

**U.S. RELIEF EFFORTS IN RESPONSE TO  
HURRICANE MITCH**

---

---

**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON WESTERN HEMISPHERE,  
PEACE CORPS, NARCOTICS AND TERRORISM  
OF THE  
COMMITTEE ON FOREIGN RELATIONS  
UNITED STATES SENATE  
ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

—————  
MARCH 2, 1999  
—————

Printed for the use of the Committee on Foreign Relations



Available via the World Wide Web: <http://www.access.gpo.gov/congress/senate>

U.S. GOVERNMENT PRINTING OFFICE

55-231CC

WASHINGTON : 1999

COMMITTEE ON FOREIGN RELATIONS

JESSE HELMS, North Carolina, *Chairman*

RICHARD G. LUGAR, Indiana  
PAUL COVERDELL, Georgia  
CHUCK HAGEL, Nebraska  
GORDON H. SMITH, Oregon  
ROD GRAMS, Minnesota  
SAM BROWNBACK, Kansas  
CRAIG THOMAS, Wyoming  
JOHN ASHCROFT, Missouri  
BILL FRIST, Tennessee

JOSEPH R. BIDEN, JR., Delaware  
PAUL S. SARBANES, Maryland  
CHRISTOPHER J. DODD, Connecticut  
JOHN F. KERRY, Massachusetts  
RUSSELL D. FEINGOLD, Wisconsin  
PAUL D. WELLSTONE, Minnesota  
BARBARA BOXER, California  
ROBERT G. TORRICELLI, New Jersey

JAMES W. NANCE, *Staff Director*

EDWIN K. HALL, *Minority Staff Director*

---

SUBCOMMITTEE ON WESTERN HEMISPHERE,  
PEACE CORPS, NARCOTICS AND TERRORISM

PAUL COVERDELL, Georgia, *Chairman*

JESSE HELMS, North Carolina  
RICHARD G. LUGAR, Indiana  
JOHN ASHCROFT, Missouri

CHRISTOPHER J. DODD, Connecticut  
BARBARA BOXER, California  
ROBERT G. TORRICELLI, New Jersey

# C O N T E N T S

---

	Page
Chapman, James, Director for Latin America Region, World Vision, Washington, DC .....	16
Prepared statement .....	18
Fonseca, Rene, President, Consultants International, Tegucigalpa, Honduras .	7
Prepared statement .....	9
Isaacs, James Kenneth, Director of Projects, Samaritan's Purse, Boone, NC ....	11
Prepared statement .....	14
Jaeger, Mark, Vice President and General Counsel, Jockey International, Kenosha, WI .....	2
Prepared statement .....	4
Torricelli, Hon. Robert G., U.S. Senator from New Jersey, prepared statement of .....	30

## U.S. RELIEF EFFORTS IN RESPONSE TO HURRICANE MITCH

TUESDAY, MARCH 2, 1999

U.S. SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
SUBCOMMITTEE ON WESTERN HEMISPHERE,  
PEACE CORPS, NARCOTICS AND TERRORISM,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 3:06 p.m. in room SD-419, Dirksen Senate Office Building, Hon. Paul Coverdell (chairman of the subcommittee) presiding.

Present: Senators Coverdell and Helms.

Senator COVERDELL. We are going to bring the meeting of the Western Hemisphere Subcommittee to order. Let me make a brief opening statement and then I will make a brief comment about each of our panelists and we will begin.

I would hope that—I do not know how long your statements are, but maybe we might limit them to around 7 minutes. Of course everything will go into the record.

The purpose of the hearing today is to take a careful look at U.S. relief efforts in the wake of one of the most deadly and destructive natural disasters to hit this hemisphere. Hurricane Mitch blazed a path of destruction through Central America that left 9,000 people dead and more than 1 million people homeless. Estimates reach as high as \$8.5 billion in damage to homes, roads, hospitals, crops, and businesses throughout the region.

I had the opportunity to travel to Central America and see this terrible destruction first-hand. I believe the U.S. Government relief efforts to date have been impressive by any measure. We have provided more than \$300 million in food, medicine, and shelter and agriculture and infrastructure assistance. Private efforts in response to the devastation have been overwhelming, thanks in large part to the efforts of our distinguished panelists and the various organizations you represent.

Yet it is clear that the region still faces major challenges in rebuilding countries and restoring hope. In all of the affected countries, clean water is scarce and disease from contaminated water sources is a continuous threat. As highlighted in an article in this morning's Los Angeles Times, the potential for widespread health epidemics still looms as water and sanitation systems were severely damaged by the storm. The article claims that in many places broken sewer pipes allow sewage to fall freely into the water.

I think it is clear that the region is not out of trouble yet and we need to continue to focus our attention on the immediate needs of these countries. That is why I have asked for this hearing and I have asked these distinguished panelists to share their thoughts with us today.

Our witnesses have been on the ground and have seen the destruction with their own eyes. They have played crucial roles in the recovery effort, and I look forward to hearing about their experiences and what they think still needs to be done. I look forward to your recommendations and innovative approaches on the long-term solution for the economic problems in the region.

One final thought. In addition to short-term emergency disaster relief, I believe that it is critical both for the region and the United States that we focus on the long-term solutions for a successful recovery in Central America. Over the past several years, Central America has taken significant steps in strengthening democracy, promoting human rights, and encouraging economic opportunity. The destruction and despair wrought by Mitch make these important gains tenuous. The progress over the last decade is not irreversible. That is why it is so important that the United States lend a hand to its Central American neighbors, not only to help with the immediate problems of food and medicine, but also to assist this region in the long-term recovery.

It is imperative that we help get economies back on their feet, rebuild infrastructure, and restore optimism in the region. We owe it to allies and friends in the affected nations. I believe we owe it to our own national security and economic prosperity that we do not allow a destabilization to occur because of a natural disaster in our own hemisphere.

Now, to begin I am going to start with Mr. Mark Jaeger. The committee welcomes vice president and general counsel for Jockey International. Jockey is an international manufacturer and marketer of apparel products headquartered in Wisconsin. Jockey has a manufacturing plant in my State which employs over 500 people and as I understand it has a plant in Honduras which employs 600 people.

I look forward to your comments on long-term solutions to reconstruction in Central America and particularly about trade enhancement.

Mr. Jaeger.

**STATEMENT OF MARK JAEGER, VICE PRESIDENT AND  
GENERAL COUNSEL, JOCKEY INTERNATIONAL, KENOSHA, WI**

Mr. JAEGER. Thank you very much, Senator, and good afternoon.

Jockey International, Inc., appreciates the opportunity to testify before this subcommittee on the subject of Central American and Caribbean reconstruction. With the approval of the committee, I have presented a written statement for the record.

Jockey is an international manufacturer and marketer of apparel products, including underwear, bras, and sheer hosiery. Jockey's products are manufactured in the U.S. in places like Millen, GA, where there are some 500 employees. Jockey's offshore operations include a company-owned plant in Honduras that employs some 600 people.

As general counsel for Jockey, I am familiar with trade issues that affect the company and the apparel industry. I am also aware of the devastation to Honduras and other Caribbean Basin countries by Hurricanes Mitch and Georges. Jockey's operation in Honduras was spared by the hurricane. Jockey's employees, however, did suffer. Many Jockey employees lost homes, personal possessions, or worse.

While Jockey's plant in Honduras is fully operational, it is clear that the reconstruction will be a long process, as much of the infrastructure, housing, and crops have been destroyed.

I would like to thank the committee and you, Mr. Chairman, for your leadership on the important issue of reconstruction in the Caribbean Basin following the hurricanes. I understand you made a personal visit to the region to view the impact of the hurricanes. Your bill, S. 371, takes important steps to help the region recover from the twin disasters.

I would like to address one component of S. 371, CBI enhancement. Caribbean Basin trade enhancement will build upon the successful U.S.-Caribbean partnerships already at work in dozens of locations across the region. It would expand U.S. market opportunities for apparel and other products assembled in Central America and the Caribbean. This would put people in the region back to work, a critical need since many traditional sources of employment have been wiped out by the hurricanes.

Because most of that apparel is manufactured using U.S. textiles and related inputs, American workers and their firms would benefit as well. Jockey, like other American apparel companies, has invested in the Caribbean Basin because of the proximity to U.S. operations and markets, and because of the trade incentives offered by the original 807 program. This program has helped Jockey to be more competitive and serves to support U.S.-based employment.

The 807 incentives are straightforward. Duty is assessed on only the value added. Duty rates vary from 7 to 8 percent for underwear to 17 percent for bras to over 20 percent for other categories of apparel.

Let me emphasize that the apparel production move to the CBI Basin has been necessary for companies like Jockey to remain competitive. However, with the elimination of tariffs under NAFTA and with the slightly easier and cheaper transportation between Mexico and the United States versus that between the Caribbean and the United States, Mexico has a significant trade advantage. Competition from Mexico has caused many United States apparel companies to move their investments and contracting relationships from CBI countries to Mexico.

Mexico's total share of apparel imports has increased fivefold since NAFTA. While Jockey has maintained its presence in the Caribbean, it has increased contracting from Mexico and the Far East. If the business goes to the Far East, Caribbean and U.S.-based jobs are at risk and the progress the United States fostered in the Caribbean Basin will in large part be reversed. Such a loss, especially if Caribbean Basin jobs are lost to Mexico or Asia, could not come at a worse time for the countries affected by the hurricanes.

In summary, passage of NAFTA adversely affected the competitiveness of the CBI region by diverting existing and potential investment from the region to Mexico. Further erosion has occurred with competitive pressures from Asia. Caribbean Basin trade enhancement assures a level playing field will exist between the CBI region and Mexico and makes our joint production arrangement with the Caribbean competitive vis-a-vis Asia. Without it, U.S. companies already in the region will disinvest existing manufacturing facilities, essentially destabilizing the economies of the region.

There has long been a need for CBI enhancement legislation. It should have been enacted 5 years ago. The damage caused by Hurricanes Mitch and Georges makes it even more imperative that it be enacted. S. 371 should move forward and it should continue to include CBI enhancement provisions.

Once again, Jockey appreciates the opportunity to submit this testimony, and I thank you, Mr. Chairman, for your leadership on the issue. I would be pleased to respond to any questions you may have now or throughout the hearing.

