

# HEMISPHERE HIGHLIGHTS

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### HEADLINES:

**IMF ATTEMPTS BRAZIL AND URUGUAY RESCUE; CANADA'S CHRÉTIEN HAS A RETIREMENT PLAN; MEXICO'S FOX LAUNCHES ENERGY REFORM; COLOMBIA'S URIBE SHAKES UP NATIONAL POLICY; VENEZUELAN CONGRESSMEN TO VISIT THE UNITED STATES**

#### HEMISPHERIC

**The United States provided a bridge loan of \$1.5 billion to Uruguay to tide the country over until the IMF credit kicked in** and backed a \$30-billion IMF credit to Brazil largely back loaded to assure support of opposition candidates (Lula and Ciro Gomes) should they win the presidency. The two actions stimulated much discussion, both in the United States and in Latin America, as to whether the Bush administration's earlier policy to stay out of financial rescue packages has given way to active participation in these efforts. *The shift was important in that it signified that the United States would be a player in these rescue packages when the conditions are right. The main condition seems to be that the problems are not mainly amenable to government correction. Uruguay was buffeted by bank withdrawals from Argentines, and the Brazilian government cannot deal with the popularity of opposition presidential candidates. A second aspect of the Brazilian rescue is that a breakdown in the country's debt servicing would adversely affect U.S. and other financial institutions.* **Sidney Weintraub**

#### BRAZIL

**With just weeks left before the October 6 first round in the Brazilian presidential elections**, it looks like it will be Luiz Inácio Lula da Silva (leader of the PT) and Ciro Gomes (PPS) who will make it to the second round of elections on October 27. In the latest Vox Populi poll, da Silva garnered 34 percent support, and Gomes 25 percent, while the candidate of President Cardoso's PSDB, Jose Serra, came in third at 15 percent-not enough to make it to the second round. *Serra's hope is that greater access to free TV air time and an aggressive campaign push in the final weeks will catapult him into the second round, but it already appears to be too late for the former health minister. The race will likely come down to which of the top two candidates does a better job at appealing to centrist voters. Currently, Gomes is best positioned to do so, having won endorsements from traditional political party and regional chieftains, like Jose Sarney, Itamar Franco, and most recently, Tasso Jereissati. Upcoming presidential debates, however, will be closely watched by centrist voters and could give any candidate new momentum-upward or downward-in what will certainly be a close race.* **Miguel Diaz**

#### CANADA

**Prime Minister Jean Chrétien announced his intention to retire in February 2004**, bowing to pressure from within his Liberal Party and independent polls that showed he would lose a vote of confidence in his leadership at a party convention next year. Paul Martin, who was fired as finance minister by the prime minister in June, has demonstrated his power over the party by forcing Chrétien's retreat and is considered his likely successor. Former prime minister Joe Clark also announced this month that he would step down as leader of the ailing Progressive Conservative Party. *Ottawa has been preoccupied for months already as cabinet ministers jockeyed for the position-and Chrétien's long farewell, meant to give Martin ample time to stumble and his rivals time to gather strength, has prolonged the distraction. Markets and U.S. officials will face political uncertainty that may place bilateral negotiations and possibly even a few investments into limbo-until February 2004, when it will be Washington's turn to be preoccupied by presidential elections.*

**The United States and Canada resumed softwood lumber talks** after the WTO issued a ruling on August 7 that U.S. officials had erred in calculating a preliminary duty on Canadian imports. The ruling had no immediate effect because the United States is now levying a final duty that replaced the preliminary one. The WTO has yet to

consider Canada's challenge to the final duty calculation. The Canadian side, however, suffered a major setback because the August 7 WTO ruling upheld the U.S. position that Canada's system of awarding logging rights on public land could be considered a subsidy to Canada's lumber industry. *The long-standing fight over lumber trade may ultimately require a political solution, something that WTO and NAFTA cases cannot provide. Lumber interests in the United States can endure a stalemate longer than the beleaguered Canadian industry can. Will the Bush administration spend its political capital to resolve this dispute now, or wait to make a deal with Chrétien's successor instead?* **Christopher Sands**

