



Hemisphere Highlights



Headlines

Corruption charges against former state presidents continue in **Central America**. President Bush makes his first official visit to **Canada**. PRI takes governorships in Puebla, Sinaloa, and Tamaulipas; PAN wins Tlaxcala governorship. OAS optimistic about possible paramilitary de-mobilization in **Colombia**. The Asia-Pacific Economic Cooperation Forum (APEC) summit, in **Chile** is the first to involve all the Forum members' heads of state. The United States begins implementation of the United States Visitor and Immigrant Status Technology (US-VISIT) at its land borders with **Canada** and **Mexico**. The **Brazilian** economy continues to show solid macroeconomic indicators and growth. Bush administration officials highlight immigration reform as a priority during Bush's second term.

Hemisphere wide

Millennium Challenge Corporation (MCC) selected three potential aid recipients in Latin America. Honduras, Nicaragua, and Bolivia are among 16 eligible countries that could attain assistance from the Millennium Challenge Account (MCA) in fiscal year 2005. To determine each country's eligibility, MCC analyzed 16 key indicators that assessed policy performance in three areas: democratic governance (civil liberties, political rights, voice and accountability, government effectiveness, rule of law, and control of corruption), education and health investment (public primary education spending as percent of GDP, primary education completion rate, public expenditures on health as percent of GDP, and immunization rates), and economic freedom (country credit rating, inflation, three year budget deficit, trade policy, regulatory quality, and days to start a business). According to the MCC, Honduras and Nicaragua performed above the median in relation to their peers on at least half of the indicators, above the median on corruption, did not perform substantially below average on any indicator, and provided supplemental information to help support their eligibility. Bolivia also reached eligible status, as it was assessed above the median on all of the indicators in the democratic governance category, though it was right at the median on the corruption indicator (assessed prior to the Mesa administration anti corruption efforts). *Though these Latin American countries are deemed eligible recipients, it does not guarantee automatic assistance. Each country must work with the MCC in order to set up a "compact" that will help guide and maintain performance relative to domestic policies that support sustainable economic growth.* **Jonathan Haseltine**

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Upcoming Events

- 12/02 **"NAFTA's Impact on North America: The First Decade" book release**
- 12/03 **Presentation by Roger Noriega**

Upcoming Publications

Hemisphere Focus

"Mexican Governance: From Single Party Rule to Divided Congress"

North American Integration Monitor

"NAFTA at 10: Still Weathering the Storm", by Greg Anderson

South America

ARGENTINA

In what must be regarded as a major demonstration of support, President Kirchner obtained from Congress an extension, and even an expansion, of the extraordinary powers he inherited from former President Duhalde. One key premise invoked by government and Peronist spokespersons in defending the decision was the continuity of the economic and

social crisis that began in 2001. Against such reasoning, opposition leaders echoed, unsuccessfully, repeated statements by government officials that cite high rates of growth, employment, consumption, imports, etc, as signs that the need for such powers had ended. Perhaps the strongest arguments in defense of the continued extension of presidential powers are the still-pending restructuring of the public debt and the

renegotiation of contracts with privatized companies. *Regardless of the need or convenience of granting exceptional powers to the president, the controlling factor in the decision has been the likely public reaction to the different courses of action Congress could take. A refusal to grant President Kirchner the powers he had requested could have been perceived as a strategic decision by the Partido Justicialista to withdraw its full support from the Executive.* **Carlos M. Regúnaga**

CHILE

The Asia-Pacific Economic Cooperation Forum (APEC) summit in Santiago was the first to involve all the Forum members' heads of state. Items on the agenda included intellectual property, AIDS, terrorism, the "one China" policy and corruption. National security issues overshadowed the other topics in the discussion, with the APEC leaders approving various anti-terrorism standards to protect aircraft, shipping activities and food supplies. In a historic precedent, the members established an "Anticorruption and Transparency Course of Action," which includes regionally-cooperative policies to facilitate the investigation and prosecution of acts of public corruption. Trade liberalization was also a priority during the summit, as APEC ministers backed an initiative that seeks to bolster the role of regional and free trade agreements (FTAs) in the Forum's activities, and discussed the creation of a proposal to establish a free trade area of the Asia-Pacific. Currently, APEC countries produce more than half of international economic output, and almost half of the world's trade. *Chile, the host country, is a significant player in the APEC region, and is contemplating bilateral relationships with Russia, China and Japan, and a trilateral relationship with New Zealand and Singapore, to add to its collection of FTAs with South Korea, Mexico, Canada, the United States and the EU. Since it joined the Forum, Chile's exports to APEC countries have more than doubled, from \$6.3 billion in 1994, to \$13 billion in the first nine months of this year. Also, APEC countries contribute almost 60 percent of all FDI in Chile. President Lagos has definitively set his sights on Asia, stating that he considers the Pacific as "the future" for his country, and he aggressively continues to implement "Asian Tiger" principles of growth more than any other country in the region. Not only is Chile establishing itself as a principal exporter in the region, but it is also promoting its role as an economic gateway to the continent—primarily through its reputation as a stable, reliable base for foreign business in the region, and secondly by handling trade and investment traffic between Asia and the rest of South America.* **Anisa K. Nwachuku**