[The prepared statement of Mr. Jaeger follows:]

PREPARED STATEMENT OF MARK JAEGER, VICE PRESIDENT AND GENERAL COUNSEL,  
JOCKEY INTERNATIONAL, KENOSHA, WI

#### INTRODUCTION

Jockey International, Inc. (Jockey) appreciates the opportunity to submit testimony to the Subcommittee on the subject of Central American and Caribbean reconstruction. Jockey is a privately held apparel company headquartered in Kenosha, WI. Jockey is an international manufacturer and marketer of apparel products including underwear, bras and sheer hosiery. Jockey's products are manufactured in the U.S. in places like Millen, Georgia where there are some 500 employees. Jockey's offshore operations include a company owned plant in Honduras that employs some 600 people.

As General Counsel for Jockey, I am familiar with trade issues that affect the company and the apparel industry. I am also aware of the devastation to Honduras and other Caribbean basin countries by Hurricanes Mitch and Georges.

Jockey's operation in Honduras was spared by the Hurricane. Jockey's employees, however, did suffer. Many Jockey employees lost homes, personal possessions or worse. Jockey coordinated a relief effort using its plant to distribute supplies to affected employees and their families. Jockey resumed operations within twelve (12) days of the hurricane. Today, Jockey is operating at full capacity providing jobs, paychecks and a sense of economic security for employees. Many other apparel contractors also are back to work providing the opportunities the Honduran people need to help rebuild their country. Of course, this will be a long process as much of the infrastructure, housing and crops have been destroyed.

I would like to thank the Committee and you, Mr. Chairman, for your leadership on the important issue of reconstruction in the Caribbean basin following the hurricanes. I understand you made a personal visit to the region to view the impact of the hurricanes. Your bill, Senate 371 takes important steps to help the region recover from the twin disasters. I would like to address one component of S. 371, CBI enhancement.

#### CBI POLICY

S. 371 includes measures for aid, debt relief and support services from various U.S. agencies. Such relief will help these countries continue their response to the crisis. U.S. support for long term reconstruction, however, will be necessary to sustain economic growth in the region. U.S. interests in this regard are clear:

- The Caribbean Basin is the 9th largest destination of U.S. exports worldwide, and is one of the few regions where the U.S. maintains a consistent trade surplus.
- U.S. commercial and security interests demand uninterrupted access to transit routes through the Caribbean Sea and the Panama Canal.

- Political and economic instability in the Caribbean basin often manifests itself in the U.S. through increased narcotics trafficking or waves of immigrants and refugees.
- Many U.S. residents and communities share family ties with individuals in the Caribbean basin.

#### CBI ENHANCEMENT

Expanding the U.S./CBI trade relationship will be a vital element in helping the countries of the Caribbean and Central America recover from devastation caused by Hurricanes Mitch and Georges.

A Caribbean Basin Trade Enhancement package would build upon the successful U.S./Caribbean partnerships already at work in dozens of locations across the region. It would expand U.S. market opportunities for apparel and other products assembled in Central America and the Caribbean. This would put people in the region back to work, a critical need since many traditional sources of employment have been wiped out by the hurricanes. And because most of that apparel is manufactured using U.S. textiles and related inputs, American workers and their firms would benefit as well.

Over the past 15 years, the U.S. government and private sector have invested substantial political and financial capital to secure peace and economic prosperity in this region. Passage of a Caribbean Basin Trade Enhancement package—as an element of hurricane reconstruction—keeps that investment viable.

Jockey, like other American apparel companies, has invested in the Caribbean basin because of the proximity to U.S. operations and markets and because of the trade incentives offered by the original 807 program.

This program has helped Jockey to be more competitive and serves to support U.S. based employment. The 807 incentives are straightforward. Under 807, a \$5.00 bra usually has \$3.00 in U.S. components and about \$2.00 in value-added by offshore assembly. The duty is assessed on only the value-added. That duty is 17.6 percent for bras, which on \$2.00 is 35 cents. This is equivalent to 7 percent on the value of the entire garment. With wholesale and retail markups, a bra from the CBI region carries a penalty of approximately \$.70 as compared to the same garment assembled in Mexico of NAFTA origin fabric.

In 1986, 807 was modified by the creation of the 807-A program. Under 807-A, duty still was paid on the value-added in the region, however, the creation of Guaranteed Access Levels (GALs) essentially made many products from the region quota-free. 807-A was duplicated for the Mexican industry and named the Special Regime.

#### IMPACT OF NO CBI ENHANCEMENT

Before commenting on the future of apparel trade in the Caribbean basin without CBI enhancement, I do need to emphasize that the apparel production moved to the CBI basin has been necessary for companies like Jockey to remain competitive. Without the incentives of 807-A, NAFTA and hopefully CBI trade enhancement, that production would probably have gone to the Far East where there would be little U.S. involvement in the manufacturing process.

With the deflationary environment in the Far East and the prospect of further reduction and eventual elimination of apparel and textile duties and quotas, Asia will be a formidable apparel and textile competitor for the U.S., Mexico and the Caribbean basin. It is critical that duties between the U.S. and the CBI region come down quickly to prepare for the coming challenge. Otherwise, we may not be in a position in the future to rely on CBI-based industries like apparel to provide U.S. and Caribbean based jobs.

With the implementation of NAFTA, apparel made of U.S. formed fabric assembled in Mexico enters the U.S. market quota and tariff-free. However, duties are still charged on the offshore value added to garments assembled in and then imported from the CBI countries. This places the CBI countries at a great competitive disadvantage vis-a-vis Mexico. Competition from Mexico has caused many U.S. apparel companies to move their investments and contracting relationships from the CBI countries to Mexico. While Jockey has maintained its presence in the Caribbean Jockey has increased contracting from Mexico and the Far East. If the business goes to the Far East, Caribbean and U.S. based jobs are at risk, and the progress the U.S. fostered in the Caribbean Basin will, in large part, be reversed.

With the elimination of tariffs under NAFTA, and with the slightly easier and cheaper transportation between Mexico and the United States versus that between the Caribbean and the U.S., Mexico has a significant trade advantage. An effective 7 percent duty may not appear to be significant, but the average profitability of an apparel firm in the U.S. is usually less than that.



The effects of NAFTA on the CBI region have become apparent. Since NAFTA went into effect on January 1, 1994, apparel imports from Mexico have increased 611 percent. While starting from a larger base, imports from the CBI have increased at one-third that rate.

Now, for the first time, the CBI region actually is losing share of the import market. In 1998, the CBI region accounted for less than 23.8 percent of the garments imported into the United States, a decline of 1.4 percentage points from the 25.1 percent market share in 1997. During that same year, Mexico's market share increased to just over 15 percent—about five times its size before NAFTA took effect.

807 production created thousands of good jobs in Mexico and the Caribbean Basin. By establishing business relationships in the CBI region, Jockey and other apparel companies have been able to maintain U.S. based jobs and to use U.S. based inputs like fabric and thread in CBI production. There is a concern that without CBI enhancement, desperately needed apparel jobs could be lost in the Caribbean basin. Such a loss could not come at a worse time for the countries affected by the Hurricanes.

#### SUMMARY

Caribbean trade enhancement makes good foreign policy. It is clearly in the best interests of the United States to have stable, democratic governments in our hemisphere, and the jobs available in the apparel industry contribute considerably to that stability. By enacting legislation affording NAFTA parity for the Caribbean Basin, the U.S. will continue to encourage CBI countries to assume their full obligations under a free trade agreement and to further open their markets to U.S. products, services and investment.

The continued economic health of the CBI region is tied inextricably to the growth of the region's apparel assembly industry. Export revenues generated by apparel assembly encourages Caribbean Basin governments to increase and accelerate economic reform, including investment liberalization, protection of intellectual property rights and market access. Job creation in the region would have been stagnant without the demand for apparel assembly workers. Improving economic conditions contributes to political stability, deters illegal immigration, and creates an alternative to the production and trafficking of illegal drugs.

In summary, there is a strong and consistent movement by countries of the CBI region toward democracy, economic reforms and trade and investment liberalization. During the past few years, countries of the Caribbean Basin initiated significant economic restructuring and trade liberalization and continue to do so as part of their move to NAFTA accession.

Programs such as CBI and 807 contributed significantly to the political stability and economic growth in the region. Progress in the region enhances each country's political security, as well as the United States'.

Passage of NAFTA adversely affected the competitiveness of the CBI region by diverting existing and potential investment from the region to Mexico. Caribbean Basin trade enhancement assures a level playing field will exist between the CBI region and Mexico. Without it, U.S. companies already in the region, competitively disadvantaged by the elimination of Mexican duty rates and quotas, will disinvest existing manufacturing facilities, destabilizing the economies of the region.

There has long been a need for CBI enhancement legislation. It should have been enacted five years ago. The damage caused by Hurricanes Mitch and Georges makes it even more imperative that it be enacted. S. 371 should move forward and it should continue to include CBI enhancement provisions.

Once again, Jockey appreciates the opportunity to submit this testimony and I thank you, Mr. Chairman, for your leadership on this issue.

Senator COVERDELL. I believe that what we will do is proceed through the panelists and then open it up to a general dialog.

Next we are going to hear from Rene Fonseca. He has a special relationship. His lovely wife is right behind him, Deborah, who when I first arrived here without this grey hair was employed with the Senate Foreign Relations Committee, and it is very good to see you back.

Rene is here as a private citizen. He does not represent the Honduran government. He is a businessman who owns and operates several companies in several Central American countries. He has visited just about every square mile in Honduras, either during his

highly distinguished military career or as a Presidential candidate in 1997.

In addition to being an eyewitness to the devastation wrought by Hurricane Mitch, we are especially interested in your ideas as to how the United States can best help the Honduran people.

Again, welcome back.

**STATEMENT OF RENE FONSECA, PRESIDENT, CONSULTANTS INTERNATIONAL, TEGUCIGALPA, HONDURAS**

Mr. FONSECA. Mr. Chairman, I thank you for inviting me to testify today about the devastating Hurricane Mitch which destroyed so much of Central America, particularly in Honduras, my home country. It is an honor for me to appear before the Senate Foreign Relations Committee, for more than one reason. As you have mentioned, I would have not met my wife Deborah DeMoss if this committee had not had so much important work to do in Central America back in the 1980's.

I am very grateful to this committee that now I have her and four precious children. But I believe that there are more grateful people at Foggy Bottom, for instance, that I took her away from Washington.

It is a very moving experience for me to relate to you a firsthand perspective of Hurricane Mitch. I am a businessman representing U.S. companies in Central America and I have been asked to discuss how many of us in the private sector believe that U.S. aid can be utilized in the most efficient way.

To begin, I must express deep gratitude to the Government and the people of the United States of America for all of the assistance you have sent us since the first week the deadly hurricane hit our beautiful Bay Islands and rapidly tore through our mainland. Many of the members of this committee worked very hard to get emergency assistance to Central America. The U.S. military has been instrumental and many of the U.S. media, most notably Ted Koppel and Nightline, have done a tremendous service in calling attention to our plight.

