

HEADLINES:

PRI LEADERSHIP CONTEST IN MEXICO; ARGENTINA AND THE IMF; UNCERTAINTY IN COLOMBIA AND VENEZUELA

MEXICO

For the first time in its history, the Institutional Revolutionary Party (PRI) held nation-wide elections for its leadership positions of president and secretary general on February 24, open to all members and sympathizers of the party. The decision to "return the party to the electorate" is part of a broader party strategy to shed the negative aspects of the PRI's public image and to communicate to the Mexican people that the PRI is changing in ways that are reflective of the demands of society for a more plural, democratic and transparent political system. After two months of heated and personalistic campaigning between former President of the Chamber of Deputies Beatriz Paredes and ex-governor of Tabasco Roberto Madrazo, the neck-and-neck race resulted in Roberto Madrazo being declared the winner on Wednesday night. This close outcome could result in deeper rifts among PRI factions, especially with Paredes protesting the decision and asking for nullification in several southern states. The dispute must be resolved by the Subcommittee on Legality before the March 4 inauguration. *It may be difficult for the party to come together behind the declared winner, especially amidst doubts about procedural integrity emanating from both camps. The inability to reconcile the divisions within the party would pose problems both for the party itself, and for the Fox administration's ability to negotiate with elected officials from the PRI in governing the country.* **Armand Peschard-Sverdrup and Meghan Bishop**

Correction: Last month's edition regarding the alleged funneling of funds from Pemex into the 2000 presidential campaign of PRI candidate Francisco Labastida incorrectly cited the amount of money in question as potentially totaling US \$11 million, whereas the correct amount is US\$110 million.

ARGENTINA

Argentina and the International Monetary Fund made little apparent progress in February on the elements of an economic program that the Fund would support. Argentine President Duhalde stated repeatedly that he has no intention of rupturing his contacts with the Fund and that Argentina will need external support in order to emerge from its current crisis. The head of the InterAmerican Development Bank, Enrique Iglesias, gave a speech in which he said that delay of another month in working out an IMF support agreement would lead to further political disintegration. President Bush is on record as supporting an IMF agreement once Argentina provides a concrete plan, a key element of which is reducing budgetary deficits, including the power of the Argentine provinces over their share of the federal budget. *The political situation in Argentina remains tense and Duhalde's control of events, never great after he assumed the presidency, diminishes almost daily. The Argentine economy continued to deteriorate in February.* **Sidney Weintraub**

COLOMBIA

End of the Peace Process. After three years seeking peace with the Fuerzas Armadas Revolucionarias de Colombia, the FARC, President Andres Pastrana finally concluded on February 20 that Colombia's largest guerrilla group is not interested in meaningful negotiations. For the first time, he labeled the FARC a terrorist organization. As the Colombian armed forces moved into the 16,000 sq. mile zone Pastrana had turned over to the FARC at the beginning of his administration in 1998, FARC leaders and troop concentrations dispersed. *The United States immediately announced its support for Pastrana's decision and scrambled to find ways to be helpful, especially with intelligence, within current legislative restrictions. Even those who fervently backed peace talks, such as UN*

and European officials, made clear they understood the futility of further talks at this time. When the President gave the guerrillas yet another extension of the demilitarized zone in January, the FARC returned the favor with heightened violence and the bold kidnapping of a key Senator. Now, the FARC and government forces will face off, and the inevitable and sad result will be even more bloodshed.

Phillip McLean

Presidential Preference Swings Sharply to Uribe. Colombian public frustration with the events of January followed by renewed guerrilla aggressions has led to a strong swing of opinion toward Alvaro Uribe, the candidate with the strongest anti-guerrilla platform. The latest presidential preference poll released February 12 showed Uribe, running as an independent Liberal, was the preference of 53 per cent of those likely to vote in the presidential elections May 26. The possibility that the former governor of Antioquia might win a first round majority was a shock to supporters of the other two major candidates, the official Liberal candidate Horacio Serpa (with 25 per cent) and Noemi Sanin, another independent (with 12 per cent). They had run first and second ahead of Uribe until just six weeks ago. *Uribe's lead in the polls does not mean the Colombian presidential race is over, though the latest jump in his popularity is consistent with the trend of the last several months. In these troubled times, Colombian views change abruptly and well may do so again depending, among other things, on how the public perceives the government's campaign against the FARC. Rising violence now threatens the integrity of the elections themselves, as illustrated by the kidnapping by the FARC February 24 of Ingrid Betancourt, a minor but attention getting presidential candidate.* **Phillip McLean**

