

**TENSIONS CONTINUE TO RUN HIGH IN VENEZUELA; ECUADOR ELECTS NEW PRESIDENT; THE CLOCK IS TICKING FOR MEXICAN CONGRESS TO PASS VITAL LEGISLATION; LULA'S FIRST MOVES AS PRESIDENT-ELECT; COLOMBIANS ONCE AGAIN IN SEARCH FOR PEACE; RESULTS OF PERUVIAN ELECTIONS; CHILE SIGNS FTA WITH S. KOREA AND EU****VENEZUELA**

With tensions already alarmingly high, confrontations in Caracas reached a boiling point in November. A principal cause for the increase in anxiety early on in the month was Chávez's decision (in the name of restoring law and order) to remove control of the Caracas police forces from his political nemesis, Alfredo Peña, the mayor of Caracas, and put it in the hands of the military, a decision that many interpreted as the first step leading to an autocoup. Believing that the decision was unconstitutional, Peña has appealed to the Supreme Court for the restitution of his authority. In support of Peña and to raise the ante with Chávez, the opposition labor union, in conjunction with other sectors of society, began an indefinite strike on December 2, which continues as of the time of this writing. *Notwithstanding the deterioration in the political environment, the OAS-sponsored negotiations are still likely to proceed, although as of the end of the third week of discussions, little has been reached in the way of compromise. The principal items on the agenda are: the disarming of the population; finding out the truth about the events of last April; and most important, the contours of an electoral solution to the crisis. December will be a critical month. If Venezuela can avoid a violent showdown in the first half of December the holiday season should help in relieving some of the tensions and in focusing everybody's attention on the constitutionally-sanctioned, August 2003, referendum. In my view*

*this is the most suitable electoral exit out of the crisis.* **Miguel Diaz**

**ARGENTINA**

What caught the media's attention in November was the revelation of hunger in parts of Argentina. The social toll that the crisis is taking on Argentines served both as the excuse for the government not paying about US\$800 million due to the World Bank and in turn, for the IMF to allow Buenos Aires to postpone US\$140 million due to that institution on November 22. On the positive side of the ledger, the government suspend the "corralito" on about 80 percent of bank deposits on December 2, without creating a run on the banking system and there is already some discussion about unfreezing the rest of the accounts – both showing a stabilization of the economy. *As far as an IMF agreement is concerned -- the one indispensable piece of the puzzle for a sustainable recovery -- there is still a ways to go, however. The IMF wants an end to judicial injunctions and clarity on the election calendar. In terms of the latter, Congress has approved President Duhalde's proposal to conduct elections on April 27 and to have a second round, if needed, on May 14. In terms of the former, however, everyone is waiting to see whether the Supreme Court decides on the constitutionality of the government's decision to de-dollarize the economy.* **Miguel Diaz**

**MEXICO**

Fox Administration unveils \$10 billion dollar

**program to support farmers.** The Fox Administration has been under mounting pressure from Mexico's agricultural sector ever since the U.S. Congress approved the \$180 billion farm bill in May 2002, which had the unintended economic consequence of diminishing the Mexican farmers' ability to compete with U.S. producers. The Mexican farmers have exerted additional pressure, of late, fearing even further competition when a host of agricultural tariffs are eliminated on January 1 under the NAFTA schedule. Specifically, Mexican pork and poultry producers are expected to be most negatively affected. In response to this set of circumstances, President Fox announced crop support prices and an increase in other subsidies, as well as reduced electricity and diesel fuel rates for farmers. Apart from the obvious economic impact, there are social and political considerations to this predicament: 1) the agricultural and rural sector employs about ¼ of the population and contributes only about 6 percent of GDP. According to some estimates, about 3 million farmers will be adversely affected by the elimination of the tariffs; 2) Mexican farmers are a powerful lobby that is organized by two associations—the National Confederation of Peasants (CNC) and the National Farming and Ranching Council (CNA)—that traditionally have exhibited partiality to the Institutional Revolutionary Party (PRI); and 3) *Apart from the disruptive effect of having farmers demonstrating throughout Mexican cities, this lobby can also threaten to wield its wrath in the July 2003 mid-term elections. Apart from the domestic ramifications, the predicament has evolved into yet another pressure point on U.S.-Mexico relations, particularly since it is being used to leverage the discussions over an immigration agreement, under the argument that an agricultural sector in crisis will spur increased migration to the U.S.*