I also am aware that so many private citizens, including the Capitol Hill Police, got together boxes of food, medicine, and clothes for the hurricane victims. There have been scores of doctors, missionaries, and independent citizens who have donated their time and skills. I know that I speak for hundreds of thousands of families when I say thank you from the bottom of my heart to all of you.

When Hurricane Mitch struck the Honduran Bay Islands on October 26 last year, it registered winds of 180 miles per hour, the strongest recorded hurricane in history. It continued to sweep across the Honduran mainland as a devastating hurricane and then as a deadly tropical storm for more than 10 days.

Mitch hit the capital of Honduras, Tegucigalpa, on Friday, October 30, and even as it was hovering over us we had no idea of the magnitude of the storm. We were given virtually no warning.

On October 31, I left our home at dawn with a neighbor to see if we could be of any help in rescue efforts throughout the capital. It was not until the previous evening that we were made aware by the media that we were in the eye of a killer hurricane. We wanted to do anything to help those who were already in grave danger.

We went to a riverbank and saw that the river had dramatically risen about 20 feet and expanded over 150 feet to the sides. In the middle of it, a two-story middle class home was still standing and surrounded by violent waters. The family who lived there had managed to open a hole in the roof and get to the top of it. They were screaming for help and we were on the edge of the river bank watching, without being able to do anything.

Then we saw how three adults and three children were swallowed when the house collapsed in a matter of seconds. Sadly, this is not an isolated story. There are many like this in the country.

When Hurricane Mitch had run its fatal path, it left approximately 5,700 dead in Honduras and 4,000 more dead in the rest of Central America. Thousands more are still missing and thousands are injured in Honduras alone. Millions in the region were homeless, left homeless, too many to count. It is estimated in Honduras that one out of every four people has been affected directly by the hurricane. Many claim that this was perhaps the most catastrophic natural disaster since Biblical times.

The emergency phase of foreign assistance should begin now to wind down. We are currently in the phase of repairing whatever can be repaired and containing epidemics. The final phase will be the toughest one—rebuilding \$8.5 billion worth of destroyed infrastructure and perhaps billions more in recouping lost crops and rebuilding destroyed businesses throughout Central America.

In Honduras some experts believe that Mitch has set us back about 25 years in infrastructure and perhaps twice that long in certain parts of the agricultural sector. It is important to know that, due to the lack of expertise and resources, we are still vulnerable to this kind of disasters in the future.

There are many private sector and disaster relief organizations that are now on the ground trying to help us rebuild Central America, primarily Honduras and Nicaragua, which together sustained about 80 percent of the real damage. Two of these organizations are represented at this table today, Samaritan's Purse and World Vision. Both are doing a terrific job.

My wife Deborah is the director of Samaritan's Purse in Honduras, so I am more familiar with their substantial commitment, particularly in the areas of housing, medical brigades, and community social services. I highly commend both these institutions to implement certain projects in the country.

Should I go on, Senator?

Senator COVERDELL. Try to—if it only takes a few more minutes, go ahead and try to finish your statement. That would be better.

Mr. FONSECA. I would like to address at this minute, while at the risk of being presumptuous, I want to mention some ideas which you might consider—

Senator COVERDELL. Please.

Mr. FONSECA [continuing]. In the supplemental aid package for Central America. Allow me to give two typical examples of the type of people who suffer due to the hurricane. The first example is the family of our nanny, Hilda. She is from an upper lower class family. Several members of her immediate family had their own businesses, each employing others. They lost both their businesses and

their personal belongings. Yet they do not qualify for any long-term credits to restart their lives.

The second example involves a family of a prominent upper class lawyer who has been living in our home since they lost everything as a result of Mitch. They have been told everywhere that there will be no help for the middle class. Consequently, they must make an enormous further personal sacrifice.

So I strongly recommend finding ways to help people like this—small business owners, middle class professionals with a solid work track, as well as small commercial farmers.

There is another great way you could help Central America to rebuild the agricultural sector. In Honduras we have one of the best agricultural sciences universities in the world, El Samorano. I would suggest making available a substantial amount of funds to provide scholarships for students to attend El Samorano.

In closing, let me say as a private citizen I know that I am not alone in saying that God can bring something good out of this tragedy. Honduras and other countries in Central America may still witness a blessing in disguise. We now have a bold challenge before us and one we believe we can fulfill with your help. We want your aid to be used in the very best manner. Transparency in the use of the aid should be first and foremost in any legislation. It would be difficult to handle such huge amounts of aid and investments coming into any country after a natural disaster of this magnitude.

Thank you again, Mr. Chairman, for the opportunity to be here today.

[The prepared statement of Mr. Fonseca follows:]

PREPARED STATEMENT OF RENE FONSECA, PRESIDENT, CONSULTANTS  
INTERNATIONAL, TEGUCIGALPA, HONDURAS

Mr. Chairman, I thank you for inviting me to testify today about the devastating Hurricane which destroyed so much of Central America—particularly in Honduras, my home country. It is an honor for me to appear before the Senate Foreign Relations Committee for more than one reason. As you know, I would not have met my wife Deborah DeMoss if this Committee had not had so much important work to do in Central America, during the 1980's. So I am very grateful to you that I now have her, and our four precious children! (As you can see, we've been busy the last 5 years since she left the Committee.)

It is a very moving experience for me to relate to you a first-hand perspective of Hurricane Mitch and also as a businessman representing U.S. Companies in Central America, I have been asked to discuss how many of us in the private sector believe the U.S. aid can be utilized in the most efficient way. To begin, I must express deep gratitude to the Government and the people of the United States of America for all of the assistance you have sent us since the first week the deadly hurricane hit our beautiful Bay Islands, and rapidly tore through our Mainland.

Many of the Members of this Committee worked very hard to get emergency assistance to Central America. The U.S. military has been instrumental. And many in the U.S. media—most notably Ted Koppel and Nightline—have done a tremendous service in calling attention to our plight. I also am aware that so many private citizens—including the Capitol Hill Police—got together boxes of food, medicine, and clothes for the Hurricane victims. There have been scores of doctors, missionaries, and independent citizens who have donated their time and skills. I know that I speak for hundreds of thousands of families when I say “thank you from the bottom of my heart” to all of you.

When Hurricane Mitch struck the Honduran Bay Islands on October 26, last year, it registered winds of 180 m.p.h.—the strongest recorded hurricane in history. It continued to sweep across the Honduran mainland as a devastating hurricane, and then as a deadly tropical storm, for more than ten days. Mitch hit our capital, Tegucigalpa, on Friday, October 30. Even as it was hovering over us, we had no idea of the magnitude of the storm. We were given virtually no warning.

On October 31, I left our home at dawn with a neighbor to see if we could be of any help in rescue efforts throughout the Capital. It was not until the previous evening that we were made aware by the media, that we were in the eye of a killer hurricane. We wanted to do anything to help those who were already in grave danger. We went to a riverbank, and saw that the river had dramatically risen about 20 feet and expanded over 150 feet to the sides. In the middle of it, a two-story middle-class home was still standing up and surrounded by violent waters. This family had not had time to evacuate, and had forced a hole in the roof, and climbed on top where they screamed for help. We stood on the edge, and watched helplessly as three children, and three adults were swallowed by the river in a matter of seconds. Sadly, this is not an isolated story.

When Hurricane Mitch had run its deadly path, it left approximately 5700 dead in Honduras, and 4000 more dead in the rest of Central America. Thousands more are still missing, and thousands are injured in Honduras alone. Millions in the region were left homeless. Too many to count. It is estimated in Honduras, that one out of every four people has been affected directly. Many claim that this was perhaps the most catastrophic natural disaster since Biblical days.

The emergency phase of foreign assistance should now begin to wind down. We are currently in the phase of repairing whatever can be repaired, and containing epidemics. The final phase will be the toughest—rebuilding \$8.5 BILLION dollars worth of destroyed infrastructure, and perhaps billions more in recouping lost crops, and rebuilding destroyed businesses throughout Central America. In Honduras, some experts believe that Mitch set us back about 25 years in infrastructure, and perhaps twice that long in certain parts of the agricultural sector. It is important to know that, due to lack of expertise and resources, we are still vulnerable to this kind of disasters in the future.

There are many private sector and disaster relief organizations that are now on the ground trying to help us rebuild Central America—primarily Honduras and Nicaragua, which together sustained about 80% of the real damage. Two of these organizations are represented at this table today—Samaritan's Purse and World Vision. Both are doing a terrific job. My wife, Deborah, is the Director of Samaritan's Purse in Honduras, so I am more familiar with their substantial commitment—particularly in the areas of housing, medical brigades, and community social services. I highly commend both of these organizations to you, as A.I.D. seeks to implement certain projects through non-governmental organizations.

In the four months since the Hurricane, my wife and I have traveled extensively in Honduras while involved in relief efforts. We have listened to hundreds of personal stories of tragedy, and of the struggle to start life over. We have listened to hundreds of ideas on the best way to rebuild Honduras—ideas from the private sector, the agricultural sector as well as the Honduran Government. We have also been briefed extensively by A.I.D. and Embassy officials. (And parenthetically, I think that the A.I.D. Mission in Honduras has done a fine job managing post-hurricane aid.) I am familiar with the aid package request from the Office of Management and Budget to the President, and believe that the United States assistance will be a very significant part of all aid we receive worldwide.

At the risk of being presumptuous, I want to mention some ideas you might consider in the supplemental aid package for Central America. Permit me to give you two typical examples of types of people—close to us—affected by Mitch who need aid, and have been unable to qualify anywhere, thus far.

1. The first is the family of our nanny Hilda. She is from an upper-lower class family. Several members of her immediate family had their own businesses, each employing others. They lost both their business and their personal belongings. Yet they do not qualify for any long-term credits to re-start their lives.

2. The second example involves the family of a prominent, upper middle-class lawyer who has been living in our home since they lost everything as a result of Mitch. They have been told everywhere that there will be no help for the middle-class. Consequently, they must make an enormous further personal sacrifice.

I strongly recommend finding ways to help people like this—small business owners, middle class professionals with a solid work track record, as well as small commercial farmers—to get back on their feet. These people are really the backbone of our society and our economy. They provide employment, and could be helped with long-term soft loans, or small grants. Enterprise Funds which provide credit and capital to entrepreneurs might also be very positive.

After speaking to many other businessmen in the region, I believe that it might prove to be very effective if there were a way to do “turn-key” projects. That way, you would employ Central Americans, but you would maintain control of your projects. This was done in Chile back in the 1960s, with A.I.D. financing, and with great success.