## **MEXICO**

**President Fox was to meet with President Bush at the Crawford Ranch on August 26 but cancelled** two weeks before the meeting in protest of the state of Texas's execution of a Mexican national on August 17, for murdering a police officer in 1988. *Fox's cancellation does not indicate a serious break in U.S.-Mexico relations, but reveals the complicated Mexican political situation. Diplomatically, Fox's approach to the cancellation and the mild White House response reflect the personal friendship between the two presidents. Yet domestically, Fox benefited by his strong stance against the execution, which demonstrated his independence to Mexican political opponents who criticize him for his commitment to close relations with the United States. In addition, Fox pleased Mexican-Americans by speaking on behalf of a Mexican national; many expatriates can vote in Mexican elections, and Fox recently irritated some politically influential community leaders with a reorganization of his Office of the President for Mexicans Abroad. Fox's protest also signaled that Texas politicians hoping to benefit from a photo-op execution prior to November elections risk losing support from the state's crucial Mexican-American voters in this case.*

**On August 14, an early draft of Fox's energy reform proposal was circulated** to several deputies and senators. The package will be submitted serially, beginning with reforms focusing on electricity, and then moving to natural gas and the fiscal reform of Pemex, CFE, and Luz y Fuerza, the electricity provider for the greater Mexico City area. *Fox's current proposal would require modifications to the Mexican constitution—an action against which the PRD stands firm. There is not a consensus within the PRI on the issue of constitutional reform, although the PRI's entity, Fundación Colosio, includes constitutional reforms in its own energy proposal, and the party's president, Roberto Madrazo, has taken a middle-of-the-road approach on the issue. The very fact that negotiations are taking place prior to any formal submission may indicate that the administration and Congress have learned a few lessons from the disappointing fiscal reform package that passed early this year.* **Armand Peschard-Sverdrup and Meghan Bishop**

## **HAITI**

**Street demonstrations to demand President Jean-Bertrand Aristide's resignation are on the rise** in Gonaives, Cap-Haitien, and Petit-Goave, most of which are traditional Lavalas strongholds. Gonaives, a city of 200,000, captured international attention when antigovernment groups smashed through a prison and released 159 prisoners including Amiot Metayer, a former Aristide ally. Haiti's national police subsequently lost control of the city, but the Haitian government continues to downplay the significance of the riot and others like it. *After two years of precipitous political and economic decline, a growing number of Lavalas supporters have begun to reassess their fealty to the party in light of high unemployment rates, the breakdown of remaining health infrastructure, and rising living costs. The spread of antigovernment protests in the north, slowly moving south, is reminiscent of the end of the Duvalier regime and poses a serious problem for Aristide and his remaining Lavalas supporters, who have thus far been able to successfully intimidate their political opponents and resist international pressure for new elections.* **Mina Remy**

## **ARGENTINA**

**There is growing resentment within the Duhalde government** that Argentina's neighbors, Brazil and Uruguay, have recently been able to sign deals for IMF assistance, while IMF talks with Argentina—a country that objectively suffers as much, if not more, than its neighbors—remain stalled. Pressure is increasing on the Duhalde government, with the majority of the population now living in poverty and thousands more joining them daily. The failure to come to terms with the IMF on monetary policy and reforms to Argentina's financial system are the main obstacles to an agreement. The recent legislative initiative by Congress to impose a tax on banks and extend by 90 days the time banks can confiscate properties in default was considered unhelpful by IMF officials. *Given an apparent recent change in Washington, in thinking about the degree of risk of regional political/economic contagion posed by a worsening situation in Argentina, it now seems likely that Argentina will get some short-term relief from the IMF so as to prevent a default on its debt to the IDB and the World Bank. A broader, more comprehensive agreement will likely have to wait until a new Argentine president takes over next year.* **Miguel Diaz**