**Armand Peschard-Sverdrup and Sara Rioff**

## **MEXICO**

**The clock is ticking on the Mexican Congress and the passage of vital legislation.** The Mexican Congress is fast approaching the December 15 closing date of its ordinary session and it has yet to achieve consensus to pass many of the key items on the legislative agenda. The

most important and contentious are the electricity sector reform and the federal government's budget for 2003. *Should congress fail to pass—at the very least—the 2003 budget by that date, it will have to call for an extraordinary session. This will present an interesting parliamentary dynamic, for based on a congressional power sharing agreement reached in early September, PRI Deputy, Beatriz Paredes, would have to relinquish the title of Speaker (Presidente de la Mesa Directiva) on December 15 to the left-of-center PRD Deputy, Eric Eber Villanueva Mukul, who in turn would serve as Speaker until March 14, 2003. If and when electricity reform is passed, do not rule out a watered down version by the time it goes through the legislative process. If Congress fails to pass key pieces of legislation, it is unclear who will public opinion blame—President Fox or the 58<sup>th</sup> Congress.*

**Armand Peschard-Sverdrup**

## **MEXICO**

**Powell and Ashcroft in Mexico for the XIX U.S.-Mexico Binational Commission.** Secretary of State Colin Powell and Attorney General John Ashcroft led the U.S. delegation that went to Mexico City for the November 25-26 cabinet-level meetings to discuss the wide-ranging bilateral agenda. *The seven working groups—migration; law enforcement and counter-narcotics; border affairs; trade and economics; energy; bilateral cooperation; and foreign policy—convened, exchanged points of view, and coordinated their respective agendas. Although no earth-shattering announcements were made on migration or the water debt issue—two of the irritants in the bilateral relationship, the level of the U.S. delegation underscores the priority that the Bush administration places on Mexico. In sum, Powell asks for patience on migration.*

**Armand Peschard-Sverdrup**

## **MEXICO**

**Mexico is acquiring surface-to-air defense system to protect its critical infrastructure.** The Mexican Navy purchased 5 man-portable Russian made IGLA anti-aircraft shoulder missile launchers worth an estimated \$2.1 million dollars as part of an effort to enhance its capability to protect

Mexico's critical infrastructure against potential terrorist threats. Specifically, the Mexican Navy wants to safeguard the off-shore oil platforms in the Bay of Campeche since they generate an estimated 80 percent of Mexico's crude. It definitely qualifies as critical infrastructure when considering that Mexico is the sixth largest producer of oil worldwide. To that end, the Navy has also initiated the reactivation of the weapons systems on part of its fleet and aircraft. *The purchase of the surface-to-air missiles is the first of its kind for the Mexican Navy. Clearly a sign of the times, as Mexico takes the necessary steps to ensure its own homeland and economic security. The safeguarding of Mexico's off-shore oil platforms has a clear benefit for the United States, given that approximately 15 percent of U.S. crude oil imports come from Mexico.* Armand Peschard-Sverdrup

## **BRAZIL**

**An IMF mission met in November with economic authorities in Brasília to review the country's compliance with the \$30 billion loan package announced this past August.** Brazil did not want the IMF to further tighten next year's budget with the incoming left-wing Workers' party government. According to the IMF mission leader, Jorge Marquez-Ruarte the economic situation in Brazil is not bad despite the financial turbulence. Marquez –Ruarte also complimented the Central Bank's attempt to curb inflation with the bank's recent decision to raise the Selic interest rate to 22 percent. *Lula has been capable of keeping markets calm, as his policies appear to reflect a genuine move towards the center. Last month at a meeting in Washington with five Brazilian congressmen—representing the PT, PFL, PSDB, PPS, and PPB — PT representative Nelson Pellegrino reaffirmed that Lula will maintain all contracts established by the current government. He also said that the newly elected government will seek further fiscal austerity and will fight for labor and social security reforms. The greatest challenge of Lula's government will be to keep its popularity, balancing what the PT has promised to deliver and the fierce opposition from left-wing supporters who favor an outright break with market-friendly policies. Assuming Brazil will maintain its current macroeconomic*

*policies, it will receive the next \$3 billion of the IMF loan in December or January. Viviane Vanni*