Recent Events

Nov. 12 **Canada-U.S. Border Security Conference - Montreal**

Recent Publications

Hemisphere Focus

Hemispheric Alert: "Moving Forward at the OAS", by Peter DeShazo

Mexico Alert: "The Mexican Military", by Roderic Ai Camp

BRAZIL

The Brazilian economy continues to show solid macroeconomic indicators and growth. GDP growth in the third quarter outpaced the same quarter in 2003 by 6.1 percent—as investment surged this year. Exports have reached historic numbers despite a recent slowdown in growth, private consumption has risen, and debt to GDP ratio has fallen. Although the Central Bank Selic interest rate has been increasing for the past three months, Finance Minister Palocci

said that inflation targeting is the best monetary policy at the moment, as high inflation tends to discourage investment more than high lending rates. Political advances are also helping the economy. In November, the Senate approved the long-awaited judicial reform law by a nearly unanimous vote of 56 to 2. The Judiciary now will be subject to external control of the newly created National Council of Justice. *Given the positive economic outlook, there is a possibility that Brazil may not renew its agreement with the*

International Monetary Fund (IMF). The agreement was settled during the presidential transition period in 2002 and was confirmed last December until March 2005. Brazil is buying dollars in an attempt to increase its international reserves and pay off debt, and also to help keep Brazilian exports competitive. According to President Lula, a strong real (outside the range of R\$ 2.90-R\$3.10 to the dollar) is not beneficial to Brazilian exports, one of the main drivers of such outstanding economic performance over the last year. **Viviane V. Leffingwell**

President Lula says a strong real is not beneficial to Brazilian exports.

COLOMBIA

Upon returning from Chile, President Bush stopped in Colombia for a four-hour visit November 27 with Colombian President Alvaro Uribe. In their public statements the two leaders celebrated their friendship and the progress Colombia is making with the United States to help overcome “narco-terrorism.” President Bush promised continued assistance at current levels, a major U.S. investment now running at some \$700 million annually. Uribe and Bush agreed to work hard to complete negotiation of a free trade agreement with the Andean countries (Colombia, Peru and Ecuador) early in the coming year. The next session of those negotiations is taking place this week in Arizona. Apparently by design, planners of the presidential encounter decided not to emphasize the “soft side” of U.S. assistance (i.e., for economic and social projects) that over time has surpassed \$1.3 billion. *Fifteen years ago President Bush’s father met with the presidents of the three major narcotics producing countries in the same coastal Colombian city of Cartagena and sought ways to end narcotics trafficking. One result of that meeting was a U.S. decision to extend a special trade preference regime to the region. Those preferences have been hugely beneficial to Colombia but are due to expire in 2006, one reason for the urgency of the current free trade negotiations. To Uribe’s surprise, domestic opposition to the new trade arrangement has been growing. The U.S. aid commitment was logical and welcome now that current programs to control narcotics and violence seem to be paying off. Neither government was clear, however, about what future cooperation (under the so-called Plan Colombia II) might specifically involve.* **Phillip McLean**

Uribe and Bush agreed to work hard to complete negotiation of a free trade agreement with the Andean countries early in 2005.

VENEZUELA

On November 18, Danilo Andersen, a Venezuelan government prosecutor was murdered, victim of a car bomb. Andersen was investigating the April 2002 short lived coup attempt against President Hugo Chavez. On November 23, the police killed an alleged culprit, Antonio Lopez Castillo (the son of a former government minister) in an alleged shootout. Then on November 25, another alleged accomplice, Juan Carlos Sanchez, was also killed in a shootout with the police. *Given the politicization of Venezuela's judicial system and the highly charged atmosphere in the linkage of the murder, many observers have called into question the potential for an impartial investigation. Venezuelan society remains divided and its politics confrontational. The Anderson murderer has added more tension to the mix and concerns that the Chavez regime could use the crime as a pretext for anti-democratic measures.* **Miguel Diaz**

Recent violence has increased concerns that the Chavez regime could use the crime as a pretext for anti-democratic measures.