I know many of you have great concern about the possible effects Mitch might have on illegal immigration. I understand that this issue will be dealt with in the future, but in the meantime, I know that we Hondurans are more than grateful with the generous decision by the Administration to allow those already in this country before the end of last year to stay for 18 months and work here. It is my dream to see all of us work hard in the next 18 months to find ways to provide jobs and create the conditions so that my fellow Hondurans will be able to return to their homeland.

And on one other point, that I know is already being discussed by the Administration for future legislation, I would do a disservice not to mention that the Central American private sector strongly supports CBI enhancement and Trade Agreements. This could make a significant contribution towards renewed foreign investment and trade in the region, as well as increased employment opportunities.

In closing, let me say that as a private citizen, I know that I am not alone in saying that God can bring something good out of this tragedy. Honduras, and other countries in Central America may still witness a blessing in disguise. We now have a bold challenge before us, and one we believe we can fulfill with your help. We want your aid to be used in the very best manner.

Transparency in the use of the aid should be first and foremost in any legislation. It would be difficult to handle such huge amounts of aid and investment coming into any country after a natural disaster of this magnitude. So help us to build up a stronger Honduras than before, by providing the necessary mechanisms to ensure the most efficient use of the funds being donated by the people of the United States. I am happy to meet with your staffs to discuss details of the aid package. Thank you again for the opportunity to be here today.

Senator COVERDELL. Thank you, Mr. Fonseca.

Let me now turn to Mr. Ken Isaacs, Director of Projects for Samaritan's Purse of Boone, NC. Samaritan's Purse is a private Christian humanitarian relief organization doing tremendous work in Honduras and Nicaragua, rebuilding homes and providing essential health care to people affected by Hurricane Mitch, and we appreciate the work that you have been doing and look forward to hearing your personal experience here today.

**STATEMENT OF JAMES KENNETH ISAACS, DIRECTOR OF  
PROJECTS, SAMARITAN'S PURSE, BOONE, NC**

Mr. ISAACS. Thank you, Mr. Chairman. It is a pleasure to be here and I really appreciate the invitation.

My name is Ken Isaacs and I serve as the director of projects for Samaritan's Purse, a nondenominational Christian relief and development organization with ongoing programs in about 60 countries. Our work is predominantly funded by private donations. The president of Samaritan's Purse is Mr. Franklin Graham, the son of the evangelist Dr. Billy Graham. Samaritan's Purse, the strength of our organization, what we are known the most for, is rapidly responding to crises brought by war and natural disasters. We typically would work in places like Bosnia distributing relief supplies or operating a hospital in Sudan. We were involved in Rwanda in 1994 re-opening the hospital there and transitioning that to the ministry of health.

I introduce myself and the organization in this way because, after visiting Central America, I have to say that it really reminds me of a war zone. I have been in some and I have seen them.

Over the last 4 months I have made 6 trips to Honduras and spent 2 months in the country. I have met with the mayors of Tegucigalpa, the capital city, San Pedro Sula, and numerous other smaller cities. I have spent time with Honduran Federal officials, businessmen, relief agency personnel, and church leaders. I have

talked in detail with many of the homeless who are living in the camps and the shelters.

Death, destruction, stunned people, paralyzed local capacity, and crippled infrastructures are what I have witnessed in Honduras, Nicaragua, and the Dominican Republic. While we have established significant programs in all three countries, today I will only address the effects in Honduras and what we are doing there.

I remember talking to a 65-year-old grandmother who lost her daughter and her son-in-law, and she took in her 9 grandchildren, and they were living under the bleachers of a stadium, sleeping in a space smaller than a one-car garage. She did not have anywhere else to go.

I remember meeting a 45-year-old man with 6 children. He had a taxicab, but their house had washed away. They had lost everything they owned but the clothes on their backs. He could not afford a down payment for a house, nor could he afford the typical 18 to 28 percent interest that is charged for commercial housing.

We talked with a young man in Tegucigalpa who watched his wife and son die before his eyes when his house literally sheared away in front of him, and his wife was reaching for him and he could not get to them. He had been saving his neighbors and he was able to console himself knowing that he had helped 25 other people live.

All of these people are now living in shelters. Hurricane Mitch has made them homeless. A typical day in their life consists of sleeping on the floor behind a privacy curtain if they have one. They bathe in the sinks of public toilets if the water is running that day. Clothes are washed on the floor of the toilets or in buckets. The conditions are dirty and hostile and crowded, and nobody wants to be there.

Many statistics of the number dead, missing, homeless, and affected have been released. I do not believe there are nor ever will be accurate numbers to portray the amount of suffering and loss this storm has caused. There is no doubt, however, that the entire region has been severely affected. I do not think there are any short-term or quick-fix solutions, however.

During the emergency phase of the Honduran crisis, Samaritan's Purse supplied and distributed over 350 tons of food, blankets, and plastic sheeting to victims throughout the country. These materials were moved by the U.S. Government under the Denton agreement. Additionally, we have committed \$9 million to help Hondurans rebuild their lives. This is the largest single commitment our organization has ever made.

Our efforts are focused mainly on housing, but we are also conducting mobile medical clinics. These clinics are staffed by dozens of volunteer American doctors. They give their time freely. We have also bought a helicopter to reach people in the most remote areas of the country.

Those left homeless have the longest—are the greatest long-term need. In response, we have committed to build 4,000 houses in Honduras and 1,000 in Nicaragua. We began construction in early February and to date we have completed 23 homes and have started 135 others. Every month the amount of homes that we start will

grow in number and we expect to complete 3,500 by the end of this year.

These houses are simple block houses, built with local materials and labor. They are modest in size, but sturdily constructed so that they would not become victim to the next hurricane. In many cases the house may in fact be better than what was lost, but in all cases it will allow families an opportunity to begin rebuilding their lives.

We feel it is important to the Honduran economy to work through the market systems that are in place. We are using locally available materials and we are keeping our expatriate staff to a minimum. We have one American and one Peruvian on our team of over 100 employees. We are working entirely through local churches to reach into the communities and towns and mobilize existing resources from a community-based approach. The leadership of the evangelical churches has been essential to our entire effort.

I have seen a renewed and unified spirit of cooperation among Hondurans. They are working shoulder to shoulder with relief organizations, churches and governments to build a stronger and a better Honduras. This spirit is encouraging and refreshing to all of us involved. They do see hope on the horizon.

In addition to new home-buildings, we have identified over 1,400 houses that are inundated with mud and in need of cleaning so that people can return to them, and in some instances the people are actually living in the homes with up to a foot of mud in it. Since November when we began this response, we have cleaned over 650 homes and those families have in fact returned. On January 4 of this year we asked for OSDA assistance of \$800,000 to help us in this effort.

The situation of the homeless is an urgent need. An estimated 20,000 are in shelters and have no other place to go. Many thousands more are living with family, friends, and in makeshift housing. In addition to working with those in the shelters, we are aggressively seeking out these other people to find out where they are and how we may help them.

We are finding many individuals and communities who are taking steps to help themselves. They do not have the materials and they cannot pay for construction workers, but yet they are doing their best. They have heard that aid is coming, but they have not seen it. They are gathering what meager resources they have to improve their situations. These type people are ideal to partner with because they are already motivated.

I want to emphasize the basic need in Honduras is for housing for those that have been made homeless by Hurricane Mitch. Furthermore, I would suggest that funds for housing reconstruction are best utilized when channeled through nongovernment organizations and churches. Not only does this provide better accountability of the funds, transparency, and community ownership of the programs, but the people throughout Honduras typically relate to their community churches and they look to them in times of need to promote community development. The communities know their churches and the leaders of those churches. This relationship allows for better grassroots ownership and accountability.

It has been 4 months since Hurricane Mitch did its damage. Anything that this Congress could do to speed the percent of releasing



Government funds to organizations working in Central America would be a tremendous help. This would, of course, include anything to reduce the time and effort involved with receiving Government grants.

Central America today stands at a critical juncture. After decades of instability, the region now enjoys developing democracies and free market systems. Hurricane Mitch impedes and perhaps threatens that progress. The outpouring of humanitarian response from the United States and its people has been immense, but much more must be done. The emergency phase is over, the situation is now off of the public's radar screen, but now the long-term needs must be addressed.

Thank you for allowing me to address you today, Mr. Chairman. [The prepared statement of Mr. Isaacs follows:]

PREPARED STATEMENT OF JAMES KENNETH ISAACS, DIRECTOR OF PROJECTS,  
SAMARITAN'S PURSE, BOONE, NC

Mr. Chairman and members of the Subcommittee,

Thank you for inviting me to address you today regarding the situation in Central America resulting from Hurricanes Georges and Mitch.

My name is Ken Isaacs and I serve as the Director of Projects for Samaritan's Purse, a nondenominational Christian relief and development organization with ongoing programs in about 60 countries. Our work is predominantly funded by private donations. The President of Samaritan's Purse is Mr. Franklin Graham, son of evangelist Dr. Billy Graham. The main strength of Samaritan's Purse is rapidly responding to crisis brought by war and natural disasters.

Normally we work in war torn areas like Bosnia distributing urgently needed relief items. In Southern Sudan we operate a hospital that serves an estimated population of 300,000.

In July of 1994 we reopened the 600 bed Central Hospital of Kigali, Rwanda, and over the next two years transitioned its management to the newly formed Ministry of Health. Our work in Rwanda was partly funded by OFDA. USAID later funded our Healthcare Providers Education Program.

I have chosen to introduce myself by speaking of these areas of mass destruction and suffering because Central America in many ways reminds me of a war zone.

Over the last four months I have made six trips to Honduras and spent two months in the country. I have met with the mayors of Tegucigalpa, San Pedro Sula and numerous other smaller cities. I have spent time with Honduran federal officials, businessmen, relief agency directors, and church leaders. I have talked in detail with many of the homeless in the shelters and camps around the country.

Death, destruction, stunned people, paralyzed local capacity and crippled infrastructures are what I have witnessed in Honduras, Nicaragua and Dominican Republic. While Samaritan's Purse has established significant programs in all three countries, I will address the effects of Hurricane Mitch on Honduras and our efforts there.

I recall a 65-year-old grandmother who lost her daughter and son-in-law in the flooding. She has taken in her nine grandchildren and they are living under stadium bleachers and sleeping on the concrete floor in an area smaller than a one-car garage. They have no where else to go.

I met a 45-year-old man with six children. He has a taxi and earns a living. His house was washed away and they have no possessions but the clothes on their backs. He does not have the money to make a down payment on a house and can not afford the 18% to 28% interest typically charged for a home loan.