## **BRAZIL**

**Early December will see Lula's first trips abroad as president-elect**—first to Argentina and Chile December 2-3, then to the U.S. for a meeting with President George W. Bush on December 10—following which Lula will travel east for meetings December 12 with members of the European Union. On his return, he will probably have an opportunity to talk with IMF Managing Director Horst Köhler, who is reportedly planning a mid-December trip. These meetings repeat one of the key emphases over the last ten days, when Lula or members of his team met with parliamentarians from around the hemisphere who participated in a congressional symposium on FTAA; and with visiting U.S. and IMF officials. Between the Latin American and U.S. and European legs of travel, Lula is expected to expected to announce his Cabinet. *Travel first to South American partners invokes his promise to support neighboring Argentina and to give priority to strengthening and expanding Mercosul. His travel to the United States carries similar symbolic weight, showing he is not only not antagonistic towards a country and leader often criticized by the Workers' Party (and by Lula himself) but is looking forward to continuing the positive and constructive bilateral relationship that exists outside sensationalist headlines. The serendipitous trip to Europe should serve to balance out the U.S. leg politically and especially commercially.* Altogether, the early international travel restates the multilateral focus of Brazil's foreign policy. It also suggests that Brazil's incoming government intends to pursue its trade interests consistent with already established directions—looking to Mercosul, FTAA and the European Union as critical components. And, if anyone was wondering, it indicates Brazil will not retreat into its own form of isolationism. William Perry

## **PERU**

**Last month voters across the country appeared to reject President Alejandro**

**Toledo's party based on a series of unfulfilled promises of his 16-month-old government.** The country's main opposition party—the populist and center-left APRA led by the former President Alan García won 12 of the 25 regional presidencies. The results clearly showed a lack of confidence in Toledo's leadership. Many politicians took advantage of that sentiment, focusing on Toledo's efforts to sell state assets and putting market reforms in place. The consequence of the regional elections was to shift power from the capital to the provinces, where independent regional governments have the power to carry out their own policies, such as the right to raise their own taxes and sell state assets if they need to raise more money. *The new governments will receive nearly a quarter of the national budget and will be granted a range of powers that formerly rested in the hands of the central government in Lima, which has one third of the country's population and controls more than half of Peru's economic output. President Toledo believes that decentralization will serve to integrate rather than divide the nation.* **Veronica R. Prado**

## **COLOMBIA**

**As Christmas approaches, Colombians once again began looking for signs of peace.** In his first hundred days in office, President Alvaro Uribe has shown his fellow citizens that, just as he promised in his electoral campaign, he will be tough with the guerrillas. In recent days, however, the Colombian public grew fascinated once again at the prospect of renewed peace talks with the violent groups. In late November paramilitary leader Carlos Castaño declared that his conglomeration of "united self-defense forces" – known by the initials "AUC" - would observe a ceasefire beginning December 1. It soon was revealed that the government with the help of the Catholic hierarchy has established contact with the paramilitaries. In following days, the local press also drew attention to the fact that the government has authorized continued talks with the National Liberation Army (ELN) in Cuba and to indications that the government is encouraging UN envoy James Lemoyne to continue to pursue contacts with the Revolutionary Armed Forces of Colombia

(FARC). *For Uribe the problem will be to maintain a clear message as he seeks peace while he simultaneously asks for sacrifices to support more vigorous military action. He has consistently maintained peace talks would be possible with groups that stop the killing, kidnapping and drug trafficking. But he risks abandoning the high moral ground if he appears to be giving outlaw bands a privileged legal status. The paramilitaries present a particularly tough first case, because of accusations that they continue to have ties to some units of the armed forces. They are responsible for the worst atrocities of recent Colombian history and for a wide variety of criminal enterprises. Although Castano has publicly confessed to much of this sordid story, he will no doubt seek special treatment for himself and his principal deputies, including arrangements with U.S. law enforcement agencies, which have asked for their extradition.* **Phillip McLean**

## **COLOMBIA**

**Uribe is giving narcotics control top priority, but there are problems.** The Colombian President has given the go-ahead for the most extensive aerial fumigation of coca ever undertaken anywhere. Some 120,000 hectares should be sprayed with the herbicide glyphosate by the end of the year. Uribe has also signed off on U.S. extradition requests at a rate even higher than his predecessor. But the weakness of the Colombian judicial system continues to plague serious bilateral drug enforcement cooperation. In early November a local judge ordered the release of the Rodríguez Orjuela brothers, the nefarious leaders of the Cali cartel. Circumstances suggest the judge and the warden of the supposedly maximum-security prison worked together to spring the pair. Uribe's minister of justice worked quickly and managed to keep one of brothers in jail but publicly despaired at ever having Colombian courts enforce narcotics laws. For their part, the Colombians are frustrated that the U.S. government is withholding intelligence they need to track and force down the aircraft of the narcotics traffickers. *Secretary of State Colin Powell's visit to Bogotá December 4 will be an opportunity to work out problems that are bound*

