

Mexican cooperation is critical in U.S. efforts to manage the flood of Latin American would-be immigrants seeking to enter the U.S. Currently, Mexico hosts asylum applicants and is using a new national guard force to intercept migrants.

Geopolitically, as China increasingly poses a direct challenge to the United States in Latin America, having a friendly, stable Mexico next door is a strategic necessity.

But amid the global COVID-19 pandemic, Mexico is locked in disastrous, mutually reinforcing health, economic, and security crises. At this moment it is strongly in the interest of the United States to be a good neighbor.

The Pandemic

By November 1, Mexico had reported 968,000 COVID-19 cases, with 95,000 deaths. In Latin America, only Brazil had higher rates. Mexico's response was shaped by President Andres Manuel Lopez Obrador's (AMLO) hesitation to enact strict quarantine measures in the first months of the crisis; by a large informal sector (an estimated 60 percent of the economy) that needs to interact daily to earn money to survive; and by small businesses that couldn't stay closed for long.

By one estimate, 922,000 jobs were lost, 73 percent of which are not expected to return. This in a country with a 40 percent poverty rate in a good year. Mexico's longer-term economic prospects are also damaged. The U.S., as Mexico's principal external market and investor, while rebounding at an extraordinary rate, still may contract as much as 4 percent in 2020. The Mexican prospect for rebounding from COVID-19 is hampered by AMLO's restrictions on private investment in the electricity and petroleum sectors, and policies that increase business uncertainty and reduce foreign investment.

The pandemic has exacerbated a mounting fiscal crisis in Mexico despite AMLO's commitment to austerity. It has reduced revenues from internal economic activities and exports while forcing the federal government to increase spending, including 3 billion pesos ($135 million) in credits for impacted citizens.

Low international oil prices and internal inefficiencies have turned Mexico's national oil company, PEMEX, into a revenue drain on the national economy rather than a producer, taking on $2 billion in debt in the second quarter of 2020. In June 2020, the World Bank extended Mexico a $1 billion credit line to address the crisis. Mexico's public debt is expected to leap from 45 percent to 60 percent this year. With hundreds of thousands of businesses permanently shuttered, and a crippled financial system, Mexico arguably faces a lost decade of economic growth.

Mexico's Security Crisis

The country faces an escalating security crisis, with the government's ability to respond undercut by the AMLO administration's major reorganization of the security sector. Even before AMLO took office in December 2018, competition between an array of criminal cartels, affiliated gangs, and other groups was spiraling out of control. In 2019, Mexico recorded a record number of homicides, 34,582. An additional 18,000 Mexicans

were killed in the first quarter of 2020, putting the country on track to break the new record, before the economic shutdown temporarily suppressed street crime. Despite the shutdown, high-profile crimes, such as the June attempt to assassinate Public Security Minister of Mexico City (CDMX) Omar García Harfuch in the upscale, protected Mexico City neighborhood of Lomas de Chapultepec, illustrate criminal boldness. Indeed, the attack came shortly after the first murder of a federal judge, Uriel Villegas Ortiz, in five years.

Even crime in previously safe maritime areas is re-emerging. In 2019, there were 20 registered incidents in the Gulf of Campeche alone.

As violence has increased, Mexico's largest criminal groups, including the *Jalisco Nuevo Generacion* (CING) and *Sinaloa* cartels, have demonstrated their ability and willingness to defy the Mexican state. CJNG is now a presence in over half of Mexican territory, including the northern border region on both coasts.

Inter-cartel dynamics have been significantly affected by the pandemic. The Chinese government's suspension of travel from Wuhan in early 2020 to control the COVID-19 outbreak also cut the supply of fentanyl moving from Wuhan to Mexico to the U.S. And while border closings interrupted the cartels' ability to smuggle narcotics or traffic people, they found ways around laws. The Sinaloa Cartel responded to the interrupted supply of fentanyl through workarounds in production of synthetic drugs, and by procuring submarines for transport.

The pandemic has arguably helped the cartels consolidate control over territory and people. In April, AMLO criticized Sinaloa and the other cartels for distributing care packages to the hungry on the grounds that feeding people builds leverage over vulnerable communities.

In the medium term, the risk is that criminal violence, fueled by an expanding mass of desperate people and competition between opportunistic criminal groups, on top of security forces distracted by reorganization and the demands of supporting the national COVID-19 response, threatens to further erode law and order in Mexico.

> Mexico, not China, is the United States' largest trading partner, with $614 billion in bilateral commerce in 2019.

The Security Sector Response

The response of Mexico's military, law enforcement, and intelligence apparatuses to expanding security challenges has been hampered by significant, ill-timed, and arguably counterproductive reorganizations, including the move of the federal police from the interior ministry, followed by its plan to abolish the institution completely and replace it with a new 100,000-person national guard. The latter, although nominally under civilian control, draws a significant amount of its manpower and leadership from the Mexican army and navy. As the federal police have been disassembled and its resources diverted to the national guard, the transition has consumed considerable attention from leaders, generated confusion, and damaged morale within the organizations involved. A significant proportion of Mexico's federal police officers have chosen to resign rather than transfer.

Mexico activated its national system for incident management for a public health emergency and brought the military in to support the national response. While such activities have placed the armed forces in a favorable light, they also have strained both the army and navy as institutions. Indeed, while supporting the nation's response to the COVID-19 pandemic continues to be the priority mission, the current government has also made it responsible for a broad range of other tasks.

Political Chaos and Drift

Internally, political winds in Mexico have shifted since December 2018, when MORENA, AMLO's political movement, won a supermajority in the Mexican Congress, and six governorships. On July 16, 2000, 30 Mexican intellectuals wrote a letter criticizing what they call a move toward authoritarianism, and the government's "suicidal austerity" in response to the COVID-19 crisis. There are indications of internal frustration and division within AMLO's cabinet. Three secretaries have resigned so far. MORENA is divided.

Mexico's deteriorating situation threatens to impact the United States in multiple ways. Last April, the U.S. sought to convince AMLO to reopen factories tied to production in the U.S., because the shuttering affected American supply chains and investors. A collapse of the Mexican economy could send millions of desperate Mexicans to the border, seeking to immigrate. The deteriorating security situation could increase the flow of lethal drugs to the United States while expanding violence. Increasing political chaos encourages the more radical tendencies of AMLO and benefits advocates of leftist policy. A more radicalized Mexican government could undercut Mexico's security and economic cooperation with the United States, and would likely deepen their opposition to U.S. policy on regional issues.

China's Advance

Deepening crises in Mexican add to the risk of China expanding its position there. Mexico and China have acknowledged each other as "strategic partners" since 2003, but the relationship has been limited by Mexican integration with the U.S. market due to the NAFTA

framework; a Mexican economic structure which competes with China more than compliments it; a class of business and political elites that view China with distrust as a competitor; conservative Mexican governments which have preferred a relationship with the United States; and, reciprocally, a Chinese government skeptical of Mexican intentions and worried about alarming the United States by courting Mexico aggressively. Nevertheless, the relationship is growing, and current crises create incentives for both nations to expand their commercial, political, and security relationships, which is not in the U.S. interest.

By contrast to China's cautious dealings with Mexico under the administrations of Felipe Calderon and Enrique Pena Nieto, President Xi Jinping arguably recognizes that the present administration is more ideologically receptive to dealing with China as an alternative to the United States.