We talked with a young man whose wife and baby died as he was trying to rescue them from their house as the floor sheared in two with only a few feet between them. The husband had been saving the lives of his neighbors before he took his own family to a safer area. He took comfort in knowing he had saved twenty-five people.

All of the above mentioned people are now living in shelters. Hurricane Mitch has made them homeless. A typical day consists of sleeping on the floor, behind a privacy curtain if they have one. They bathe in the sinks of public toilets if the water is running that day. Clothes are washed on the floor of the toilets or in buckets. Conditions are dirty and hostile. No one wants to be there.

Many statistics of the number dead, missing, homeless and affected have been released. I do not believe there are, nor ever can be, accurate numbers to portray the amount of personal suffering and losses caused by Hurricane Mitch. There is no doubt that the entire region has been severely affected and will take years to recover. There are no short-term or quick fix solutions.

During the emergency phase of the Honduran crisis, Samaritan's Purse supplied and distributed over 350 tons of food, blankets and plastic sheeting to victims throughout the country. These materials were moved under the Denton Amendment.

Additionally, Samaritan's Purse has committed nine million dollars to help Hondurans rebuild their lives. This is the largest single commitment we have ever made. Our efforts are focused mainly on housing but we also are conducting mobile medical clinics. These clinics are staffed by dozens of American doctors who volunteer their time. We supplied the program with a helicopter so that we could reach remote areas.

Those left homeless have the greatest longterm need. In response, we are building 4,000 homes in areas across Honduras and 1,000 in Nicaragua.

We began construction in early February and to date we have completed twenty-three homes and have started 135 others. We will begin construction on new houses every month in 1999, and will have 3,500 completed by the end of the year.

These are cement block homes built with local materials and labor. These homes are modest in size but sturdily constructed. In many cases the house may be better than what was lost, but in all cases a family will have a house from which they can begin rebuilding their lives.

We feel it important to the Honduran economy to work through the market systems in place. We use locally available materials and keep our expatriate staff to the minimum. We have one American and one Peruvian on our team of over one hundred employees.

We are working entirely through local churches to reach into the communities and towns and mobilize existing resources from a community-based approach. The leadership of the evangelical churches has been essential to our entire effort. I have seen a renewed and unified spirit of cooperation among Hondurans to work shoulder to shoulder with NGOs, churches and governments to build a stronger and better Honduras. This spirit is both encouraging and refreshing to those involved.

In addition to new home building, we have identified over 1,400 homes inundated with mud and in need of cleaning, so those residents can return. Since November when we began this response, Samaritan's Purse has cleaned over 650 homes so families can return. On January 4, 1999, we requested about \$800,000 from the Office of Foreign Disaster Assistance to help us in this effort.

The situation of the homeless is an urgent need! An estimated 20,000 are in shelters and have no other place to go. Many thousands more are living with family, neighbors, or in makeshift housing. In addition to working with those in the shelters, Samaritan's Purse is aggressively seeking out those who are homeless but living with family, friends or in shacks of plastic sheeting and cardboard.

We are finding many individuals and communities who are taking steps to help themselves. They do not have materials and cannot pay for the construction workers, but yet they are doing their best. They have heard "aid" is coming but have not seen it and are trying to use what meager resources they have to improve their situation. These situations are ideal for us to support in partnership.

I want to emphasize the most basic need of the country is housing for those made homeless.

Furthermore, I suggest that funds for housing reconstruction are best utilized when channeled through the NGOs and churches. Not only does this provide accountability, transparency and community ownership, but also the people throughout Honduras relate to their community churches and look to them to help in times of need to promote community development. The communities know their churches and its leaders. This relationship allows for better grassroots ownership and accountability.

It has been four months since Hurricane Mitch did its damage. Anything this Congress could do to speed the process of releasing government funding to organizations working in Central America would be a tremendous help. This would of course include anything to reduce the time and effort involved with receiving government grants.

Central America stands today at a critical juncture. After decades of instability, the region now enjoys developing democracies and free market systems. Hurricane Mitch impedes that progress. The outpouring of humanitarian response from the United States and its people has been immense but much more must be done. The

emergency phase is over; the situation is off of the public's radar screen, but now the long term needs must be addressed.

Thank you for allowing me to testify before you.

Senator COVERDELL. Thank you very much, Mr. Isaacs.

Now we will turn to Mr. James Chapman, Director of the Latin America Region for World Vision, another humanitarian relief organization doing outstanding work in assisting the people in Nicaragua, Honduras, Guatemala, and El Salvador affected by Hurricane Mitch. In addition to learning about the various projects you administer, I look forward to hearing your recommendations about innovative approaches to assist the people of Central America.

Mr. Chapman.

**STATEMENT OF JAMES CHAPMAN, DIRECTOR FOR LATIN AMERICA REGION, WORLD VISION, WASHINGTON, DC**

Mr. CHAPMAN. Thank you very much.

My name is James Chapman. I am a former Peace Corps volunteer in Peru and my first assignment with the Peace Corps was to land in the Peruvian Andes shortly after the May 1970 earthquake and get directly involved in housing reconstruction following that significant disaster.

I am currently Latin America Regional Programs Director for World Vision U.S. Thank you for inviting me to testify before the subcommittee to offer recommendations on how United States aid to hurricane-affected Central American countries channeled through private voluntary organizations that work with communities and local governments can best promote recovery and development in the region.

World Vision U.S. is an international faith-based relief and development organization. It is part of an international partnership of World Vision offices that supports more than 6,000 relief and development projects in 92 countries. In the United States alone, World Vision is supported financially by more than 800,000 families. In addition, World Vision also receives funding from foundations, corporations, and the U.S. Government to support its international programs.

World Vision has been active in Central America for more than 25 years, with national offices in the four hurricane-affected countries of Honduras, Nicaragua, Guatemala, and El Salvador who are heavily engaged in relief and recovery activities as we speak. More than \$20 million in private funding have already been committed by World Vision International to relief and recovery programs in the four countries.

For the purpose of this hearing, I will focus my remarks on the situation in Nicaragua. Hurricane Mitch inflicted its greatest damage in Nicaragua through severe rains that caused extensive flooding and mudslides. Damage to infrastructure, housing, and crop loss is estimated at \$1.5 billion, or almost 40 percent of GDP. The U.S. embassy reports that about 415,000 people were displaced nationwide.

Rivers in the northern Atlantic coastal areas of Nicaragua have overflowed their banks. A single mudslide in the northwest province of Chinadega increased the death toll and left more than 2,000

people missing from 10 communities situated at the base of the Casitas Volcano.

Damage to roads and bridges and to the agricultural sector is extensive. The Pan American Health Organization reports that the value of the damage to the transportation network is about \$16 million. Many of the transportation linkages link farms to markets.

World Vision Nicaragua operates 13 area development programs. Each area program works with an average of 10 communities in the sectors of maternal-child health, education, agriculture, animal husbandry, and microenterprise development. All were seriously damaged by the rain or its aftereffects. Significant crop loss occurred, with 100-percent loss in some locations. More than 1,200 families lost their livelihoods.

The World Vision relief and recovery programs in Nicaragua target six sectors: microenterprise development, farmland rehabilitation, road repair, home repair and reconstruction, distribution of medical supplies, and reconstruction of water and sanitation systems.

Mr. Chairman, natural and manmade disasters offer the opportunity to influence economic and social policies in developing countries during the process of reconstruction and rehabilitation. Under emergency conditions, the doors are open to interventions that encourage market-led development which may not be open under normal circumstances. As a result, rural communities, the local private sector, national and local government, and indigenous nongovernmental organizations, NGO's, can undertake reconstruction and development activities in areas where they have the greatest comparative advantage within a market-oriented environment.

Following are four recommendations of how U.S. Government aid channeled through private voluntary organizations who work in partnership with communities and local governments can best contribute to recovery over the long term in Nicaragua.

First, private and voluntary organizations like World Vision can foster private sector activity by contracting with and providing credit to small and microenterprises. Private sector companies should be responsible for repairs to roads, bridges, and other infrastructure. The government can stimulate the economy and effectively rebuild the infrastructure by offering contracts to private companies rather than undertaking the work itself.

Various levels of government should be encouraged to promote private enterprise. It should not be the producer of goods and services. Government can be encouraged to undertake provision of public goods in which it has a comparative advantage.

Second, national and local governments should have the role of coordinating disaster response. PVO's undertaking disaster response programs with U.S. Government funding can play a key role in informing national and local government disaster coordinators of the gaps in services and recommend who can best fill those gaps. They can also engage in policy dialogs in terms of which policies best facilitate recovery and development.

Third, indigenous nongovernmental organizations or community associations are important components of civil society as they engage in development activities and provide a voice for communities in influencing economic and social policy. U.S. private and vol-

untary organizations should help strengthen local NGO's through collaboration in jointly managed rehabilitation and development projects.

Fourth, the rural economies of Central America are beginning their recovery after a severe hurricane. World Vision is challenged to assist the process of sustainable economic growth through market-led approaches in developing the capacities of rural communities in production, marketing, and micro and small enterprise.

The best approach is to provide an integrated package of development interventions which capitalize on the synergistic and complementary relationships. Interventions can also increase the capacity of local NGO's, private and government sectors to effectively and appropriately respond to disasters and long-term rehabilitation.

Foreign aid intervention in the following areas, if implemented strategically, can achieve recovery that will at the same time help build a foundation for future growth. I will list a few of the areas.

Provision of health and nutrition services, with the full participation of communities and government.

Second, rehabilitation of rural infrastructure, including water, sanitation, roads, schools, and health clinics through contracts with existing and emerging contractors and private businesses.

Encouragement of small and microenterprise development. Business goes on during and after a disaster, and entrepreneurs need working capital to restore and expand their businesses. Provision of small loans not only revitalizes business activity, but also instills market principles and practices.

The promotion of agricultural recovery through rapid introduction of improved technologies and techniques with seeds and tools is also an important development intervention. Improved crop variety should be disseminated to farmers to rapidly restore agricultural productivity and enhance family incomes.

Finally, development of farmer organizations for agricultural production and marketing should be fostered and encouraged.

The provision of foreign assistance under emergency conditions can help instill free market practices and promote civil society as it helps people restore their own lives. Foreign aid that reinforces old economic habits and creates or continues dependency is a lost opportunity.

Mr. Chairman, thank you for this opportunity that you have given to World Vision to offer its insights for effective relief and recovery in Nicaragua based on our experience working with local communities around the world for many years. I would be happy to take questions from the subcommittee. Thank you.

