



HEMISPHERE HIGHLIGHTS

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Upcoming Events

November 19

Presentation by H.E. Bernardo Alvarez Herrera, Ambassador of Venezuela, on Constitutional Reform in Venezuela.

December 12

Venezuela Forum: Social Factors in the Bolivarian Republic.

"The speech set out the Harper government's five core priorities: strengthening Canada's sovereignty and security, providing effective economic leadership, modernizing the federation, protecting the environment, and tackling crime."

Headlines

Canada's government delivers the Speech from the Throne and announces that it will map the Canadian Arctic seabed in an effort to secure sovereignty over that region. After months of speculation, the United States and Mexico reach a historic accord on counternarcotics aid. Two recent cases before international legal bodies address long-standing border issues in Central America and the Caribbean. The people of Costa Rica vote in favor of ratifying the Central America-Dominican Republic-U.S. Free Trade Agreement (CAFTA-DR) in a nationwide referendum. Thousands of Venezuelan students clash with police as they protest planned changes to the constitution. Colombians vote in record numbers in the October 28 local elections. Ecuador's president Rafael Correa announces a steep increase in taxes on foreign oil companies' revenues. The U.S. secretary of commerce urges Brazil to take the lead in the World Trade Organization (WTO) Doha Round. Senator Cristina Fernández de Kirchner will become the 48th president of Argentina.

North America

Canada

On October 16, Canadian governor general Michaëlle Jean delivered the government's Speech from the Throne, which officially opens every new session of Parliament. The speech set out the Harper government's five core priorities: strengthening Canada's sovereignty and security (with an emphasis on the Arctic), providing effective economic leadership, modernizing the federation, protecting the environment, and tackling crime. More specifically, Prime Minister Harper promised Canadians broad-based tax relief and indicated his desire to extend the Afghanistan mission to 2011, two years longer than the current 2009 deadline. The government also acknowledged that the objectives set out in the Kyoto Protocol will not be met by Canada but that the country will still strive to reduce greenhouse gas emissions. The Bloc Québécois and the New Democratic Party (NDP) voted unanimously against the motion to accept the speech. Liberal members of Parliament, however, abstained from voting, allowing for the motion to pass 126 to 79. Thus, Liberal Party leader Stéphane Dion reluctantly assured the government's survival, despite strong criticism of the speech, especially on the environment—his signature issue. The liberals are in no position to fight an election and the party is still recovering from the three Quebec by-election losses in September (including an especially devastating defeat in the longtime Liberal stronghold of Outremont in Montreal). In addition, Dion lost both his Quebec lieutenant and the director general of the party's Quebec wing just hours before the throne speech. By allowing the government to stand, Dion is also responding to Canadians who, after three general elections in less than four years, show few signs of wanting to head back to the polls. Recent surveys, however, suggest that Harper's minority government is still short of a majority, which means he will need to tread carefully to maintain the current status quo. Tanya Primiani