While China's economic presence in Mexico is limited, it is larger than commonly known. A long list of China's leading companies are lodged in Mexico, presently at work on large contracts in logistics, ports, manufacturing, petroleum, auto parts, mining, (including in Mexico's lithium deposits), as well as electricity generation and transmission, and solar and wind power. Huawei and ZTE are significant sellers of smartphones and other equipment and infrastructure providers for Mexico's principal telecommunications companies. The rideshare company Didi has made Mexico its target market in Latin America. China-based banks such ICBC and the Bank of China also operate there.

China operates five Confucius Institutes for the advancement of Chinese language and culture in Mexico. Hundreds of Mexican undergraduate and graduate students regularly study in China on scholarships, while Mexican reporters, think tank professionals, and others are hosted on all-expenses-paid trips by the Chinese government.

China has attempted to insinuate itself into Mexico's oil industry with offers of investments and loans to PEMEX. Elsewhere, including Brazil, this move has made China a full partner with the host country – which cannot pay back such loans. It remains to be seen what AMLO will do. The same gambit is in play in the electricity industry, where China wishes to pursue a role in building and financing new plants, to increase electric generation.

Despite AMLO's ongoing interest in a positive relationship with the United States, his warm tone toward China was on display at the 17th China-Mexico Bilateral consultation in June.

As of July, the Chinese government had sent 23 flights with Covid-19 related medical goods to Mexico, purchased by (not donated to) the Mexican government. By the end of March, the country had purchased 11.5 million KN95 masks, 16.1 million surgical masks, and 550,000 gloves from a Chinese company. China has further offered a $1 billion line of credit to Mexico in a self-serving gesture to facilitate the country's purchase of a Covid-19 vaccine, presumably to be developed by China.

Recommendations

It is in the United States' strategic interest to support Mexico in the present time of crisis, with respect and generosity. It is critical to treat Mexico as a neighbor in need of collaboration to help it weather current conditions, and not as a failed state which requires charity, tutelage, or the imposition of order.

In the economic sphere, the United States should fully leverage Mexico's geographic proximity and economic integration with the U.S. economy, as strengthened by the new USMCA treaty, to create incentives for American companies to use Mexico for "near-shoring" activities, as they diversify away from activities in China, and focus on opportunities to use the resources of the Development Finance Corporation and the America Crece program, avoiding threats of sanctions over differences on trade and immigration issues.

In bilateral affairs, the U.S. should explore commitments to encourage Mexican private sector growth, offering concrete steps toward expanded U.S. investment and, crucially, a shift in posture on immigration.

> The response of Mexico's military, law enforcement, and intelligence apparatuses to expanding security challenges has been hampered by … counterproductive reorganizations…

The U.S. can expand cooperation with Mexico on security matters including arms smuggling, and the reduction of narcotics demand in both countries, providing training, material, intelligence, and other support for their new national guard, while working with Mexico's military. The United States should apply less pressure to use the guard for immigration-control, in exchange for concrete demonstration of willingness to work together to take on the cartels and other criminal groups threatening Mexico's sovereignty and the security of both countries.

The dilemmas confronting Mexico are grave. The choices available to both nations to address these problems are neither easy nor cheap. But the cost of inaction is unacceptable.

R. EVAN ELLIS, *Ph.D., is a non-resident senior associate with the Americas Program at Center for Strategic and International Studies. A version of this article appeared at CSIS earlier this year.*

Five flaws in the USMCA

by JEFFREY J. SCHOTT

Author's Note: I originally wrote this article in the Summer of 2019 before the U.S. Congress passed legislation by a large bipartisan majority implementing the United States-Mexico-Canada agreement (USMCA). As often occurs, the negotiators were put back to work recasting parts of the agreement to satisfy concerns of members of Congress before the trade pact was put to a vote. Two of the five flaws cited in this article were remedied; three were left untouched.

The USMCA now represents the basic template for future U.S. trade pacts. Its terms will likely guide potential revisions and updates to existing U.S. free trade agreements (FTAs) with Latin American countries as well as the possible (and desired) U.S. re-engagement in the Trans-Pacific Partnership (TPP) that President Donald Trump walked away from at the start of his term.

The USMCA is the successor to the North American Free Trade Agreement (NAFTA); it retains a lot of the previous pact, borrows generously from the TPP that Trump and many Democrats condemned, and introduces retrograde regulatory mandates and other restrictive measures that will distort North American trade and investment. It does not "ensure" market access for U.S. exporters of farm and industrial goods any more than NAFTA did: Each country can still introduce new border restrictions for national security reasons (as Trump did on imported steel and aluminum from Mexico and Canada) or in retaliation against measures illegal under World Trade Organization rules (as Mexico and Canada did in response to the U.S. tariffs on steel and aluminum).

Despite the retention of much of the original pact, Republicans and Democrats alike praised the USMCA for fixing NAFTA. For Republicans, it gave the President a signature victory and fulfilled a campaign promise. Democrats liked the stronger labor and environment provisions, though they wanted tougher enforcement authorities. Support from business lobbies was flaccid; in contrast, labor leaders muted their usual condemnation of trade pacts, in part because they liked the new trade barriers. Not surprisingly, proponents promised that the trade pact will be an economic elixir for American firms, farmers, and workers.

Flawed but Politically Popular

Read the economic analysis of the pact issued by the US International Trade Commission (USITC) in April 2019 and you come to a more downbeat conclusion: that on balance the pact would hurt rather than help the economy, that auto companies and workers would lose competitiveness, and that farmers would be no better off than they are today under the existing trade regime (except for some dairy farmers). Canada and Mexico also will suffer losses from the pact according to a study by one of Canada's top think tanks.

In short, the USMCA is flawed but now politically popular. The following summarizes five major flaws of the original pact and what was done and not done to fix them.

New Trade Protectionism Constrains Growth

First, the new protectionist measures the agreement introduces—restrictions on auto trade and investment, government procurement contracts, and textiles—will constrain U.S. growth. Contrary to official U.S. "fact sheets," the USMCA will hurt the overall economy unless those restrictions are removed or modified. Congress should insist on improvements to remedy defects exposed by the USITC study but the odds of doing so are slim to none.

Trump administration officials misread the USITC report when they touted the USMCA as boosting US growth by 0.3 percent per year. In fact, the study estimates that on balance the market access provisions of the USMCA would restrict trade and cause US growth to decline by 0.12 percent.

Why the discrepancy? Unlike past US trade deals, the USMCA makes almost no changes to tariffs or non tariff barriers; such restrictions were removed years ago under NAFTA. Trade liberalization under the USMCA, including the changes in U.S. access to the Canadian dairy market, is limited and more than offset by the new protectionist measures.

The 0.3 percent growth is entirely due to USITC estimates that the USMCA will induce more American investment by reducing uncertainty in policies on data, e-commerce, and intellectual property rights. That analysis mistakenly credits the USMCA with achieving

> The USMCA ... retains a lot of the previous pact (and) borrows generously from the TPP that Trump and many Democrats condemned.

Mexican President Enrique Peña Nieto (left), President Trump and Canadian Prime Minister Justin Trudeau sign the USMCA in 2018. (Photo: Shealah Craighead/White House)

those gains. But those reforms are already part of Mexican and Canadian policy through the revised TPP that they have joined. And those reforms generally are applied to all countries, so the United States already is a beneficiary.