[The prepared statement of Mr. Chapman follows:]

PREPARED STATEMENT OF DR. JAMES CHAPMAN, DIRECTOR FOR LATIN AMERICA REGION, WORLD VISION, WASHINGTON, DC

Mr. Chairman, I am a former Peace Corps Volunteer and currently, Latin America regional programs director for World Vision US. Thank you for inviting me to testify before the subcommittee to offer recommendations on how United States aid to hurricane-affected Central American countries, channeled through private voluntary organizations that work with communities and local governments, can best promote recovery and development in the region.

World Vision US is an international faith-based relief and development organization. It is part of an international partnership of World Vision offices that supports

more than 6,000 relief and development projects in 92 countries. In the U.S. alone, World Vision is supported financially by more than 800,000 families. In addition, World Vision also receives funding from foundations, corporations and the U.S. government to support its international programs.

World Vision has been active in Central America for more than 25 years. Our national offices in the four hurricane-affected countries of Honduras, Nicaragua, Guatemala and El Salvador are heavily engaged in relief and recovery activities. More than \$20 million in private funding have already been committed by World Vision International to relief and recovery programs in the four countries.

For the purposes of this hearing, I will focus my remarks on the situation in Nicaragua. Hurricane Mitch inflicted its greatest damage in Nicaragua through severe rains that caused extensive flooding and mudslides. Damage to infrastructure, housing and crop loss is estimated at \$1.5 billion, or almost 40 percent of GDP. The U.S. embassy reports that about 415,000 people were displaced nationwide. Rivers in the northern Atlantic coastal areas of Nicaragua have overflowed their banks. A single mudslide in the northwestern province of Chinadega increased the death toll and left more than 2,000 people missing from 10 communities situated at the base of the Casitas Volcano. Damage to roads and bridges and to the agricultural sector is extensive. The Pan American Health Organization reports that the value of the damage to the transportation network is about \$16 million; many of the farm-to-market linkages.

World Vision Nicaragua operates 13 Area Development Programs. Each area program works with an average of 10 communities in sectors of maternal-child health, education, agriculture, animal husbandry and microenterprise development. All were seriously damaged by the rain or its after-effects. Significant crop loss occurred, with 100 percent loss in some locations. More than 1,200 families lost their livelihoods.

The World Vision relief and recovery programs in Nicaragua target six sectors:

- microenterprise development
- farmland rehabilitation
- road repair
- home repair and reconstruction
- distribution of medical supplies
- reconstruction of water and sanitation systems

Mr Chairman, natural and man-made disasters offer the opportunity to influence economic and social policies of developing countries during the process of reconstruction and rehabilitation. Under emergency conditions, the doors are open to interventions that encourage market-led development which may not be open under normal circumstances. As a result, rural communities, the local private sector, national and local government, and indigenous non-governmental organizations (NGOs) can undertake reconstruction and development activities in areas where they have the greatest comparative advantage within a market-oriented environment.

The following are four recommendations on how U.S. government aid, channeled through private voluntary organizations who work in partnership with communities and local governments, can best contribute to recovery over the long-term in Nicaragua:

1. Private voluntary organizations like World Vision can foster private sector activity by contracting with and providing credit to small and micro-enterprises. Private sector companies should be responsible for repairs to roads, bridges and other infrastructure. The government can stimulate the economy and effectively rebuild the infrastructure by offering contracts to private companies rather than undertaking the work itself.

The various levels of government should be encouraged to promote private enterprise. It should not be the producer of goods and services. Government can be encouraged to undertake provision of "public goods" in which it has a comparative advantage.

2. National and local governments should have the role of coordinating disaster response. PVOS undertaking disaster response programs with U.S. government funding can play a key role in informing national and local government disaster coordinators of the gaps in services, and recommend who can best fill those gaps. They can also engage in policy dialog in terms of which policies best facilitate recovery.

3. Indigenous NGOs or community associations are important components of civil society as they engage in development activities and provide a voice for communities in influencing economic and social policy. U.S. private and voluntary organizations should help strengthen local NGOs through collaboration in jointly-managed rehabilitation and development projects.

4. The rural economies of Central America are beginning their recovery after a severe hurricane. World Vision is challenged to assist the process of sustainable eco-

conomic growth through market-led approaches, and developing the capacities of rural communities in production, marketing and micro- and small enterprises. The best approach is to provide an integrated package of development interventions, which capitalize on synergistic and complementary relationships. The interventions can also increase the capacity of local NGOs, private and governmental sectors to effectively and appropriately respond to disasters and long-term rehabilitation.

Foreign aid intervention in the following areas, if implemented strategically, can achieve recovery that will, at the same time, help build a foundation for future growth.

- Provision of health and nutrition services with the full participation of communities and government;
- Rehabilitation of rural infrastructure, including water, sanitation, roads, schools and health clinics, through contracts with existing and emerging contractors and private businesses;
- Encouragement of small- and micro-enterprise development. Business goes on after a disaster, and entrepreneurs need working capital to restore and expand their businesses. Provision of small loans not only revitalizes business activity, but also instills market principles and practices;
- Promotion of agricultural recovery through rapid introduction of improved technologies and techniques with seeds and tools. Improved crop varieties should be disseminated to farmers for to rapidly restore agricultural productivity and enhance family incomes;
- Development of farmer associations for agricultural production acquisition and marketing.

The provision of foreign assistance under emergency conditions can help instill free market practices and promote civil society as it helps people restore peoples' lives. Foreign aid that reinforces old economic habits and creates or continues dependency is a wasted opportunity.

Mr. Chairman, thank you for this opportunity for World Vision to offer its insights for effective relief and recovery in Nicaragua based on our experience working with local communities for many years. I would be happy to take questions from the subcommittee.

Senator COVERDELL. Thank you.

I am going to turn to the distinguished chairman of the Foreign Relations Committee, the distinguished Senator from North Carolina.

The CHAIRMAN. Well, Mr. Chairman, I thank you for scheduling this meeting, and I fully intended to be here from the beginning because I have some contact and relationship with everybody here.

Rene Fonseca, I cannot pronounce his name, but I can pronounce Deborah DeMoss.

Senator COVERDELL. Right, she is here, too.

The CHAIRMAN. Deborah DeMoss was my boss for—how long, Debby? About 15 years. She came when she was 4.

This is a great hearing and I am looking forward to reading the transcript of it.

Now, Mr. Isaacs, I am a close personal friend of Billy Graham's son, who is head of Samaritan's Purse. I believe he is going to be the successor to Billy. I think that has been decided. He does wonderful work, as does Samaritan's Purse, or through Samaritan's Purse as a matter of fact. We have tried to help in that.

I do not know whether you know the number of planeloads of boxes at Christmas time. How many did you do last time?

Mr. ISAACS. Two and a half million.

The CHAIRMAN. Two and a half million. We helped them get the planes, people all over this country and indeed all over the world who have more than those poor people that have nothing. I think Franklin Graham is just tops. I look forward to working with him, and you give him my best regards.

I have got to ask about my godson, Rene, if I may call you that. How is he?

Mr. FONSECA. He is doing fine, sir. He said hello.

The CHAIRMAN. How old is he?

Mr. FONSECA. He is four and a half years now.

The CHAIRMAN. Four and a half years? Time does fly, does it not?

Senator COVERDELL. It really gets by.

The CHAIRMAN. You ought to see a picture of him. He looks like his mama. No, he looks like both of them.

Could I ask a question?

Senator COVERDELL. Please.

The CHAIRMAN. One of my folks came in, Mr. Jaeger, and he said that you mentioned that most of your apparel is manufactured using U.S. textiles and related imports, and because of this American workers and their firms, he quoted you as saying, would benefit under CBI. Do you know the story in North Carolina among the textile mills?

Mr. JAEGER. I am sorry, I did not hear that.

The CHAIRMAN. Do you know the story under CBI what happened in North Carolina among the many textile mills we have there? In the last year alone, we have had nine textile mills of some size, Burlington included, close their doors, and somewhere between 8,000 and 10,000 workers have lost their jobs and they have not been able to find work. To be sure, some of them retired thanks to a retirement plan, but not the vast majority.

Now, I am asked everywhere I go in North Carolina how CBI enhancements are going to help these kind of people when it happens to them. Did you explain that—well, it has not helped anybody yet, and I just wondered if you had any explanation that you could give me that I could give them.

Mr. JAEGER. I will certainly try, Senator. Initially I would like to point out we do have three operations in your State of North Carolina, in distribution and hosiery and textile manufacturing. We feel with CBI as it exists today—

The CHAIRMAN. Where are you in North Carolina?

Mr. JAEGER. We are in the Cooleemee or Mocksville area with two operations, and another operation over in Randalman, NC.

The CHAIRMAN. That is in the Piedmont section.

Mr. JAEGER. The Piedmont section, right.

One of our goals is to maintain those jobs in those facilities. We feel that with market competitive pressures that we are facing, with imports from the Far East, with pressures from Mexico with goods coming in under NAFTA, and the pricing pressures that we face, that we need to take steps to control our costs and to partner with the countries in the CBI region in order to develop and compete with foreign imports.

The fact is—I am sorry, Senator.

The CHAIRMAN. What was the total, the highest total employment of North Carolinians that you have had? How many have you lost, if you have lost any?

Mr. JAEGER. In North Carolina?

The CHAIRMAN. Yes.

Mr. JAEGER. We have not lost any jobs in North Carolina, Senator.



The CHAIRMAN. So you would not know anything about the anguish of the people, those 8,000 to 10,000.

Mr. JAEGER. We are familiar with that, Senator. We have lost employment. Employment loss in the apparel industry, unfortunately, is inevitable. The real question I think that we face is where is that loss going to happen? Is it going to happen in the CBI region going forward because the jobs are going to shift to Asia, or will we be able to maintain those jobs that are already off-shore in regions like Honduras through measures like CBI enhancement?

We feel that partnering with the Caribbean provides us the opportunity to keep some jobs in the United States while also relying on our existing investments in the region.

Senator COVERDELL. Just for the purposes of the debate, for the panel, the fact that we are on the economic question should not in any way suggest that the committee is not eminently aware of the personal anguish and the issues that each of you have discussed, and we are going to come back to that in just a moment.

But ours is a textile State, too, Georgia, and we have assembled, Mr. Chairman, a task force of textile interests on this question that you have raised. A general conclusion is that if nothing is done at all the jobs will continue to dwindle. Worse, if the actual manufacturing, so to speak, shifts to Asia, then in addition to that function moving away we would also lose a market for our textiles themselves that are manufactured.