Recent Events

October 19

Presentation by the
Minister of Hydro-
carbons and
Energy of Boliva

October 2

Venezuela Forum:
Economics and
Energy

Ottawa announced on October 16 its intention to map the entire Canadian Arctic seabed as part of its campaign to secure sovereignty over a region of increasing strategic importance. This is the latest in a series of Arctic initiatives announced by the Canadian government in recent months, which have ranged from environmental, climate change, and cultural studies to a C\$ 100-million (approximately US\$ 107 million) deepwater seaport on Baffin Island, the construction of a military training facility at Resolute Bay, the acquisition of six to eight new icebreaker patrol ships, and a C\$ 3 million (approximately US\$ 3.2 million) naval exercise entitled Operation Nanook. The main geographic area under dispute is the Lomonsov Ridge, an underwater mountain chain that extends 1,500 kilometers between Siberia and Canada's Ellesmere Island. The United Nations Convention on the Law of the Sea (UNCLOS), which Canada ratified in 2003, holds that a state has the exclusive right to exploit all natural resources within 200 nautical miles of its territorial waters. The Canadian government hopes to collect evidence that proves the ridge is geologically connected to its coastline, thereby extending its exclusive economic zone to include this vast and potentially resource-rich undersea region. Canada has until December 2013 to submit scientific evidence in support of its territorial claims on the continental shelf. *Canada is not the only state giving the Arctic increased attention. The long-standing international question of Arctic sovereignty has recently taken on the semblance of a space race, with Arctic states scrambling to assert their presence. This summer saw scientific expeditions and military deployments to the Arctic by Russia, Denmark, Sweden, and the United States. This sudden rush north can be attributed to changes caused by global warming. The polar ice cap is melting at a record rate, and it is expected that within 20 to 30 years the legendary Northwest Passage will be entirely open to ships, reducing the shipping distance between London and Tokyo by 3,000 miles. It will also make possible the exploration and extraction of oil and gas from under the Arctic Ocean, which is estimated by the U.S. Geological Survey to represent 25 percent of the earth's undiscovered hydrocarbon reserves. For these reasons, it is likely that Canada's diplomatic maneuvering to secure its Arctic claim will continue to intensify.* **Jessica Horwitz**

"Some Mexicans argue that without a substantial U.S. commitment to reduce the flow of arms into Mexico, the Mérida Initiative will not be successful."

Mexico

After months of speculation, on October 22 the United States and Mexico reached a historic accord through which the U.S. will provide the Mexican government \$1.4 billion over 3 years in counter-narcotics aid in the form of aircraft, equipment, intelligence-sharing, and training. The agreement is being dubbed the "Mérida Initiative" after the city where the plan was conceived earlier this spring by President Bush and President Calderón. The package will include \$500 million for Mexico for the first year, as well as \$50 million for Central American countries. It forms a part of the \$46 billion supplemental budget request that is currently awaiting congressional approval and which also includes funding for operations in Iraq and Afghanistan. The agreement covers customs inspection equipment, communication cooperation, training and funds to improve the police and judicial systems, helicopters, and surveillance aircraft. According to the Mexico City daily *El Universal*, 61% of the funds will go to the Mexican Armed Forces. *As the debate begins to heat up in Mexico, the opposition Party of the Democratic Revolution (PRD) is complaining about the exclusion of political parties from the negotiation process. Some Mexicans argue that without a substantial U.S. commitment to reduce the flow of arms into Mexico, the Mérida Initiative will not be successful. Arms trafficking is not directly included in the agreement, though it is currently being handled by the U.S. Department of Justice through the Southwest Border Initiative, in operation since 2005.* **Travis Scott High**

Regional

Two recent cases before international legal bodies addressed some long-standing border issues that have challenged the foreign relations of Central America and the Caribbean. One decision issued by the World Court (UN International Court of Justice) in The Hague on October 8 settled a long-standing maritime boundary dispute between Honduras and Nicaragua. A second dispute, handled by the UN International Tribunal on the Law of the Seas (ITLOS), is reaching closure to end a dispute between Guyana and Suriname, though jurisdictional battles over whether the multilateral body can make an award are still being contested by the parties. A decision in the latter case is expected by the end of the year. Boundary issues have been a central theme in regional politics since 1494, when the Pope Alexander VI divided ownership of the Western Hemisphere in the Treaty of Tordesillas. By creating an artificial line between lands discovered by Spain and Portugal, border battles have continued for centuries; the recent disputes are no exception. When the Spanish colonies declared their independence from Spain, many of the fuzzy boundaries arising from colonial days remained, as in the case of Nicaragua and Honduras. The World Court decision that awarded four small Caribbean islands to Honduras (Bobel Cay, Savanna Cay, Port Royal Cay, and South Cay) is illustrative of how economic issues—such as fishing rights and the potential for exploration of new underwater oil deposits—have created greater incentives for countries to settle their differences peacefully. Both Nicaragua and Honduras got something out of the deal. Nicaragua’s argument that its maritime border had never been drawn up at the time of a 1906 ruling by the Spanish Crown reopened the opportunity to Nicaragua to “explore and exploit” natural resources off the coast. Although Honduras and Nicaragua are obliged to draw new maritime boundaries, the door is open for greater bilateral cooperation on fossil fuel exploration, something that would benefit both nations, which are dependent on imported oil for power generation. Fossil fuel deposits are also driving the resolution of the Guyana-Suriname border dispute. The issue is whether the Corentyne River, which is currently claimed by Suriname, extends out into the Atlantic for 200 miles. The river is a wealth of resources, including oil reserves, and is a site of commercial fishing. Suriname currently licenses Guyanese fisherman who want to enter the river. Further adding to the controversy are the rights that Guyana gave to a Canadian energy company, CGX, to exploit the river; Suriname forcibly expelled CGX in 2002. *Successful resolution of the Nicaragua-Honduras dispute and expected resolution of the Guyana-Suriname boundary dispute demonstrate a new twist on an old theme. Energy security and the search for more oil reserves can bring countries to rely on more peaceful, legal means of ending controversies, given the huge economic potential at stake. With oil selling this week at more than \$90 a barrel, it is no wonder that solutions like these can only help ensure greater regional security for all parties.* Johanna Mendelson-Forman