Furthermore, the USITC cost-benefit analysis did not account for the additional uncertainty created by the "sunset clause," a major new provision mandating that the pact expire in 16 years unless the three trading partners explicitly extend it. At the very least, North American businesses will have to make contingency plans for changes that could be introduced in the trade pact because of its possible termination. If the sunset clause had been considered by the USITC economists, the increased uncertainty would offset in whole or part the reduced uncertainty attributed to other parts of the agreement.

New Rules of Origin Hurt U.S. Auto Sector

Second, the USMCA will hurt, not help, the U.S. auto sector. The Trump administration argued that by requiring more domestic content and higher average wages at many Mexican facilities, the USMCA will encourage new investment in U.S. auto plants. Pointing to past media releases and anecdotal comments by auto company executives, U.S. trade officials claimed the deal will promote $34 billion in new investment in U.S. auto and parts production, and increase U.S. auto sector jobs by 7.6 percent. In contrast, the USITC study concluded that the new auto rules of origin would increase U.S. and Mexican production costs, which in turn would reduce U.S. output, lower U.S. auto exports to Canada and Mexico, and increase U.S. imports from non-NAFTA countries. Overall, the USMCA would raise the average price of vehicles in the U.S. market and reduce U.S. sales—hardly compatible with estimates of large increases in investment and employment in the sector.

Because the USMCA would increase the cost of producing vehicles in the United States, foreign suppliers would have an incentive instead to export more cars to the U.S. market and pay the 2.5 percent import tariff. That is why auto companies opposed the USMCA auto provisions during the trade negotiations, though they accepted the final deal for fear that Trump would implement his oft-repeated threat to pull out of NAFTA. And that's why Trump also threatened to raise U.S. tariffs to prevent increased car imports, citing the bogus excuse of a threat to national security to impose Section 232 auto measures. Simply put, Trump needed to protect U.S. producers against the damage done by his own trade pact.

Many Democrats support Trump's protectionist content rules despite the abundant evidence of its negative impact on American workers. That is a mistake that should not be compounded by accepting additional auto trade protectionism through new Section 232 measures. If the USMCA rules cannot be changed, then Congress should minimize the damage by insisting that auto most-favored nation tariffs not be changed either.

The Biden administration will not change USMCA content rules. But they will likely spur development of new electric vehicles, which could help offset the damage to U.S. production.

Pharmaceutical Patent Rules Need Consumer Interests

Third, the USMCA echoes the TPP by including patent terms that greatly benefit pharmaceutical companies (i.e., 10-year data exclusivity for patents on certain pharmaceuticals), and inadequately protect consumers. Former Senate finance chairman Orrin Hatch insisted on measures to protect Big Pharma from generic competition; their inclusion in the TPP was among the reasons that many Democrats opposed that pact. Those concerns carried over to the original USMCA.

In brief, the issue is how to balance consumer and producer interests. Consumers want affordable prices; allowing competition from generic drug producers would reduce prices as well as monopoly profits of pharmaceutical patent holders. But those companies argue that reduced revenues would deprive them of resources for their research and development of new medicines.

Interestingly, other TPP participants also disliked the extended pharmaceutical patent protections and

quickly expunged them when they revived the agreement under the banner of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Canada and Mexico accepted the deal without the patent provisions on biologics and presumably would be willing to do the same or accept a shorter term for data protection than in the current pact. In the event, Democrats in Congress demanded these changes and the USMCA was thus aligned closely with the CPTPP in this area.

Environmental Provisions Fail To Address Climate Change

Fourth, in the environmental area, the USMCA is "best in class" compared to trade agreements signed by other countries, with provisions for the enforcement of multilateral environmental agreements (MEAs), extensive disciplines on fishery subsidies, and new obligations regarding combating marine litter that are "TPP-plus." But the deal still was criticized by environmental groups.

Critics charged that the USMCA did not make enough progress because it maintains investor-state dispute settlement (ISDS) procedures in the energy sector (which they claim favor industry interests) and does not directly link the pact's commitments to specific MEAs. The MEA language can be clarified with a few simple edits (subsequently added in the revisions to the USMCA); the ISDS issue, while more politically charged, also could be recast: Trump officials never seemed committed to retaining it.

Oddly, despite considerable talk about a "Green New Deal," congressional critics of the USMCA missed one of the pact's most egregious defects: It does not address climate change – indeed, the very words were banned from the text (also shunted aside by Obama negotiators for fear of losing Republican support for the TPP). At the very least, the USMCA should have promoted investment and trade in renewable energy resources and other measures to encourage low-carbon emissions. Officials could draw on specific provisions included in the recent EU-Mercosur trade pact promoting "domestic and international carbon markets," and "energy efficiency, low-emission technology and renewable energy."

Labor Improvements Need Better Enforcement Provisions

Fifth, as with the environmental area, the labor chapter is far superior to previous American pacts. It builds on the TPP chapter and is subject to the pact's dispute settlement procedures. But its improvements did not fully satisfy some US labor union leaders, who sought revisions to augment the labor chapter and ensure effective monitoring and full compliance with obligations to protect the freedom of association and other core labor rights.

What should be done? House Democrats ought to give priority to revisions that ensure the expeditious and comprehensive phase-out of labor protection contracts in Mexico (i.e., collective bargaining agreements biased against worker interests). The new Mexican government of Andrés Manuel López Obrador already passed labor reforms required by the USMCA and should be amenable to additional procedures to strengthen labor rights.

Subsequently, negotiators added a rapid response mechanism, building on constructive proposals by Senators Ron Wyden and Sherrod Brown, to monitor and resolve abusive labor practices at the firm level. The Biden administration will likely require comparable enforcement procedures in future trade deals with developing countries.

Conclusion

The USMCA cannot be considered and is not called a "free trade" agreement. It is the first U.S. accord in recent memory to build up rather than break down trade barriers. It updates the 1994 NAFTA, but in most areas the "updated" provisions merely reiterate obligations that Canada and Mexico already apply under the CPTPP. Before the USMCA, Mexico and Canada already had substantially updated NAFTA by virtue of their CPTPP membership!

The USMCA passed Congress with strong bipartisan support and will set the baseline for future trade negotiations – both bilaterally and in the WTO. Several of its flaws, particularly those related to the automobile content rules, the sunset clause, and the new restrictions on government procurement, seem likely to be defended by the Biden administration and extended to its future trade accords. But one of the most important omissions seems ripe for resolution: new provisions and initiatives aimed at mitigating the adverse effects of climate change should be added. Indeed, adding a new chapter on trade and climate change could become a hallmark of trade accords in the next administration.

The USMCA passed Congress with strong bipartisan support and will set the baseline for future trade negotiations – both bilaterally and in the WTO.

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The 'Protection Racket': Gangs & Violence in San Salvador

by STEVEN DUDLEY and ALEX PAPADOVASSILAKIS

It was January 5, 2020, a new year, but it had brought the same old killings in a city dogged by violence, where the fight for space in competing illicit economies is often a deadly affair.

For San Salvador resident Humberto Reyes, a sunny morning in the Historic Center's sprawling markets began with two shots in the back of the head. His death, police suspected, was likely the result of intra-gang squabbles in the area.