Currently these facilities in the Caribbean and in Mexico are using American goods. If that function moves to Asia, Asia will not use necessarily American goods. So you have two sectors that begin to collapse on us. Whereas if we keep these certain functions in the Caribbean and in Mexico, it reinforces at least the utility of American goods.

This is the way at least it has been characterized as we have tried to confront this very serious issue. And we have lost some very significant jobs as well.

Before the chairman came I was going to ask you to try to elaborate on that, is that premise in your mind correct or incorrect. So as an adjunct to the chairman's question, I will now pose that one. I mean, this is sort of the way we have sorted it out at home in Georgia.

What is your take on that, Mr. Jaeger?

Mr. JAEGER. I think that is correct. That is the way we feel about it. We feel that those jobs are going to move regardless of whether this bill passes or not. The real question is where are we going to have those jobs? Are they going to be in the CBI region, where U.S. goals and policies are well served, or are they going to be in the Far East, where U.S. inputs are minimized or nonexistent?

We feel that a partnership that has been in place since the mid-eighties with the CBI region will serve U.S. interests of stability and growth and allow apparel manufacturers to provide jobs in that region and maintain to the extent feasible jobs in the United States.

The CHAIRMAN. No further questions.

Senator COVERDELL. If I might, then, Mr. Chairman, I would like to turn to Mr. Fonseca, Mr. Chapman, and Mr. Isaacs and yourself,

Mr. Jaeger, as well. You touched on this, Mr. Isaacs, but my exposure was probably maybe the week after it hit, about 30 days. I was quite taken with the fact that despite the scope and magnitude of this crisis, the way the people themselves were rallying and fighting, fighting back. You alluded to that.

So my first question is how do you find the general morale at this juncture? Is that fight still in your mind being waged? Is it setting in? Because everything does not happen as quickly as people would like. Is that causing there to be a sink in the struggle on the ground to rebuild?

I will begin with you, Mr. Isaacs, because you alluded to this, and then any of the rest of you that might want to talk about it, please do.

Mr. ISAACS. I can respond to it, Mr. Chairman, as an outsider. I am not a Honduran and I think that Rene Fonseca can address it from a different perspective. But I have certainly noticed that people are saying, let us build a new Honduras. And they are not talking about structures and roads and bridges, they are talking about political structures, they are talking about getting corruption out of the government, they are talking about a new tomorrow.

You know, there is a certain amount of fatigue with the people who are long-term in the camps, that have no other option, and that is to be expected. But my opinion and observations are that society as a whole sees this as a devastating storm, a devastating crisis, but it is a chance for a new tomorrow, to build a better Honduras.

Senator COVERDELL. Rene, would you want to comment on that?

Mr. FONSECA. Yes, Senator. I think a tragedy like the one we have been through changes the mentality and changes the attitudes of the people. I certainly could not have said it better than Ken, because I have seen a lot of changes in the people. They have a new attitude. They want to rebuild the country, and things have turned around very nicely.

Honduras is turning around beautifully. I see new attitudes and everybody is cooperating with everybody. Political partisanship is not noticeable. It is going very good. I think this is a boost to morale, what we have been through. It is a good time to reflect about our new future, a change in our laws, political institutions and the like, and start over again with the new millennium. We all look forward to a new country.

Senator COVERDELL. Mr. Jaeger or Mr. Chapman, would you want to comment on that inquiry?

Mr. CHAPMAN. Yes, I would. I think after a natural disaster such as what has been experienced with Hurricane Mitch there is obviously an initial international focus, a lot of aid, a lot of things coming in. I think people are extremely glad to receive that and really feel the warmth and compassion of the world community.

I think the challenge is over the medium and the longer term, as you brought out, and in terms of how is the thing going to unfold, what kinds of activities are going to go on. Obviously, there is the need to respond immediately to the relief question, to make sure people have food and shelter. But as you move forward you need to quickly reconstruct and rehabilitate the economy, get them back into business, get them back into agriculture, those who are

farmers, and get things on a more normal track. That does take time.

I think sort of after the initial shock and perhaps the encouragement, I think it will be a struggle, and I think we need to be very determined, very strategic in terms of providing the right kind of aid that really jump-starts the reconstruction of the economy.

Senator COVERDELL. Mr. Jaeger.

Mr. JAEGER. If I could comment, the operation in Honduras, despite the devastation, was back to work within 12 days of the cessation of the hurricane. The employees clearly wanted to come back to work at Jockey. They walked long distances to do that. We were pleased to have a place for them to come back and work.

We feel and it is my belief that jobs are the key to the long-term recoverability of the region. CBI is a good measure forward toward that long-term recovery.

Senator COVERDELL. Mr. Fonseca—one of you alluded to transparency. Now, one of the things that struck me as I went through the region—and as you know, we had the Presidents of the five major countries all here on Capitol Hill in December, with the exception of President Arzu of Guatemala, who was ill, so we had the Vice President here. We all met with Senate and House leadership.

It was somewhat of an historic meeting in that sense. It does not happen that often. I was quite taken with the attempts or the efforts being made to assure that the aid was managed differently. At least when I was there, they were talking transparency and certifying, trying to avoid the pitfalls from previous disasters where accusations start flying.

You are never going to escape that completely, but is it your combined judgment—are they achieving that or not?

Mr. FONSECA. Well, I know there is a great concern from the giver and the recipient of aid about the way the funds are invested and used. Back in the 1960's the United States had a great experience with Chile. The AID—through the financing of AID, they built up projects that they named turnkey projects. In other words, they would provide the funds, but they would still keep the control of the projects. That guaranteed the good use of funds. That would be an idea.

I know that the AID is not doing it like that in this instance. But there should be ways to hire auditors from overseas to see that the funds are committed in a clean and transparent way.

Senator COVERDELL. Any comment from any of the rest of you on this matter?

Mr. ISAACS. I could not speak to the issue of the need for transparency, let me say, on the Federal Government level. But I do believe that it is important to conduct business in a practical and a commonsensical way, and it would probably be a better relationship for an American NGO to report about how they are building houses than it would be maybe a Honduran agency to report about how they are building houses. It would be more in our interest to make sure that you had all the information that you wanted, and it would be easier for you to get that information, you being the U.S. Government.

But overall, I have heard a lot of talk there among Federal and city officials about the need for transparency. But I think that

there is transparency at multiple levels. Every level that touches something needs to be transparent. When you are talking about—in the case of what our response is in the housing sector, you are talking about communities, you are talking about towns and villages, small ones. So what we are striving to do is maintain accountability and transparency at every level and really to as much as possible shy away from centralization of large building complexes.

Senator COVERDELL. Mr. Fonseca, you mentioned something that is a little disturbing in our opening statement, that there is a cut where accessibility to recovery is needs-tested in such a way that your middle class cannot get to it. If we constructed a device that leaves talent on the sidelines, that would be somewhat disturbing. These are the people that have to be energized and put into the mix very quickly.

Do you want to elaborate on that?

Mr. FONSECA. Yes, sir. I consider the middle class to be the backbone of the society and the economy, because they provide employment or they have a secure job. A great amount of these people have lost their belongings, their houses, and they knock on doors and doors do not open for them because they are not considered poor, whereas some of the poor that were abjectly poor, they are getting homes and they did not have anything before the Mitch.

So the middle class had something, had employment, had a business, had a job, and suddenly there is nothing. The next morning, they do not have anything. They go to a bank, they go to a government institution, and all they hear is that there is no aid for middle class.

So what I suggested is perhaps this aid—our local banks could use lines of credit providing soft terms and long terms for these small business people, because that would make the economy recover fast.

I know that shelter is important, but having a job is more important. But what do I do if I have a house but I do not have a job? I will be unemployed. I will not have anything with which to feed my family. I need the security of a job, and that is where the middle class plays a big, vital role.

Senator COVERDELL. Mr. Chapman, you mentioned the micro-enterprise being one of your principal sectors. Would you want to comment on this?

Mr. CHAPMAN. Yes. Well, I think what Mr. Fonseca says is right on, and I think there is a major problem there and we need to target some of the aid funding toward, for example, providing the loans and basically helping people restart their businesses.

Obviously, the bulk of the aid goes to the disaster relief effort, but I would say in the future, particularly in terms of the whole rebuilding process, we need to focus on those sectors of the economy that are going to be the entrepreneurs and the ones who are eventually, once they get established, starting business, providing employment, and those kinds of things.

So I think we need to look carefully at the programs and target them toward those who are most able to respond and take advantage of the opportunities that we are offering.

Senator COVERDELL. Questions, Mr. Chairman?

The CHAIRMAN. The massive problem in solving this situation baffles me. Now, the hurricane was about 4 months ago?

Senator COVERDELL. October.

The CHAIRMAN. The latter part of October. Now, where are you now in terms of percentages of people without homes?

Mr. FONSECA. It has been estimated that one out of every four people in Honduras have been affected directly by the hurricane. But the need of homes in the entire country is about one million out of a population of 5.5 million.

Senator COVERDELL. 20 percent.

Mr. FONSECA. Yes.

Senator COVERDELL. I had a number of one million for the region. Is that an understated number?

Mr. FONSECA. This information or statistic is from an organization in the country and it probably covers the pre-Mitch situation.

The CHAIRMAN. Any other country helping your country besides the United States in any material way?

Mr. FONSECA. Yes, sir, indeed. There are other countries who have provided aid, but the United States is the most significant one.

The CHAIRMAN. Where are you in terms of restoring your roads that were destroyed?

Mr. FONSECA. They were about 70 percent destroyed in the entire country.

The CHAIRMAN. 70 percent?

Mr. FONSECA. Yes, sir. The pave was washed off from some roads and bridges, about 225 bridges in the country. So the main road system is back in operation with temporary bridges, like Bailey bridges. We need some—we encourage the government to provide concessions for private sector people to take over those roads and administer them from a private perspective.

But the road situation in Honduras is deplorable right now.

The CHAIRMAN. Mr. Isaacs, what is your organization doing now? I know you collected so much material, food and the rest of it. Are you still—where does the food that your people eat come from? You cannot grow it yet, can you?

Mr. FONSECA. Well, we have not had a lot of problems food-wise. There is food in the country, not in excess. There is a scarcity in some areas. But considering that the crops were destroyed by 60 percent, we are going to have shortages this year. We have not seen the effects so far, but there will be a dramatic situation this year.

The CHAIRMAN. Are you shipping, are you and Franklin shipping help now through Samaritan's Purse?

Mr. ISAACS. We shipped about 350 tons, Senator. You remember that Saturday when Franklin called you at home?

The CHAIRMAN. Yes, sir.