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Central America

Costa Rica

On October 7, the people of Costa Rica voted in favor of ratifying CAFTA-DR in an intensely contested nationwide referendum. Garnering around 52 percent of the vote, President Oscar Arias and his “Yes-Alliance” narrowly overcame a strong campaign from opponents of the free trade agreement. During the weeks leading up to the referendum, a protest organized by the “no” side drew more than 100,000 people, and most polls indicated that CAFTA-DR was headed for rejection in Costa Rica. From the “yes” camp, Arias returned fire, saying that a failure to ratify the trade agreement would represent an act of “collective suicide.” Well-known Costa Rican economist Álvaro Cedeño also interjected with an emotional appeal on behalf of the trade agreement in the country’s national newspaper, *La Nación*. The discord between the two camps further intensified when details

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emerged from a leaked memorandum written by *Second Vice President and Planning Minister Kevin Casas* outlining several borderline tactics that the “yes” campaign could employ. As the day of the referendum arrived, the trade agreement was a source of significant discord among Costa Ricans. As indicated by the narrow margin of victory, the approval of CAFTA-DR in no way represents the emergence of a national consensus regarding the prospective benefits and drawbacks of the trade agreement. Those who supported the free trade agreement argued that it will bring needed investment and jobs into the country, while also enabling the Costa Rican economy to diversify its services and technology sectors. Meanwhile, CAFTA-DR’s opponents continue to contend that the trade agreement will do harm to local markets by overwhelming them with low-cost foreign imports. Additionally, the “no” side bemoans what it considers the trade agreement’s potential to diminish Costa Rican sovereignty by subjecting it to international arbitration of investment disputes. By becoming the first Latin American country to hinge the ratification of a free trade agreement on a national referendum, Costa Rica provided insight into the divisiveness that the issue of greater free trade in the hemisphere rouses in some countries. **Peter Gosselin**

South America

Venezuela

At the end of October, thousands of Venezuelan students clashed with police firing tear gas as they marched to Congress to protest against planned changes to the constitution. Marchers pushed through police lines in central Caracas, exchanging a volley of rocks and bottles with small groups of pro-Chavez demonstrators. The National Assembly, dominated by Chavez supporters, is considering 58 constitutional amendments and is expected to approve the final wording in the next several weeks before they are put to a popular vote in early December. *It is doubtful that voters will have the opportunity to vote on individual amendments. They are likely to be put together as a package and voters will be able to vote only yes or no. Despite the student protests and opposition of the Catholic Church and other groups that believe the changes will only concentrate more power in the president’s hands, it looks as if they will be approved. Chavez argues that the changes are necessary to strengthen the Bolivarian revolution to help the poor majority achieve needed reforms, such as extending social security benefits to street vendors. If the changes are approved, the president’s current term would be lengthened by one year and term limits would be abolished. He also would be able to more easily declare a state of emergency and suspend civil liberties. Another change would take away the independence of the central bank. One change that has been almost overlooked in the press could pave the way for a confederation of republics. Earlier in the month, while on a visit to Cuba, Chavez suggested that the two countries could merge into such a confederation. Despite confusion over the wording of some of the changes, one thing is clear: all of the constitutional changes are designed to put even more decisionmaking power in the hands of one man. What is not clear is to what extent the incipient student-led opposition will be able to influence public opinion.* **Lowell R. Fleischer**