San Salvador has always been one of the most violent municipalities in a country among the deadliest in Latin America. The Central Market is one of the most violent places in the most violent city in one of the most violent countries in Latin America, even after the coronavirus slowed much of the commercial activity in the area.

Historic Center: A Lucrative 'Protection Racket'

The Historic Center – which one police intelligence official described as "organized disorder" – is the heart of the country's capital city, San Salvador. It combines the chaos that comes with being the headquarters of government and the single largest, open-air market. On any given pre-COVID-19 weekday, buses and cars of all sizes packed the streets. Sidewalks were crowded with hundreds of informal vendors, and tourists would amble past colonial-era buildings and religious sites.

San Salvador's Central Market lies a few blocks southwest of the Historic Center's main squares.

The complex comprises about a dozen buildings, chock-full of stores and restaurants, adorned with multicolored hoardings, fluorescent lights, plastic furniture, and hawkers selling fresh food, clothes, and electronics. There are an estimated 5,500 to 6,000 stands in the Central Market. On an average day stalls swarmed with city residents who rely on the city's thriving commerce for work and access to affordable goods.

The Central Market is the Historic Center's wholesale hub for both legal and illegal goods, according to police intelligence. It has long been dominated by powerful contraband distribution networks that traditionally paid for protection from a mixture of private and public security forces. But that system has been steadily, often violently, usurped by street gangs trying to take over what is often referred to as a "protection racket" – extortion – as well as trying to become wholesalers themselves.

The protection racket in the Historic Center as a whole is mostly run by two of the country's most notorious street gangs – the Mara Salvatrucha (MS13) and a faction of the Barrio 18 known as the Revolucionarios (Revolutionaries) – both of which emerged in El Salvador in the 1990s following the mass deportation of gang members from the United States.

They set up protection rackets throughout the Historic Center. The biggest revenue stream for gangs are the payments that come from the informal market in the area. Roughly speaking, the gangs collect $1 per weekday from each of the 40,000 vendors that operate without a license in the area, or about $1 million per year, according to interviews with vendors and authorities.

In return, the gangs have established a fierce regime that prohibits theft and other crime, but this complicated quid pro quo rarely falls in the vendors' favor.

There are also a wide variety of legitimate storefronts in the Historic Center that pay an equally wide range of rents.

Some pay weekly, some monthly. All of them pay one-time fees during Christmas, Easter, and the annual August Festival. They are sometimes asked to "collaborate" when gang members are hospitalized or killed (to indemnify gang members' wives or girlfriends), or when there are unexpected legal fees or other unforeseen expenses.

Taxi drivers also pay on average $1 per day, so they can park and work from specific points in the Historic Center. Some pay a weekly instead of a daily fee. Some non-taxi drivers have said the gangs established a means to calculate fees based on "commercial flow" (how many rides, or "giros," any single taxi driver did), but no taxi drivers appear to confirm that.

Gangs also feed on the buses and transport companies that pass through the Historic Center according to the number of buses they own and operate, and that cost can reach into the thousands of dollars per month. Distribution companies allegedly pay per truck.

The Battle for the Central Market

Always on the lookout for new ways to expand their criminal earnings, the gangs have made a conscious decision to take over at least part of the protection racket in the Central Market, according to police sources in the area. This decision put them in direct conflict with another, well-armed group: private security

guards hired by market workers to fend off criminal groups like the gangs.

These guards have long had their own protection racket, getting money not just from the formal and informal vendors, but also the contraband distributors who are frequently harassed by gangs. Local police estimate that each market stall pays a weekly fee of around $15 to $20, meaning the extraction of rent from the market stalls alone could be worth between $82,500 and $120,000 a week for whoever controls it.

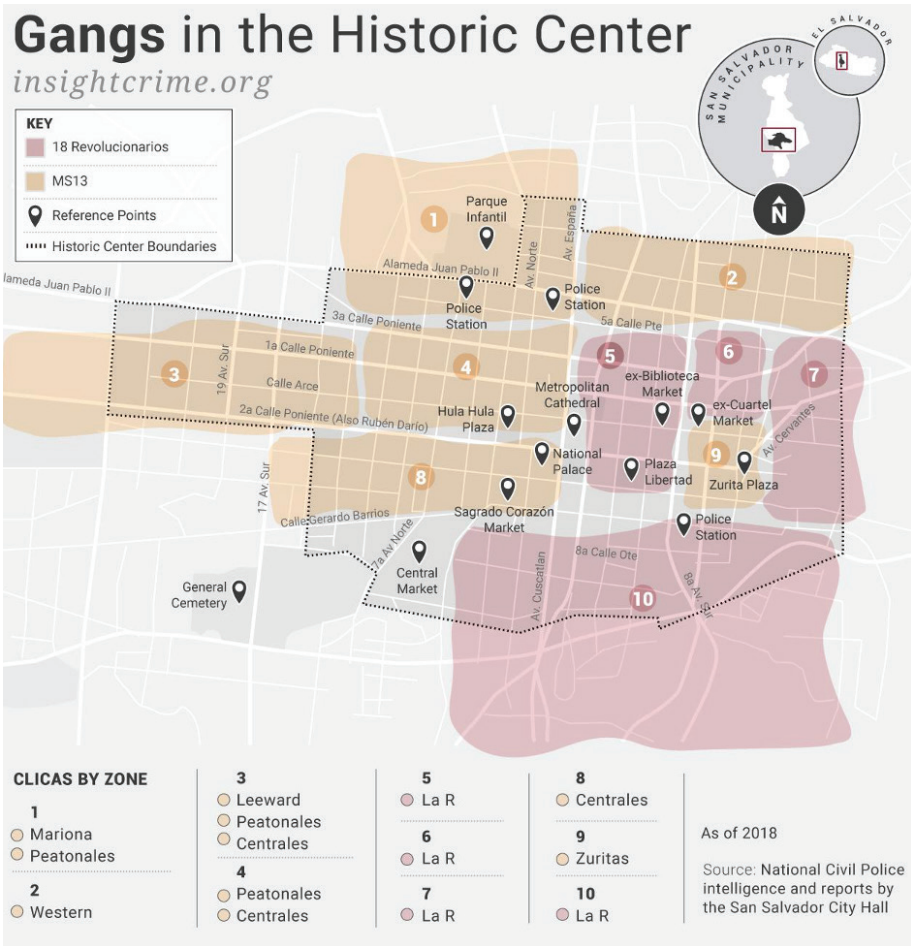
But whom to pay? In the early parts of the 2000s, the gangs and the guards maintained a complicated détente. It did not last.

On one side was the Barrio 18 Revolucionarios, who controlled about half of the market and had forged an alliance with one of the main companies in the city center to collect protection money together.

On the other side was the MS13, which did not want to forge an alliance with private security as much as take over their spots or use private security for their own ends. In other parts of the Historic Center, for instance, the MS13 reportedly used private security to collect extortion for them. And, according to an indictment against numerous leaders of MS13, the gang used its contacts with a private security guard in the city center to purchase police-issued flak jackets and other police-issued clothing to camouflage themselves during high-level operations.