COLOMBIA

OAS believes more progress is possible on paramilitary demobilization. President Uribe has given high priority to disarming paramilitaries, but talks with leaders of these illegal groups have suffered severe ups-and-downs. Uribe's peace commissioner managed to get "para" leaders to gather in a de-militarized zone for talks, but it soon became evident that many were involved in narcotics trafficking and human rights violations. After the talks began, several were murdered by their own colleagues. This notwithstanding the Bloque Banareo, a group of 385 combatants, turned in a significant arms cache November 26 in the banana-exporting region near the border with Panama. The next day 30,000 young people staged a celebratory peace march through the streets of Medellin, Colombia's second city. The Organization of

American States believes a further 3,000 paramilitaries will turn over their arms by the end of the year in the coca-growing zone near the Venezuelan border (see last month's Hemisphere Highlights). *Meanwhile, the U.S. government keeps pressing for extradition of Colombians accused of narcotic trafficking and, in some cases, of involvement in kidnapping and killing of U.S. citizens. The Colombian Supreme Court handed Uribe a difficult decision last week when it approved sending Salvatore Mancuso, the most prominent right-wing paramilitary leader, and left-wing guerrilla personality "Simon Trinidad" to the United States for prosecution. While wanting to keep responding positively to U.S. requests, Uribe decided not to arrest and extradite Mancuso as long as he is dismantling his organizations. The president says he will hand "Simon Trinidad" over to U.S. justice because the guerrillas are not engaged in a peace process.* **Phillip McLean**

President Uribe has given high priority to disarming paramilitaries.

North America

The United States began implementation of the United States Visitor and Immigrant Status Technology (US-VISIT) at its land borders with Canada and Mexico on November 15. US-VISIT is a congressionally mandated entry/exit system using biometrics that applies to all travelers to the United States holding non-immigrant visas (Canadian nationals, and Mexicans traveling with Border Crossing Cards (BCC) who are staying less than 30 days, currently remain exempt). The goal of the system is to enhance U.S. security and the immigration process by identifying terrorists and criminals before they reach the United States, while being able to identify and track down people who overstay visas. While the entry portion of the system was previously installed at 115 airports and 14 seaports on January 5, the installation of US-VISIT at five border crossings on November

15, including Port Huron-Sarnia and Lincoln-Juarez Bridge-Laredo, was seen as a major challenge, with many critics concerned that processing times will slow down the flow of goods and people across the two borders. The current goal is to have US-VISIT installed at the 50 busiest border crossings with Canada and Mexico by December 31, 2004 and not all points of entry by December 31, 2005. *The US-VISIT system remains incomplete, as the exit portion of the system will not be deployed for at least another few years. Currently, the system has processed over 12.6 million passengers in 2004, but implementation at land borders is the biggest test so far to see if the system can function without affecting flows of people and goods into the United States. Should this prove to be the case, it may affect decision-making in Congress as to whether Canadians and all travel from Mexico will become subject to the system, a situation many believe is destined take place in the near future.* **Andre Belelieu**

US-VISIT is a congressionally mandated entry/exit system using biometrics that applies to all travelers to the United States holding non-immigrant visas.

MEXICO

PRI takes governorships in Puebla, Sinaloa, and Tamaulipas; PAN wins Tlaxcala governorship; court validates PRI victories in Oaxaca and Veracruz gubernatorial elections and Tijuana mayoral race. In Puebla, Institutional Revolutionary Party (PRI) candidate Mario Marín swept National Action Party (PAN) candidate Francisco Fraile by nearly 15 percent of the vote. In Tamaulipas, a 25 percent margin delivered the governorship to the PRI's Eugenio Hernández. Preliminary results in Sinaloa and Tlaxcala were contested by the PAN and the PRI respectively; election officials later confirmed a PAN victory in Tlaxcala and a PRI victory in Sinaloa, each by a margin of less than 2 percent. *The PRI seems to have sustained its post-2003 mid-term election momentum, taking 7 of the 10 governorships up for grabs in 2004. Despite these advances, infighting within the divided party persists: it lost the Tlaxcala race to a former priísta who defected to Fox's PAN after losing the PRI nomination, and its victories in Oaxaca and Veracruz, though upheld, were by uncharacteristically close margins. The electoral landscape heading into the 2006 presidential election is far from fixed. 2005 will witness gubernatorial races in 7 states as well as the parties' internal selection processes for presidential candidates. What seems clear is that, with some exceptions, margins of victory across the country are narrowing. The number of state and local electoral disputes that have been referred to the federal-level electoral tribunal for adjudication in 2004 is on the rise, and suggests the need for continued electoral reform at the state and local level.* **Sara Rioff**

The PRI seems to have sustained its post-2003 mid-term election momentum.