## **VENEZUELA**

**In a long awaited decision, the Venezuelan Supreme Court decided that there were insufficient grounds** grounds to charge four army officers with undertaking a military coup this past April. The court's decision triggered

a wave of violence by Chavez's supporters that left dozens injured and hundreds of thousands of dollars in property damage. Chavez, who had urged calm the day before, reversed his position after the decision and called for a mass protest march on August 24. Chavez allies in Congress, meanwhile, called for an investigation of those Supreme Court justices who favored the decision. As it was in July, the situation in Venezuela remains highly polarized and volatile. *Still, it was not all bad news for Venezuela in August. Both the government and the opposition accepted an offer by the OAS, the United Nations, and the Carter Center to facilitate a political dialogue. How this facilitation will be offered is as yet unclear, but the gesture gives reason to hope that the Venezuelans could still talk their way out of the crisis. Another positive step occurred with the announcement that a multiparty delegation of Venezuelan congressmen would visit the United States in September for four days of discussion and meetings, some of which will be organized by CSIS.* **Miguel Diaz**

## **COLOMBIA**

**Mortar shells fell on Bogota on August 7** just as Alvaro Uribe was being sworn in as president of Colombia. The explosions resulted in 20 dead and over 50 injured. It is assumed that the presidential palace and the congress, where the inaugural ceremony was taking place, were the intended targets although only a few shells landed near those buildings. In a nearby shantytown, mortar rounds killed 14 homeless persons and wounded many more—it could have been worse, if mortars rigged to launch electronically had not failed. *The attack was an embarrassment for government security forces, which were heavily deployed around the city to prevent the Revolutionary Armed Forces of Colombia (FARC) from disrupting the inauguration of Uribe, elected on a hard-line antiguerrilla platform. The mortars used in Bogota show the influence of the Irish Republican Army veterans arrested in Bogota last year, though FARC execution was weak, and many doubt whether a rural-based organization with little ideological passion such as the FARC can maintain a loyal and disciplined terrorist capability in the cities.*

**Uribe is clearly determined to make security "job one."** First, in Valledupar, he established the first unit of a "million man" citizen network of informants to assist the police and military. Next, he declared a "state of internal commotion" (not a "state of siege," now forbidden under the Colombian constitution) to give his administration additional powers, which he invoked immediately to decree a one-time 1.2 percent wealth tax expected to generate some \$800 million—enough to equip additional army antiguerrilla battalions. Uribe appointed a group of armed forces commanders, well known for their toughness and competence. To shake up the national police, Uribe violated tradition by calling back into service a respected general passed over in earlier police promotion struggles. *U.S. under secretary of state Marc Grossman visited Bogota in mid-August to discuss new U.S. aid and authority to use existing counter narcotics resources for antiguerrilla activities in some circumstances. But Washington continues to wait for the Colombians to come up with a comprehensive strategy understandable to the Colombian public and international opinion. The informant network and a proposal by his Defense Minister to arm a 15,000-peasant militia have provoked critics who assume such units will somehow morph into illegal paramilitary bands.*

**Uribe is also pushing a major government reform agenda.** On August 7, Minister of Justice and Interior Fernando Londoño proposed immediate restrictions on the pay and privileges of the Congress, a referendum on new electoral rules, the elimination of one chamber of the Congress, and increased oversight of local government. Minister of Health and Labor Juan Luis Londoño (no relation), is pushing for major reform of social security and labor law. With all of this going on, Minister of Finance Roberto Junquito is proposing tight budget and tax increases. *Uribe's predecessor Andres Pastrana tried to achieve the kind of congressional changes now being proposed and his failure to do so weakened him for the rest of his administration. This time, Uribe's innate self-confidence, pumped up following his impressive electoral victory in May, and popular sense of crisis, may change the equation of reform. Uribe's task, nonetheless, will not be easy. His "good-government" approach has lessened his patronage leverage with a Congress that is now made up of floating coalitions. The Congress showed its independence when it rejected Uribe's candidate for controller general and, instead, chose a person identified with the president's opposition.* **Phillip McLean**

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