Not surprisingly, the violence deepened. In 2015, there were a record 29 killings around the Central Market, according to forensic medicine homicide data. The violence has subsided somewhat since, but the fight over the protection racket and the wholesale market are still ongoing.

The Revolucionarios continue to employ the strategy of aligning with the umbrella organization that represents private security guards operating in the Central Market. Called AVIMCES, it is an attractive ally, since it not only manages large swathes of the protection racket – and shares its revenue – but also holds the keys to the market and controls specific commercial spaces critical to criminal activities, including drop-off points for contraband and stolen goods.



The benefits for private security forces are less clear. According to the police, the pact is informal and based more on their mutual enmity with the MS13 than the guards' sympathy with the Barrio 18. What's more, being associated with the gangs has landed security guards in hot water. Still, according to police and businesses operating in the area, the two maintained this informal pact through at least the beginning of 2019.

Gang Violence and Control in the Historic Center

The fighting between the gangs and the guards accounts for only some of the homicides but making sense of all the gang violence in the area is difficult. There are multiple reasons for the gangs to commit homicides, especially in downtown San Salvador's most vibrant marketplace. But most of them are related to efforts to establish a protection racket.

First, in the case of the Central Market, violence allows the gangs to expand their principal revenue source: extortion. This holds true throughout the Historic Center, where gangs are absorbed in near-perpetual conflicts for control of vending hubs, drug peddling hotspots, and contraband and counterfeit sales points. In these spaces they are either collecting extortion payments or they are managing the businesses themselves.

The boundaries between gang territories, however, are porous and fluid. Take the case of extortion payments. Gangs may leave phones, which will serve for short periods as the means by which the two parties will communicate. But for payments, the gangs have to go in person, exposing themselves. Gang members will arrive in groups of two to four members on the same day every week. Two will

wait on the outside of the storefront keeping watch, while the others will enter and collect the money. The collectors will then leave the store and quickly deposit the money at a street vendor's stall, so as to avoid being captured with marked money and to avoid any kind of ambush from a rival.

The number of parties involved in the regular collection of extortion creates a volatile situation. The practice involves several layers of the gangs, as well as civilians who keep watch or transfer money for them. There may be fatal misunderstandings if distributors and vendors operating inside and outside the market do not know who controls what territory. And those payment systems may change as competition gets more intense. In the process, money may go missing or get stolen. And other criminal actors may step into the confusion to take advantage, causing further misunderstandings. The result, very often, is violence.

Second, gangs commit homicides to maintain or expand their criminal portfolios.

As noted, the gangs are trying to enter the wholesale market for contraband and counterfeit products that operates in and around the Central Market. Controlling the distribution of these products to thousands of informal vendors would translate into a colossal cash boost that could serve for buying firearms, drugs, and other illicit products to consume and sell.

Third, gangs commit homicides to maintain political and social control in their areas of influence. The gangs impose strict rules on their own members and those who operate in their territory. Suspected collaboration with security forces is the most commonly perceived offense but theft, rape and abuse of authority are others.

With both the MS13 and the Revolucionarios trying to move in on the protection racket, the chances of rival members bumping into each other may be higher than elsewhere in the city center and may serve to further destabilize the security situation in the market. The tension is so high that vendors are careful not to send their small children to certain areas for fear they may be mistaken for a spy or a lookout.

Steady Expansion, More Competition

The gangs have expanded their influence in other ways as well. According to vendors and authorities, the gangs have steadily taken control of more informal vending spots and the pop-up restaurants that flank them, often parceling them out to their family and relatives. They have also usurped at least part of the informal taxi business. The same sources say they have increasingly "embedded" themselves in the vendors' associations.

Their newfound businesses have changed how they conduct their criminal business. In some cases, they now take product from extortion victims instead of money. One company paid an estimated $10,000 per year to the two different gangs, as well as $8,000 per year in raw chicken, which gang members would then sell at gang-controlled distribution points in the San Salvador markets. The company is also subject to "special" payments if gangs have unforeseen expenses, as well as the holiday bonus payments.

The gangs control several drug distribution points in the Historic Center and may also control some portion or all of the wholesale market, and they may have operational control of at least some of the distribution points.

In addition, the Historic Center is an important hub for the sex trade.

Finally, the gangs have begun to collect rent from bars, restaurants, billiards halls, and other businesses that have established themselves in the area.

In all instances, the gangs are establishing a parallel tax system based on the protection racket, and are regulating the distribution of vending spots. The vendors, therefore, rely on them not only for protection from petty crime but also for the space to sell their goods, to settle disputes, and to dish out reprisals against those who break the rules.

The state has not remained idle, but when it has gone head-to-head with the de facto bosses of the market, it has added further potential for conflict. That was made clear in March 2017, when the national police temporarily suspended AVIMCES guards from operating in the market, replacing them with agents of the government's Metropolitan Guard (CAM).

The CAM, however, is a municipal law enforcement body with poor pay and little training and, as a result, even less legitimacy. In at least one case it was linked directly to the gangs. On other occasions, police agents have been linked to assassination attempts against leaders of informal vendors associations, further tarnishing their reputation in downtown San Salvador and giving rise to suspicions they have their own interests in mind.

Even seemingly legitimate efforts have been viewed with suspicion. In 2015, for instance, the mayor's office, working closely with police, installed cameras in the market and increased vigilance around it in an attempt to improve security. Instead of relief, the vendors protested: they saw it as yet another criminal actor making a bid for the protection racket.

The importance of San Salvador's Central Market as a hub of the informal economy, and a goldmine for criminal extortion has placed it firmly on the front lines in the battle for control of key territory in the Historic Center. And though the violence has subsided somewhat since its peak in 2015, the continuing murders and images like that of Humberto Reyes lying dead on a street outside the market are a stark reminder that the same conflicts continue.

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Nicaragua in Hell

by JAY NORDLINGER and ERIC ROZENMAN

Editor's Note: In the 1970s and '80s, Nicaragua was in part a Cold War battlefield that concerned both Washington and Moscow. Today it is an unhappy link in a chain of dictatorships with left-wing roots that has stretched from Cuba to through Managua to, at times, Venezuela, Bolivia, and Peru.

Last year, the U.S. Treasury Department imposed sanctions on Nicaragua's attorney-general, secretary to the president, and a financial institution for "continu[ing] to undermine Nicaragua's democracy." Not that there was much democracy left to undermine.

Almost two and a half years earlier, in the spring of 2018, demonstrations erupted against decisions by the government of President Daniel Ortega to cut social benefits. Police and regime loyalists in paramilitary militia killed at least five student demonstrators. Mass protests spread from the capital, Managua, across the country. At one point, two-thirds of Nicaraguans said Ortega should resign.

Yet instead of being forced out after nearly two decades in power, Ortega and his wife, Vice President Rosario Murillo, not only hang on but appear to have consolidated their grip. National Review's *Jay Nordlinger describes the intimidation and suffering the regime has imposed on the country in general and on its activist opponents in particular in the 2019 article below.*

This update by Eric Rozenman, drawn from reports and commentaries in the Guardian *(UK),* Washington Post, *and BBC as well as the U.S. Treasury, looks at Ortega's current strengths and vulnerabilities.*

The Sandinistas seized power in 1979 with "Comandante Daniel" as one of five leaders. In 1984, he was elected president. In 1990, a confident Ortega agreed to elections. He lost. Soon after, his stepdaughter, Zoilamerica Narvaez, accused him of raping her repeatedly when she was a teenager. Ortega denied the charge and invoked immunity as a member of Nicaragua's congress.