VENEZUELA

Naval Officer Demands Chávez Resign. Vice Admiral Carlos Molina Tamayo, Venezuela's ambassador designate to Greece, at a news conference earlier this month, surprised his colleagues and urged them to add their voices to demands that President Chávez step down. He is the highest-ranking officer yet to join Air Force Col. Pedro Soto and National Guard Captain Pedro Flores, both of whom earlier urged military officers to turn against Chávez and his "tyrannical government." Molina said his disillusionment was shared by 90 percent of the traditionally conservative military establishment. *It is interesting that all three dissident officers have called for an institutional way out of Venezuela's political crisis, suggesting that the military would not move to oust the president. There is no question, however, that Chávez' relations with the armed forces continue to deteriorate. The day before Molina's press conference, El Nacional disclosed another letter from a group of active duty officers demanding that Gen. Lucas Rincon Romero take immediate measures to prevent a civil conflict from erupting in Venezuela. In the present economic climate, it is becoming more difficult to continue with the perks and privileges that have always been used to ensure the loyalty of the Venezuelan military.* **Lowell R. Fleischer**

Chávez to Announce New Economic Plan. On the heels of his recent decision to float the bolivar and cut government expenditures in order to deal with Venezuela's current economic crisis, President Chávez has said that he will announce a plan to save the economy from insolvency. *The pressure is on Chávez to make changes in policies and in his economic cabinet and to work with the private sector and labor, both of which he has excoriated in the past, to devise a plan to halt the country's economic slide. Recently-fired president of Petroleos de Venezuela (PDVSA), Gen. Guaicaipuro Lameda, retired from the military last week and immediately called on Chávez to "change what you are doing," adding that he would like to see "big changes" in both economic policy and political strategies. Recent revelations that PDVSA will soon be having cash flow problems because of the government's insatiable demands for revenue only add weight to predictions that the government will face a financial crisis by mid-year. Even the best economic measures are likely to fail however, if the political polarization of the country continues and Chávez does not open a genuine dialogue with the opposition.* **Lowell R. Fleischer**

New Finance Minister Named. With little fanfare, President Hugo Chávez earlier this week used the occasion of a press conference with foreign reporters to announce a new minister of finance. He named Gen. Francisco Usón, formerly the budget director, to replace Nelson Merentes, who held the position for less than a year. Usón is the fourth person to hold the office since Chávez' election three years ago. The only original member of the cabinet left is Minister of Planning Jorge Giordani, who the President said would remain in that position. *Usón is little known outside of Venezuela and his appointment is unlikely to satisfy those who have been pressing for a complete change of the economic cabinet. In answer to a reporter's question about whether Giordani would continue as the "manager" of the economic team, Chávez answered, "I am the manager."*

Lowell R. Fleischer

BRAZIL

President Cardoso announced this week that electricity rationing will end on March 1 and should not be necessary for the remainder of this year. Thanks to household consumers who surpassed the obligatory 20 percent reduction in electricity consumption per month, and the increase in the water level to 56 percent of the reservoirs' capacity, there should not be a shortage of electricity as long as the Brazilian government attracts R\$34 billion (US\$13.6 billion) in private investments to expand the energy sector, including the hydroelectric plants. *This*

is a good sign for the Brazilian economy, which had blamed its low economic growth (2.5 percent) on the energy crisis. However, given the Argentine economic and political turmoil (according to IMF officials, Brazil could face a \$2 billion loss in revenue this year because of Argentina), slow growth in the international economy, a volatile exchange rate, and high interest rates, economic growth in Brazil will likely be lower than expected. Moreover, Cardoso's decision may be premature since households and businesses could resume their lavish power usage, not to mention a possible lack of sufficient private investments in the energy sector. Furthermore, the opposition has criticized the government for lifting electricity penalties as a presidential election campaign strategy. **Viviane Vanni**