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Colombia

Colombians voted in record numbers in the October 28 local elections, but the political future they want for their country is not clear. Samuel Moreno of the Polo Democrático was elected mayor of the capital, Bogotá, the second most important political executive position in the country. He defeated former mayor Enrique Peñalosa, who ran with the Liberal Party label but was openly supported by President Álvaro Uribe. Moreno, grandson of Colombia's military dictator in the 1950s, has followed a populist course through many campaigns until finding a home in recent years with the leftist Polo. With Moreno, Bogotaños chose a new mayor who promises to favor the poor rather than the "good government" approach offered by Peñalosa. Aside from holding onto the important Bogotá job, the Polo did not show the growth it had hoped for in other parts of the country. On the north coast, a region particularly afflicted by the "parapolítico" and other corruption scandals, a number of young new faces with credibility as reformers were elected—for example, the mayor of Cartagena and the governors of Cesar and Atlántico. In the last case, one of the historically important regional "caciques," José Namé, went down to defeat; but in a seeming contradiction, a little known scion of a family linked to Namé was elected mayor of Atlántico's capital, Barranquilla, the third-largest city in the country. A similar split vote took place in the important department of Antioquia and its capital, Medellín. Former governor Luis Alfredo Ramos was returned to office. His name has not been touched by corruption allegations but the party he founded, one of the smaller pieces of President Uribe's coalition, has been the target of multiple "parapolítico" accusations. In the country's second largest city, Medellín, the effective incumbent mayor Sergio Fajardo managed to pass on his popularity and got his former assistant, Alonso Salazar, elected as his successor. The election of Horacio Serpa as governor of Santander was particularly notable. Twice defeated when he ran as the Liberal Party's candidate for president, he not only won an important regional government for his party but in doing so also defeated one of the most corrupt political machines. *Not only was the number of voters up in these local elections but there was also an increase in the number of candidates running for office at all levels. Both increases are good indicators that decentralization of the government, which began two decades ago, is taking hold. Ultimately, competitive politics will be the best cure for the authoritarian style of local government that is at the heart of the recent round of scandals. Another healthy sign was that the level of election-related violence was the lowest it has been in more than a decade.*

Phillip McLean

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Ecuador

Ecuador's president Rafael Correa announced a steep increase in taxes on foreign oil companies' revenues. On October 4, Correa issued an executive decree establishing that 99 percent of windfall oil profits will go to the state and the remaining 1 percent to companies. Windfall profits are made whenever prices on international oil markets exceed prices established in existing contracts. Correa's decree amends an earlier reform to the Hydrocarbons Law carried out by his predecessor, Alfredo Palacio, in April 2006 that called for a 50–50 share with foreign oil companies of profits stemming from rising oil prices. Saying that the state is not getting enough and describing the new measure as "fair and constitutional," the government justified the decision by noting that the average oil price in existing contracts with private companies is around \$24 a barrel, while the export price of Ecuadorean oil has been consistently over \$60 a barrel since last June. The government expects to collect an additional \$700 million a year as a result of this decision. Energy Minister Galo Chiriboga has suggested that foreign companies unhappy with this arrangement are free to switch to a services contract, by which the government recognizes the investments of companies in Ecuador and receives all of their production. This type of contract was widely used in the 1990s, but was abandoned when oil prices fell toward the end of the decade, thus becoming less profitable for the Ecuadorian state. *Ecuador is*