Ortega lost a presidential bid in 2001, but in 2006, having shed his communist rhetoric to court the business community and foreign investment, and having won Catholic Church support for opposing abortion, he returned to the presidential palace. Thanks to Nicaraguan supreme court decisions that changed the constitution to allow him to seek additional terms, he's been there ever since.

For one third of Nicaraguans, Ortega remains the beloved "Comandante Daniel," and the FSLN their guiding organization. Beyond that, three pillars have sustained Ortega's rule, even though his regime has killed more than 300 people, and tens of thousands have fled the country since 2018, according to Assistant Professors Mateo Jarquin and Kai M. Thaler of Chapman University and UC-Santa Barbara, respectively. The pillars are:

- The security forces – police and paramilitaries – stayed loyal and kept firing. The uniformed military did not object as Vice President Murillo encouraged security forces repressing protestors to "give them everything we've got." As a result, according to the U.N. High Commissioner for Human Rights, Nicaragua endures a "climate of widespread terror."
- Ortega rebuilt his base of supporters. The regime fostered a narrative describing 2018's mass demonstrations as a failed, foreign-supported "coup attempt." Meanwhile, the opposition, fragmented among students, business leaders, civil society groups, dissident political parties, and farmers' associations, has failed to work together. Opposition politicians offer vague calls for democracy.
- The economy stagnated but did not collapse as Venezuela's has done. Rather, it has declined "in slow motion."

The COVID-19 pandemic has made life more difficult, and the regime has reportedly relied on night-time "express burials" to downplay the number of deaths. Ortega disappeared during the first month of the pandemic, then gave a television speech calling it a "sign of God" against U.S. warmongering.

"Nicaragua in Hell; Ortega's Crackdown and the People Who Resist It"

Jay Nordlinger, *National Review,* 2019

Mexico City – To the extent that eyes are on Latin America, they are on Venezuela. Venezuela has come to a boil. But Nicaragua is boiling too – and we should spare a glance in its direction. The dictator, Daniel Ortega, has executed a terrifying crackdown on the country.

Felix Maradiaga borrows an old line: "Nicaragua produces more history than we can consume." He is a Nicaraguan political scientist, entrepreneur, and human-rights activist who has been forced into exile. The regime made him a bogeyman. Then a gang of the regime's supporters beat him to a pulp,

knocking his teeth out in the process.

Daniel Ortega first took power in 1979, as the face of the Sandinista revolution. In 1990, thanks to U.S. and U.N. pressure, Nicaragua held a free election – and voters chose Violeta Chamorro as president. Hers was the first democratic government in the country's history. It was the beginning of a 16-year democratic interval, which included two other presidencies.

In 2006, Ortega returned to power, via an ingenious coalition of left-wingers and entrenched conservative interests. He soon enjoyed the patronage of Hugo Chávez in Venezuela. "The Ortega regime can be understood only in intimate connection with the Venezuelan regime," says Maradiaga. Ortega has stayed afloat on a sea of petro-dollars.

ideology, New Age philosophy, invective, and religion.

To many Nicaraguans she is known as "La Chamuca," meaning "The She-Devil."

Daniel and Rosario have eight children (according to most reports), and several of them run key sectors in Nicaragua: media, public investment, and more. One son, Laureano, is a tenor and an opera impresario. Mario Vargas Llosa could compose a delicious novel out of this crew.

As the *chavista* regime in Venezuela began to slip economically so did Ortega. Petro-dollars stopped flowing so freely. In April [2018], Ortega announced social-welfare cuts and tax increases. Citizens, especially students, protested in the streets – and the regime

> "The Ortega regime can be understood only in intimate connection with the Venezuelan regime," says [Felix] Maradiaga. Ortega has stayed afloat on a sea of petrodollars.

What is he, by the way? At various times, Ortega has presented himself as a Communist, a socialist, a populist, a conservative, a man of God. Maradiaga has a blunt and almost funny answer: "The Ortega of today is basically a criminal." If he has any ideology, it's what is known in Nicaragua as "*orteguismo*," i.e., Orteg-ism.

And his regime is a family affair. His wife – who is his vice president – is Rosario Murillo, known as the more ruthless of the two. The Ortegas play "good cop, bad cop," people say. Rosario is the bad cop. As a first lady, forgetting her vice presidency, she has antecedents in Elena Ceausescu, Michèle Duvalier, and Jiang Qing (Madame Mao). She gives long speeches every day, claiming to know about everything. These speeches are a strange mixture of revolutionary

fired on them. "Once the students saw their friends killed and others tortured," says Felix Maradiaga, "the protests were no longer about economic reform. They were about the Ortega Issue."

Paramilitaries roam the country, looking for enemies of the state. These thugs are, if anything, worse than the "official" thugs. The Sandinista Youth are a particular menace. We have seen this elsewhere, such as the Duvaliers' Haiti and the Castros' Cuba.

The Ortegas and their lieutenants routinely denounce their opponents as "bloodsuckers" and "vampires." They also denounce reports by human-rights groups as "noticias falsas," or "fake news."

They have shut down independent media outlets, including *Confidencial*, edited by Carlos Fernando Chamorro. He is the son of the former president, Mrs. Chamorro, who is still with us, and enjoying her grandchildren, but ailing. His father was Pedro Joaquín Chamorro, the editor of *La Prensa*.

Confidencial was a thorn in the side of the dictator Ortega; *La Prensa* was a thorn in the side of the dictator Somoza. Pedro Joaquín Chamorro was murdered in 1978. His son Carlos Fernando, having received one too many death threats, has now fled with his family to Costa Rica.

Another Chamorro, Jaime, is the publisher of *La Prensa*. He is a brother of the martyred Pedro Joaquín and an uncle of Carlos Fernando. The regime has squeezed *La Prensa*, depriving it of paper and ink. In January, *La Prensa* published a dramatic front page. It was blank, save for one line: "Have you imagined living without information?"

Here in Mexico City, at a meeting of the Oslo Freedom Forum, journalists and activists from Nicaragua, Venezuela, and Cuba are comparing notes. It seems – astonishingly – that there is now less room for free expression in Nicaragua than there is in those other two despotisms. Protests in Nicaragua are illegal. So are critical tweets. So is singing the national anthem. So is raising the national flag. (Those last two acts are interpreted as anti-Ortega.)

Since April 2018, 350 people have been killed, according to the Inter-American Commission on Human Rights. But that number is based on death certificates. The real number, says Felix Maradiaga, is more than a thousand. In most cases, death certificates are not issued. Officially, there are 620 political prisoners – but there are hundreds more, says Maradiaga, whom the regime does not want to acknowledge as prisoners. Then there is the matter of exile. More than 80,000 people have fled the country, half of them to Costa Rica.

Among those in Costa Rica is Edipcia Dubón, a former legislator. "I never thought I would be an exile," she says. Last May, she traveled to the Oslo Freedom Forum in Norway. On her way,

she stopped in Miami and met with her fellow Nicaraguans. She also gave interviews, including to CNN. This got the attention of Laureano Ortega Murillo, the singer, who issued a tweet calling Dubón an enemy of the state, which made it too dangerous for her to return home.