THE CARIBBEAN

U.S. Secretary of State Colin Powell and the foreign ministers of the Caribbean Community (CARICOM)

laid out markers for the future of U.S.-Caribbean relations during a February 7 meeting in The Bahamas. Discussions focused on cooperative efforts against terrorism and narcotrafficking, President Bush's Third Border Initiative (TBI), an effort to broaden U.S. engagement in the region, as well as measures to build economic capacity, leverage public-private partnerships, and help the Caribbean prepare for the FTAA, natural disasters, and security. Specifics of the initiative were outlined by Powell in *Diario las Americas*, and include \$20 million in HIV/AIDS education and prevention, the establishment of a Caribbean Center for Excellence in Teacher Training, \$1 million for student scholarships and internships, and a program to enhance airport security. Caribbean leaders emphasized the primacy of economic development, trade, and investment for the TBI to be successful, and raised regional concerns such as blacklisting the offshore financial sectors of certain countries, U.S. deportations of criminals, and U.S. market access for Caribbean nations. The Caribbean leaders also criticized U.S. policy toward Haiti, stating that Aristide has taken actions "in the right direction," and called for a resumption of U.S. aid in order to rebuild democracy in Haiti. *Although Powell's meeting and the TBI are positive steps, it will be difficult for a comprehensive and coherent policy toward the region to prevail over the persistent hot button issues of Haiti, Cuba, and drug trafficking, not to mention other pressing hemispheric and global agendas.* **Amy Coughenour**

CANADA

Clouded outlook for Kyoto. Speaking in Cartagena, Colombia at the Third Global Forum of Environment Ministers, sponsored by United Nations Environment Program (UNEP), Canadian Environment Minister David Anderson praised a new U.S. plan to reduce greenhouse gas emissions by 18 percent within ten years as, "a good first step." Anderson did not renew the Chrétien government's pledge to ratify and implement the Kyoto protocols before end of 2002, which is now in doubt. Nine of the ten provincial premiers-all but Quebec-issued a letter arguing that Canada should not move forward with Kyoto unless the United States was prepared to do the same. *Some Canadian business leaders fear that tougher standards in Canada could hurt their competitiveness as compared with U.S. firms and divert future investment to the United States. The Canadian debate on Kyoto will intensify in the run-up to the UNEP World Summit on Sustainable Development-a follow-up to the 1992 Rio Summit-in Johannesburg, South Africa in August.*

Christopher Sands

North American Energy-without Mexico? U.S. Energy Secretary Spencer Abraham announced that Canada had agreed to co-sponsor the first-ever summit of G-8 energy ministers in Detroit, on May 2 and 3. Canada is this year's host for the G-8 leaders summit-to take place in Kananaskis, Alberta on June 25 and 26-and would traditionally host all G-8 ministerial meetings during its host year. Abraham, who was a U.S. senator from Michigan prior to joining the Bush cabinet, wants to use the meeting to promote the administration's energy strategy, including a proposal for greater North American energy market integration. *The new G-8 venue for multilateral energy discussions will preclude Mexican participation-a fact that will be viewed in the private sector and elsewhere as confirmation of the recent trend toward bilateral U.S.-Canada energy cooperation following Mexican difficulties in overcoming serious constitutional obstacles to foreign participation in its energy sector, which has caused frustration in both Washington and Ottawa.*

Christopher Sands

HEMISPHERIC

Exchange rates. Venezuela floated the bolivar on February 11, when the rate was 795 to the dollar, and at the end of February the rate was about 1,100 to the dollar, a depreciation of about 38 percent. Argentina has been floating its peso since February 11, and its value has depreciated over that time from one-to-one with the dollar to about 2.2 to the dollar at the end of February, or by more than 100 percent. Neither float is a good test of where the currencies will eventually settle. Venezuela has been intervening heavily to prevent excessive depreciation (and accompanying inflation) and, in Argentina, the restricted money supply from the partial freezing of bank accounts limits the potential demand for dollars. In both cases, the currencies started from what were widely considered to be overvalued rates. *Floating has now become the norm in Latin America, relatively clean in some cases and less so in others. In addition to Panama, Ecuador and El Salvador are experimenting with dollarization.*

The main converts to floating in recent years were Mexico, Brazil, and Chile, all of whom have stable economies today, and now Argentina and Venezuela, whose economies are anything but stable. **Sidney Weintraub**