Mr. ISAACS. Well, I went to him and said: Franklin, if you could call Senator Helms right now and get him to call the Department of Transportation, I bet we could get some airplanes. So I was there with him when that happened.

We were doing that during what we call the emergency phase of the storm, when it was really a life and death situation. But in our opinion that time is past now, and we are looking at longer term

issues. Housing is the one that we are focusing on. So we have committed to build 4,000 houses in Honduras and 1,000 in Nicaragua, and we have already begun that.

Senator COVERDELL. On that, how many homes are—in other words, if you were going to eliminate the homeless situation, how many homes have to be rebuilt or cleaned or reopened? What is the total number?

Mr. ISAACS. Well, I said in my address that I do not believe that there are any accurate numbers, and I really do not believe that there are any accurate numbers. If you read the reports, there are everywhere from 1.4 million have been made homeless to 40,000 or 50,000. I just do not think that there is the data collecting capability there to know.

But I can relate it this way. One of the big issues that we would have to work through is who do you give a house to, what are the qualifications, and how do you know that a person's appeal for a home is sincere? There are a lot of issues involved.

But we put together two teams, one for the north of the country and one for the south. We felt like that we could get more accurate information if we were going to people and getting the information rather than them coming to us. We would not want to put an advertisement in the newspaper saying "Free homes." Within less than 1 month, we found 3,500 families homeless in about 15 cities, maybe 20 cities and villages across the country. And seriously, we have only scratched the surface. We could do easily four times that much, but it is a lack of resources. I have capped it this year at 3,500. That is where we will stop this year.

The CHAIRMAN. Rene—and I am going to call you Rene because you are my friend away from here and you are my friend during this meeting—

Mr. FONSECA. Thank you, sir.

The CHAIRMAN. How did your banking structure function? How is it functioning? I know there was a low point there.

Mr. FONSECA. As a result of Hurricane Mitch, a lot of banking lines of credit are at default right now because they had a lot of agricultural loans. Obviously, they are going to need a lot of reinforcement to bring the banks back onto their feet. The situation right now with the banking is lack of funds because our central banking system cuts a great deal from people that save in the banks. They cut 30 percent, 35 percent of the savings as a reserve.

So the banking system could get lines of credit that could be discounted at cheaper rates. Like right now to get a loan for a house you pay 28 percent. That is awfully high. Nobody could afford that. They would have to extend the mortgages to 100 years perhaps to make it, to make it more bearable.

If we could get lines of credit at somewhere around 3 to 5 percent and then the bank would charge for the discount another 2 percent, that would be 7 percent, which would be really good to build a house.

The CHAIRMAN. I have got to confess that I do not know whether AID participates in that or not. Do you know?

Senator COVERDELL. I do not.

The CHAIRMAN. Do you know, Rene?

Mr. FONSECA. I beg your pardon?

The CHAIRMAN. AID, Agency for International Development, are they helping with stabilizing the banking situation?

Mr. FONSECA. I do not know, sir. I am not aware of that situation.

Senator COVERDELL. We are told by your excellent staff that that would be a function of Treasury. I would not think it would be AID, but I would have to review it. I think it is very interesting.

The CHAIRMAN. All right, I will ask this smart fellow here. Is Treasury doing anything about it?

Mr. GRIGSBY. Yes, sir, they are.

The CHAIRMAN. Identify yourself and answer the question.

Mr. GRIGSBY. Garrett Grigsby, Foreign Relations Committee staff.

They are requesting some funds in the supplemental appropriation bill and they do technical assistance programs, and in addition to that they would like to forgive a substantial amount of debt to Honduras and Nicaragua and affected countries, both U.S. bilateral debt and international debt as well.

The CHAIRMAN. That is important for us to look at in this bill.

Senator COVERDELL. That is a key component, and the Presidents when they visited here all raised this issue of some forgiveness of debt.

The CHAIRMAN. Thanks for letting me horn in on your hearing.

Senator COVERDELL. I have one more question if I might, Mr. Chairman, and then if you have a closing comment, we will let these people get on with their day.

But my closing question deals with timing. I think everybody has agreed or generally agreed that the initial crisis of life and death, water, food, was done reasonably well, military and NGO's, the countries themselves. And we all know that it is when the TV cameras go off and the helicopters are not buzzing around things settle down, the long-term buildout begins.

I have some distinct familiarity with this because in 1994 my State suffered a 500-year flood. It covered over 200 square miles. It is that long haul that is the toughest part.

Do you have any sense of how much time we have here before this thing begins to turn more difficult for us? Do you have a sense of the timing of what we need to do here, along with the European Union and others that are being attentive to this issue? Mr. Chapman, you are raising your hand.

Mr. CHAPMAN. I think we are already at that stage. We do quite a bit of monitoring in our areas of what is happening to the people besides, obviously, providing services, and in three of the countries we are picking up acute malnutrition, setting in particularly among young children. So I think we need to look very quickly at the longer term response. I do not think—this is not going to be a one-time short deal.

Particularly with food production and things like that, while there may be sufficient stocks of food in the country, it is probably in many cases not out where it needs to be. The roads, the infrastructure, is severely damaged. Basically, we have got people approaching starvation now, and I think we need to establish a partnership, particularly with U.S. farmers, in terms of getting some of our excess agricultural produce down there and getting it out

there while it is needed particularly, and at the same time enabling people to re-establish their agricultural production so that we will be able to pull back from that fairly quickly.

Senator COVERDELL. Thank you.

Mr. Isaacs.

Mr. ISAACS. We expect to be in Honduras for a minimum of 2 years, but internally we are acknowledging it may be 5. I think that would probably be the—

Senator COVERDELL. More realistic?

Mr. ISAACS. Well, that is what we are thinking. So we just have to see how it unfolds.

Senator COVERDELL. Mr. Fonseca?

Mr. FONSECA. We certainly think that timing is of the essence here for Honduras to receive the aid package. We would urge the Senate to look at that bill the sooner the better. And we certainly need help, but we need help that does not build dependency in the long run, because that would not do us any good.

We certainly need also a long-term commitment for long-term institutions, such as our political institutions, our laws, our infrastructure, things that do really good things for our economy, not a one-shot deal. We look forward to a long relationship of mutual help, mutual trade agreements in the future, too.

Senator COVERDELL. Mr. Jaeger.

Mr. JAEGER. The longer we wait to address CBI enhancement, the more jobs that will be lost to the Far East and Mexico. I think one thing that is clear here today is the importance of jobs in that region. So, we think as soon as possible, action is indicated.

Senator COVERDELL. Please.

The CHAIRMAN. Mr. Chapman, has the Public Law 480 program kicked in?

Mr. CHAPMAN. Yes, it has. Public Law 480 title 2 is working. I am not sure about the other ones. Title 2 is the one that works with PVO's. And also, the world food program is there. So there are some resources flowing. But I think, again, it is going to be kind of a longer term effort, and we need to make sure that we avoid the malnutrition cases that we are all familiar with in other parts of the world, and I think we can do it.

The CHAIRMAN. How about the medical profession of this country and others? Now, I know in the Persian Gulf that a lot of—a great many U.S. doctors went on their own hook and Samaritan's Purse lined up a lot of them. Now, is that happening? Or did you cover that earlier?

Senator COVERDELL. No, but it has been addressed, and I am personally aware of some of them from my State. I do not know if it is sufficient.

Mr. ISAACS. Well, I can just say what we are doing at Samaritan's Purse. We are probably having about 6 doctors, 6 to 10 a month, going there to serve for 1 to 2 weeks at a time. We are working with the bamberos, the fire departments, to identify villages that are cutoff and meet medical needs that way.

The CHAIRMAN. Mr. Coverdell, thank you again for letting me horn in. I notice we have a rollcall vote.

Senator COVERDELL. Yes, we have a vote.



We will end on a vignette. The chairman and Deborah for a long time dealt with another Central America. I thought it was somewhat ironic when I was there that they were building these stands in Nicaragua, and I said, what are we going to have here? There was obviously going to be some sort of display.

The Nicaraguan Army and Government, much of which we have struggled with in the past, were preparing to award the American pilots who had confronted the storm directly with the country's highest honor. Quite an ironic quirk in history to see the Nicaraguan military coming together to award our American pilots their highest military award. So, interesting note to end on.

Thank you all very much for your testimony. We will leave the record open in case, for what, 2 days, in the event additional questions need to be asked of our panelists. We thank each of you for taking time to share your personal insight with us. Thank you very much.

Thank you, Mr. Chairman.

[Senator Torricelli submitted the following prepared statement for inclusion in the record:]

STATEMENT OF HON. ROBERT G. TORRICELLI

Last fall, our Central American and Caribbean neighbors were hit by two powerful hurricanes. In September, Hurricane Georges hit the northern and eastern Caribbean, leaving over \$1.5 billion in damages. Haiti and the Dominican Republic were hit the hardest by Georges.

In October, Hurricane Mitch battered Central America for an unprecedented ten day period. During this time, over 9,000 Central Americans were killed, and over 1 million people were left homeless. Over 25 years of investment to infrastructure—including roads, bridges, and sanitation facilities—was destroyed by the storm.

Damage estimates are astronomical: rebuilding homes, hospitals, schools, farms, and businesses throughout the region will cost an estimated \$8.5 billion.

Nicaragua and Honduras suffered the most extensive damage. In Honduras, an estimated 70% of the country's crops were destroyed, including the decimation of nearly 90% of its banana industry. In Nicaragua, mudslides and extensive flooding resulted in damages to its GDP of up to 40% and created hazardous conditions conducive to outbreaks of malaria, dengue fever, and cholera.

The United States has responded with a tremendous amount of support. Since Hurricane Mitch, over \$305 million in U.S. aid has been provided to those affected countries in the Caribbean and in Central America. The presence of the Department of Defense, the Peace Corps, and countless volunteer and non-government organizations in the region has helped to provide the support and manpower these countries need in this time of immense difficulty.

Still, much remains to be done, and countries like Honduras and Nicaragua are years away from fully recuperating from the aftermath of the hurricane. In response to the continued needs of these countries, the Administration announced a \$956 million supplemental disaster relief package on February 16, 1999. The bulk of the assistance will be provided to Central America: \$613 million will provide direct reconstruction, the restoration of public health systems, economic development, assistance to local governments, and environmental management support. The package will also provide \$50 million to the Dominican Republic, Haiti, and the Eastern Caribbean for reconstruction efforts. This package is an important first step towards placing these nations on the path towards long-term economic development.

Our assistance is vital to the economic and democratic future of the region. We cannot ignore the plight of our neighbors during this time of need.

[Whereupon, at 4:24 p.m., the subcommittee was adjourned.]