She was born in the 1980s and named after one of her grandmothers. Is there another Edipcia in the world? Edipcia Dubón does not know of any. Politically, her family was split, just like the country at large: Some were pro-Sandinista and some were anti. Her father was pro. He had come from a humble background. Was Edipcia herself pro? "Sí, claro," she says. "Yes, for sure." Her uncle was a Sandinista soldier. The Sandinista soldiers who came to visit the Dubón farm were very kind to her.

"When I was little," says Edipcia, "I slept in a T-shirt that had a heart on it and said, 'I love Daniel Ortega.'" The memory of it makes her weep. We stop talking for a bit.

Back then many had great hopes for the Sandinistas. The poor needed a fair shake. They needed literacy and opportunity. But Ortega's government turned out to be a corrupt dictatorship – yet another one – and Edipcia and her dad both fell away.

In college she studied economics because she wanted to attack poverty. Nicaragua is the second-poorest country in the Western Hemisphere, after Haiti. She joined a party called the Sandinista Renovation Movement and ran for office. She was elected a deputy in the National Assembly. She would serve less than five years.

Defeated? Not exactly. In July 2016, she and other deputies met with Luis Almagro, the secretary-general of the Organization of American States. Their purpose was to discuss the breakdown of democracy in Nicaragua. In a speech, Ortega called them "rats." Ten days later, Dubón learned from television that she and 25 other deputies had been expelled from the Assembly. Just like that.

She was subject to physical attacks and death threats. As we talk in Mexico City, she notes that these days Nicaraguan women are being targeted, as never before. Among the hundreds of political prisoners are at least 77 women.

"It's like there's a war," says Edipcia, about the situation overall. "But there is no war." Every day, there are murders, disappearances, arbitrary arrests, torturing – the whole repertoire of a tyrannical regime. Nicaragua is a theater of violence.

Cuba was very important to the Sandinistas during their dictatorship in the 1980s. Cuba is important still – but far more important is Venezuela, even in the dire straits Maduro's chavista regime has created. What if he fell? What would be the impact on Daniel Ortega? Felix Maradiaga puts it strikingly: "like a nuclear bomb on the Ortega project."

Maduro and Venezuela aside, what might happen in Nicaragua over the next weeks and years? Maradiaga does not see the Ortega family shuttling off to exile in Havana or Caracas. Instead, he sees three possible scenarios.

- The international community – the OAS and other bodies – pressures Nicaragua into a democratic transition.
- The country, as in the 1980s, breaks out in civil war, or
- Nicaragua becomes another Cuba – a totalitarian state that settles in for the long haul, as the world watches, passively. This scenario is so awful that Maradiaga almost physically shudders.

He cares deeply about his country, and so does Edipcia Dubón. They are exemplars of patriotism. Edipcia has a burning desire for justice. Before we part, I ask her what she would like people to know.

"In Nicaragua, there is a dictatorship. And the people of Nicaragua are working very hard against it. They are working to reestablish a democratic space. They are fighting for the right to decide what kind of country we want to live in. For the release of all political prisoners. For the disarmament of paramilitary groups. For civil rights and liberties. Even though we are human beings, people who get caught by the police are treated worse than animals." Finally, "no one wants to leave his country. The people who have left, have left to save their lives."

> Ortega has presented himself as a Communist, a socialist, a populist, a conservative, a man of God… If he has any ideology, it's what is known in Nicaragua as "*orteguismo*," i.e., Orteg-ism.

> Ortega's government turned out to be a corrupt dictatorship – yet another one…

JAY NORDLINGER *is a senior editor of* National Review. *Updated by author and editor, Eric Rozenman.*

Return to the Founders' Constitution

review by SHOSHANA BRYEN

If 2020 was, in the memorable words of Queen Elizabeth II, "annus horribilis," then *Supreme Disorder* by Ilya Shapiro is a book for 2021. This fascinating history of the Supreme Court and its Justices, and thoughtful exposition of the current and possible future shape of the Court, and the nature of its controversies through the years, would have been a tough read in 2020. Now, take a deep breath and consider some of the basic assumptions we Americans make about our country and our institutions.

Shapiro is Director of the Robert A. Levy Center for Constitutional Studies at the Cato Institute, and publisher of the *Cato Supreme Court Review*, and a member of the Jewish Policy Center Board of Fellows. His affiliations tell you a lot about how he sees the Court, and his fluid writing makes a sometimes-arcane subject – *Buck v. Bell* or *Lochner v. New York* and the ever-popular *Lawrence v. Texas* – easily digestible. The two attributes create a thought-provoking book.

There will be a temptation to skip the history and read the chapters "What Have we Learned?" "Term Limits," "More Radical Reforms," "A Question of Legitimacy," and the "Conclusion" first. A temptation to delve into the fundamental questions: "What is the Supreme Court for?" "Do we need one?" "If we do, can it be disconnected from our current politicized atmosphere?" "Should it be disconnected? Maybe the world is truly a different place in the 21st century and the old job of the Court is no longer relevant."

But don't give in to temptation.

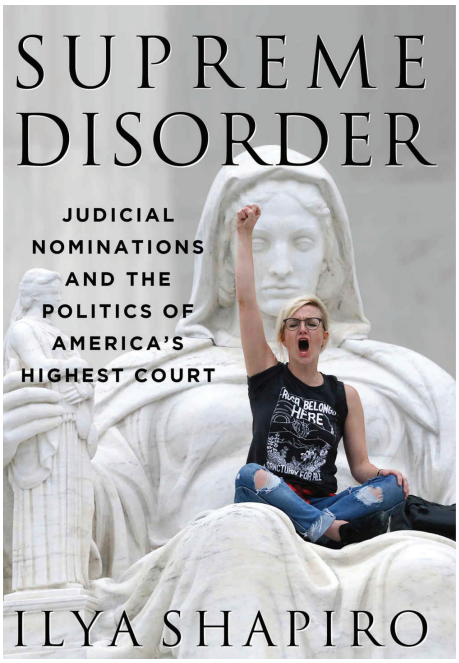
History First

Precisely because 2020 has left us literally breathless, and perhaps thinking we've never been such a mess before, read the history. We have been. And the Court has played a key role – both positive and negative (see the section on Justice Roger Taney and Dred Scott) in the development and maturation of the United States and its federalist system.

Learn about the Founding Fathers' intentions for the Court and the able and less able men (until the modern era) who sat on it. The size of the court changed in the first decades, but the current nine-member configuration is 150 years old, despite the hopes of President Franklin Delano Roosevelt and, perhaps, modern Democrats.

The Founders weren't certain there should be a Supreme Court (see *Young Patriots*, reviewed in *in*FOCUS Quarterly, Fall 2000), but Justices John Marshall and Joseph Story used the early Court to unite the States under a uniform system of laws based on "property rights and free interstate commerce." They were Founding Fathers as certainly as Thomas Jefferson and John Adams. Jefferson, by the way, worried about expanding the Court for fear that it would concentrate too much power in Washington at the expense of the States. By Andrew Jackson's administration, however, the Court was "enshrined in the Federal Government" and turned its attention to politics – for the first time, but not the last.

The section on the run up to the Civil War, and the war itself is a reminder that our country has faced not only division but deadly division over the hideous institution of slavery.