*to arise as U.S. involvement in the country increases as well as to draw attention to the fact that the two countries are now reading from a common script. Powell no doubt will also showcase cooperation with Colombia as another example of U.S. worldwide opposition to terrorism, which for the Colombians means cutting criminal groups off from the financing that supports their violence.* Phillip McLean

### **CHILE**

**In recent weeks Chile signed bilateral free trade agreements with South Korea and the European Union (EU).** After eight years of negotiations, Chile now hopes to finalize a trade agreement with the United States. *As other countries in the region look to nationalistic leaders to protect their local economies, Chile has continued to open its doors to international trade and investment. In order to help the region come out of its economic crisis and become proponents of an FTAA, the United States must show an example of success. Chile looks like that example.* Luis Pinto

### **CHILE**

**In an effort to show political and economic continuity, Chilean President Ricardo Lagos reappointed Carlos Massad as president of the Central Bank for another five-year term.** After having to readjust the projections for Chile's economic growth from 4% to 2% last month, many in the government thought that drastic measures would have to be taken in order to stimulate the national economy. *By reappointing Massad, President Lagos showed support for the Central Bank's dedication to prudent measures to guide the economy for the long term.* Luis Pinto

### **NICARAGUA**

**Tensions are stirring in Managua because there is popular pressure to try former president, Arnoldo Aleman, on alleged corruption and embezzlement charges.** Aleman has been accused of siphoning approximately \$100 million during his presidential term. Officials are currently unable to bring the issue to the courts due to his parliamentary immunity. However, as a result of the efforts of the

Constitutionalist Liberal Party and the left-wing Sandinista party, Aleman has been stripped of his post as Chairman of the National Assembly. Current President Enrique Bolaños has been promoting his anti-corruption campaign, to which U.S. aid has contributed \$1.3 million. *A trial may be the most decisive way to clear the air. Polls show that 9 out of 10 are pushing for the immunity to be lifted.* Elizabeth Stamm

### **DOMINICAN REPUBLIC**

**Worried by the crossing of undocumented immigrants, terrorists, and drug traffickers, the U.S. government will deploy 8 thousand soldiers and send an additional 20,000 M-16 rifles for Dominican troops to patrol the border area between Haiti and the Dominican Republic.** The Dominican government has welcomed the help in monitoring the border it shares with Haiti, especially since the Bush administration has made border protection one of its main focuses in the region. It is probable that high-resolution night vision equipment will be given to combat nighttime crossings. The 20,000 rifles will be used to arm Dominican troops to use as the government sees fit. *This latest move by the U.S. government is a continuation of an evolving theory, which looks to the Caribbean as a "third border." With the focus that the United States has given Homeland security, an emphasis has been placed on our border areas and to combat the threat of a mobile terrorism threat.* Luis Pinto

### **JAMAICA**

**In efforts to fulfill one of his campaign promises, newly reelected Prime Minister P.J. Patterson, is acting to bring an end to urban violence.** Violence in Jamaica is a serious and deeply imbedded problem. On November 16, six people were killed in the downtown Kingston market district. There have been 944 murders since January in Jamaica. Kingston has the highest homicide rate in the world, with 109 homicides per 100,000 people annually. In the 1980s, political leaders sparked election-related violence by arming supporters. Half of the total murders are gang and drug related. Kingston has become a segregated city with violence predominately occurring in the ghettos where the unemployment rate is over 50 percent. Jamaica's

overall unemployment rate is 15 percent. Lack of unemployment insurance and training programs, overcrowding, poor housing and sanitation, and domestic instability have all reinforced the violence in the ghettos. The urban poor have been neglected and ostracized. *Improvements in infrastructure and education are essential to reducing crime. The police have a terrible reputation in the ghetto. There have been 80 fatal shootouts with the police leading to 14 police officers killed on duty this year. In response to the recent crime wave, 150 additional police have been placed on duty in the downtown area. Improved communication, strategic placement, and an increase in quick-response teams have created a slightly more secure situation. There must be a reduction in violence to restore safety and order.* **Soumya Sudhakar**