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the fifth-largest oil producer in South America, with production of 507,000 barrels a day of crude oil. Oil is its main export, accounting for 59 percent of total export earnings in 2006. With a strong mandate derived from his ruling alliance's overwhelming victory in the constituent assembly elections of September 30, Correa is becoming more assertive in the hydrocarbons sector, as was also demonstrated by this month's decision to rejoin the Organization of the Petroleum Exporting Countries (OPEC), from which Ecuador withdrew in 1992. Constantly changing the rules of the game, however, is having a significant impact on foreign investment in the oil sector. As a result of the 50-50 clause, investment stalled last year and was the lowest in the last five years. Uncertainty over the constitutional assembly process also put investments on hold this year. In addition, Ecuador fell in Transparency International's 2007 Corruption Perceptions Index (from 138 to 150, out of 180 positions) as well as in the World Bank's Doing Business Report (from 124 to 128, out of 178). All of these are hardly encouraging signs for the investment climate in Ecuador's hydrocarbons sector. Valeria Di Fiori

"October has been a busy month for Brazil in terms of trade, and included discussions with the European Union on the safety of Brazilian beef, a victory on the U.S.-Brazil WTO cotton subsidy dispute, and active participation in the second IBSA Dialogue Forum..."

Brazil

On October 10, U.S. Secretary of Commerce Carlos Gutierrez urged Brazil to take the lead in the WTO's Doha Round. During his trip to Colombia, Brazil, and Uruguay to discuss ways to promote greater bilateral trade and foster commercial cooperation, Secretary Gutierrez delivered a speech at the American Chamber of Commerce in São Paulo. He emphasized the strong commercial bonds between Brazil and the United States and recognized that to make real progress in the hemisphere, the United States and Brazil must work together. Noting that the United States has expressed its willingness to negotiate on the key issue of domestic agricultural support, he suggested that it is time for Brazil to make the same commitment and to use its significant influence to persuade other advanced developing countries to do the same. In his response, Roberto Azevedo, the undersecretary at Brazil's foreign ministry, described the U.S. negotiation stance as "frankly unfair, unreasonable, and irrational," according to an article published by Reuters, stating that U.S. agricultural concessions do not constitute high enough commitments to deserve similar concessions in manufacturing tariffs and in other sectors. *October has been a busy month for Brazil regarding trade, and included discussions with the European Union on the safety of Brazilian beef, a victory on the U.S.-Brazil WTO cotton subsidy dispute, and active participation in the second summit of the India-Brazil-South Africa (IBSA) Dialogue Forum, held this month in South Africa. Brazil has taken a lead in global trade negotiations, but perhaps not the role that the United States was hoping for. The leaders of Brazil, India, and South Africa issued a strong statement concerning the Doha Round in the IBSA Summit Declaration on October 17, underscoring their belief that removing barriers to global agricultural trade "is a development imperative and should not be linked with meeting the disproportionate demands by developed countries in the non-agricultural market access and services negotiations." Although all parties continue to express their willingness to negotiate, real progress in the Doha Round remains as uncertain as ever. Emily Siedlak*

Argentina

On December 10, Senator Cristina Fernández de Kirchner will become the 48th president of Argentina. She handily surpassed the 40 percent threshold that, combined with a 20-point lead over the second-place candidate, rules out the *ballotage*. Although María Estela Martínez de Perón, elected vice president in 1973, succeeded her husband upon his death the following year, this is the first time a woman has been elected president. Elisa “Lilita” Carrió, leader of the *Coalición Cívica*, came in second, with important victories in some of the largest cities in the country. If the *Coalición* manages to avoid disintegration, which seems to be the fate of most alliances and even some political parties in Argentina, it could become the core of the future opposition. At the same time, these elections have brought to public attention winners of different races who may become major figures, in particular, new governors like Daniel Scioli of Buenos Aires and Juan Urtubey of Salta. *Although it is too early to make assessments, a few hints can be drawn from words and gestures. Cristina Kirchner will probably continue to apply the policies set by President Néstor Kirchner, but rumors indicate that the huge public works program that characterized this election year will give way to a sounder fiscal policy in 2008. Most analysts expect a change in style, both in politics and in foreign affairs. Her victory speech on election night was very moderate and called for the support of all Argentines. Néstor Kirchner, on the other hand, never met with opposition leaders. He has already announced that, after stepping down from the presidency, he will concentrate on the reorganization of the Partido Justicialista.*

Carlos M. Regúnaga

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