Supreme Disorder:
Judicial Nominations and the Politics of America's Highest Court
by Ilya Shapiro

The U.S. Supreme Court. (Photo: Ian Dagnall / Alamy)

One reason so few people paid attention to who was on the Court and what the Justices believed was that, through Reconstruction up until the New Deal, legislators legislated and the Supreme Court measured legislation against the Constitution. It is also true, of course, that the advent of media – and now social media – has brought citizens across the country into the halls of power, peeking under the table and over the shoulders of powerbrokers. This creates an apparently irresistible temptation for politicians to become actors, and journalists to become "media personalities."

Under those circumstances, the selection and vote for a nominee becomes an event in a way it never had been before. And Justices are now understood to sit on the Court to advance policy – the policy of the political party that appoints them. The politician's temptation becomes planning on a Justice making policy for the country, instead of evaluating the constitutionality of measures enacted by the legislative branch and signed into law by the Executive.

It also allows Congress to evade its responsibilities by writing broad outlines of law, then commanding the Executive Branch to write policy rules and regulations, when Congress should write laws, not hopes and dreams.

Therein lies the problem, according to Shapiro.

Where is the Court Going?

The inflection point for our legal culture, as for our social and political culture, was 1968, which ended that seventy-year-near-perfect run of nominations. Until that point, most justices were confirmed by voice vote, without having to take a roll call. Since then, there hasn't been a single voice vote, not even for the five justices confirmed unanimously or the four whose no votes were in the single digits.

The Court is now "part of the same toxic cloud that has enveloped all of the nation's public discourse."

While Democrats during the recent election have talked about "court packing," there have been a number of suggestions proffered by the left and the right – and even a few by people who claim non-partisanship and wish the Court could claim as much for itself – in an effort to "save the Court."

Posited changes to the Court include term limits for justices (noting that as longevity has increased, Justices who are nominated in their 40s could expect to serve for 40 years); adding more justices; restructuring the court through the use of a "lottery" system that would move more justices through the system; and "a "balanced court" that would have 15 members – Five Democratic and five Republican-affiliated justices , plus 5 others who would have to be "selected unanimously by the partisan justices."

But all of these responses appear to address the current unhappiness with the Court – which is the unhappiness of liberal lawyers and politicians. Shapiro writes,

> *Underlying both the 'judicial lottery' and 'balanced court' proposal is a problem with the proponents' premise, that the Court needs saving in the first place. The Court isn't in crisis, but liberals – and especially legal elites, who have relied on it to solve social ills they can't remedy at the ballot box – are very unhappy with its nascent conservative majority. For (certain legal voices) the court's legitimacy means the sociological acceptance of the Court's role, but…the Court is more popular than other government institutions.*

And that was before Justice Amy Coney Barrett joined the court.

The question of the court's legitimacy is primarily one posed by progressives – who have seen the addition of Neil Gorsuch and Brett Kavanaugh (and ACB, although Shapiro didn't know it then).

> *The background insinuation is clear: if the justices rule in ways that disagree with progressive orthodoxy, there will be hell to pay. The morning of last term's big abortion case, June Medical Services v. Russo, Senate Majority Leader Chuck Schumer said before a cheering crowd on the courthouse steps, "I want to tell you Gorsuch. I want to tell you, Kavanaugh. You have released the whirlwind, and you will pay the price." The NY Democrat added, "You won't know what hit you if you go forward with these awful decisions."*

The threat was so direct that Chief Justice John Robert issued a press release, decrying "threatening statements of this sort from the highest levels of government are not only inappropriate, they are dangerous."

The irony of Schumer's polemic, which Shapiro likens to a mafia threat, "nice little Court you have there... shame if something happened to it," – is that it isn't the Court that has failed the American people. The problem is that the Court is presently filling in for the inability of Congress to legislate.

> *Congress and the presidency have gradually taken more power for themselves and the Supreme Court has allowed them to get away with it, aggrandizing itself in the process. As the Court has let both the legislative and executive branches swell beyond their constitutionally authorized powers, so have the law and regulations that it now interprets."*
> *Competing theories battle for control of both the U.S. Code and Federal Register, as well as determine – often at the whim of one 'swing vote' – what rights will be recognized.*

The Cure

President Abraham Lincoln was both timely and prescient in 1861, when he said, "If the policy of the government upon vital questions…is to be irrevocably fixed by decisions of the Supreme Court… the people will have ceased to be their own rulers."

Shapiro concurs:

> *The only lasting solution…is to return to the Founders' Constitution by rebalancing and devolving power, so Washington isn't making so many big decisions for the whole country. Depoliticizing the judiciary and toning down our confirmation process is a laudable goal, but that'll happen only when judges go back to judging rather than bending over backwards to ratify the constitutional abuses of the other branches.*

Which makes a very good opening to 2021. Shapiro doesn't tell us how to restore bipartisanship or depoliticize the judiciary; that is for *We the People* to demand of those we place in the Executive and Legislative Branches, and thus allow the Judiciary to return to its former, quieter, but no less vital role.

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A Final Thought ...

While America waits for a new administration, China, Iran, and Turkey find themselves under pressure to act.

China has been hoping to oust the U.S. from the Northern Pacific for decades and might believe that between coronavirus, summer riots, the contested election, and the almost total absence of international news in American papers, now is its chance. A direct attack on U.S. ally Taiwan is probably not in the cards, although the island nation understandably has the shakes. China has long coveted islands governed by Taipei. Kennedy and Nixon debated China's designs on the Taiwan-governed islands of Quemoy and Matsu in 1960. Those islands are still there, and China still wants them.

The same general challenge faces the Mullahs of Iran – what can you do when your economy is failing, and the pandemic is out of control? Iran could stop building nuclear weapons capability and ballistic missiles. It could stop planting precision missile factories in Syria and Lebanon. It could stop funding the Houthis' war in Yemen. Instead, Tehran is stealing oil from Iraq and trying to sell it as its own – even as the Iraqis are beginning loudly to object. There have been uprisings, strikes and protests across Iran since late 2017.

Is external conflict an option? Iran is considering purchasing Chinese arms – a move that often results in China acquiring hard assets in a country put up as collateral for the loans to buy the weapons; imagine China with a base in the Persian Gulf.

Turkey remains a NATO member – there simply is no mechanism for booting a country out. Following the announcement of Turkey's purchase of Russia's S-400 missile system, Congress quietly shut down most arms sales to Ankara, but Turkey shows no signs of changing its plans for future purchases, since Russia offers credit – at least for now.

The Turkish economy has contracted hugely since the beginning of the pandemic, and its new social media law further stifles dissent, as does harassing and imprisoning dissidents and pressuring judges.

Turkey has gone from a country with "no problems with the neighbors" to fighting on multiple fronts: in Syria and Libya as well as Armenia. In addition, Turkey and Libya reached a maritime agreement to split the eastern part of the Med between them. Turkey claims oil and gas fields around Greece and Cyprus and, if the maritime boundary were enforced, it could prevent Egypt, Israel, the PA, and Lebanon exporting to Europe without Turkish and Libyan permission. Energy exploration and exports could be vastly curtailed.

Each country's decision – to wait or to act aggressively under pressure – could determine the future for us all.

– Shoshana Bryen
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