## **ECUADOR**

**Tough Problems await Ecuador's new President. Former coup leader Lucio Gutierrez faces a host of problems after wooing thousands of poor voters, including much of Ecuador's indigenous community, with promises to battle corruption and raise living standards.** Gutierrez, 45, won 54.3 percent of the vote in the November 24 runoff election, defeating billionaire banana magnate Alvaro Noboa, who attracted 45.7 percent of voters. Noboa surged in the last week or so of the campaign by playing on fears that Gutierrez could split Ecuador as another coup-leader turned president, Hugo Chávez, has done in Venezuela. *Gutierrez insists he is not a leftist, anti-globalization president such as Chávez. Since his election he has sought to reassure Ecuadorian and international financial circles that he is not threat to investors. Profound regional, ethnic and racial divisions continue to plague Ecuador and it will be difficult for the new president to gain support from the fragmented legislature that is dominated by parties that represent narrow regional and sectional interests. He will be under intense pressure from much of his constituency to turn sharply away from free market policies and to increase government intervention in the economy. His choice of an economic cabinet and foreign minister, expected no earlier than mid-December, will be the first*

*clue to the early direction of his government.*

**Lowell R. Fleischer**

## **HAITI**

**Resistance against President Jean-Bertrand Aristide has increased uncertainty in the region.** Opposition groups, including students, have organized several protests demanding changes to secure domestic security, environmental protection, and reduce political corruption, gang armament, and poverty. Opponents have threatened government's legitimacy with the possibility of a *coup d'état* on several occasions on the past weeks. Aristide supporters have responded to these actions with violence, resulting in dangerous confrontations that deepen despair throughout the nation. *According to political specialists, if this situation continues, it could lead to nonstop violence or even civil war. The national currency has dropped in value while the anti-government groups and the OAS ask for a rapid action from the government to make reforms. The setting of a new date for elections is still pending and government opponents increase pressure while supporters defend their leader with burning barricades around the country.* **Patricia del Poso**

## **CANADA**

**Name calling dominated U.S.-Canada relations in November.** Media commentator Patrick Buchanan created uproar in Canada when he called the country "Soviet Canuckistan" in a CNN interview—Canuck being a nickname for Canadians that is the rough equivalent of Yankee for Americans. The conservative magazine *National Review* published critique of Canadian policy with a cover photo of Canadian mounted policemen labeled "Wimpy!" Then, during the NATO summit in Prague, a spokesperson for Canadian Prime Minister Jean Chrétien was overheard calling U.S. President George W. Bush a "moron"—she was forced to resign a week later due to outrage in Canada over the rudeness of the remark. *Although colorful, none of these jibes will have much impact on good relations between Canada and the United States. The petty anti-Americanism in Canada has now engendered a petty anti-Canadianism in some quarters in the United States—a logical consequence of*

*deepening integration, which has made interaction between Canadians and Americans more frequent and has generated some degree of cultural friction over stereotypes. Christopher Sands*

### **HEMISPHERIC APPOINTMENTS**

**On November 22, the State Department announced that Otto Reich would immediately step down as assistant secretary of state for Western Hemisphere affairs and become “special envoy to the Western Hemisphere,” an ambiguous position from which he will report directly to secretary of state Colin Powell.** Curt Struble, Reich’s principal deputy, will take over as acting assistant secretary of state for western hemisphere affairs until Congress reconvenes in January. The question remains as to whether or not Bush will renominate Reich for his old position when the new Republican-dominated Congress convenes in January. Reich,

a Cuban-born conservative and former ambassador to Venezuela known for advocating a hard line against Cuba, has been a controversial figure in U.S. partisan politics. *Cuban policy is clearly the divisive issue with Reich—he finds his most fervent support in Congress among Florida Republicans such as Reps. Ileana Ros-Lehtinen and Lincoln Diaz-Balart, whose Cuban exile constituents hold Reich in high esteem. However, some on the Republican side have also indicated that the appointment of such a controversial figure as Reich may undermine the U.S. ability to speak with a united voice in its dealings with Latin America. Most notably, Republican Senator Richard Lugar, the new chairman of the Foreign Relations Committee, explained that, given the recent turmoil in Latin America, the next assistant secretary should be someone with “strong bipartisan confidence.”* **Mark de la Iglesia**