MEXICO

Bush administration officials highlight immigration reform as a priority during Bush's second term.

At the U.S.–Mexico Binational Commission meeting in Mexico City on November 9, Secretary of State Colin Powell and Secretary of Homeland Security Tom Ridge reaffirmed President Bush's commitment to immigration reform. Concurrently, in Washington D.C., President Bush met with Senator John McCain in an effort to generate congressional momentum on Bush's proposed temporary worker program. Bush's program, announced on January 7, 2004, would grant legal temporary worker status to undocumented immigrants already working in the United States as well as those residing abroad who have been offered a job. *The difficulty of rallying congressional*

support behind any immigration reform initiative is evidenced by the recent impasse in the House of Representatives over immigration provisions in the intelligence overhaul bill. It will be interesting to see how the debate in Congress unfolds, particularly in light of Arizona's passage of Proposition 200 on November 2, and the ensuing interest of California, Georgia, Colorado and Texas to follow suit in the upcoming year. Though Proposition 200—an initiative that bars illegal aliens from receiving public services—was strictly motivated by state-level fiscal prudence, it will nonetheless serve to catalyze anti-immigration sentiments. If immigration reform is to move forward, it will require 1) proponents to push in early 2005 before Members of Congress come under re-election pressures; 2) the White House to mobilize behind the proposal; and 3) the private sector to rally in support of the initiative. **Catherine Hendrix**

The difficulty of rallying congressional support behind any immigration reform initiative is evidenced by the recent impasse in the House of Representatives.

On November 29, President Fox announced he would return the disputed 2005 budget to Congress

with corrections in an effort to continue the dialogue and reach a compromise between divided political factions. The Mexican Congress approved a general budget on November 17 with 323 votes in favor (PRI, PRD, PVEM, PT and Convergencia parties), 137 votes against (Fox's National Action Party [PAN]), and one abstention. The 2005 budget is set at 1.8 trillion pesos, 74 billion more than Fox originally proposed, and up 168 billion from last year. The opposition in the Chamber of Deputies reallocated about 93 billion pesos to highway infrastructure, agriculture, health, regional development and education, taking money away from areas considered close to Fox, such as the attorney general's office and government ministries. The budget is usually rushed through in an 11th hour vote, but Congress recently reformed the constitution to push the deadline from December 15 (the last day of Congress' ordinary session) to November 15 to encourage approval by consensus. *Despite the earlier deadline, tension and political friction abound. In a rare speech on national television last week, Fox expressed the possibility of vetoing or challenging the budget before the Supreme Court, arguing it was "too partisan". Some experts believe the Constitution does not grant Fox veto power over the federal budget, and the opposition reports they are not willing to negotiate the reallocations. The legal battle that now seems likely to ensue is evidence that the executive and legislative branches are still grappling with the new balance of power brought on by the 2000 election: Fox apparently feels the need to assert himself vis-à-vis the Congress, and Congress clearly feels it is within its power to modify and pass the budget as an autonomous legislative body.* **Jennifer Phillips**

Fox expressed the possibility of vetoing or challenging the budget before the Supreme Court, arguing it was "too partisan".

CANADA

President Bush made his first official visit to Canada on November 30. During his two day “working visit”, Bush visited Ottawa, where he met with Prime Minister Paul Martin, opposition leader Stephen Harper, as well as several cabinet ministers, and Halifax, where Bush stopped to thank Atlantic Canada for receiving 33,000 stranded passengers on September 11, 2001 and where he delivered his only speech of the trip. Bush’s visit to Canada was the first state visit by an American president in ten years, and the agenda was dominated by familiar Canada-U.S. issues: the ongoing closure of the U.S. border to Canadian beef, border security and terrorism, and other trade issues such as softwood lumber. While there had been anticipation that the trip would achieve concrete results, such as an end to the

beef ban, in the end Bush’s visit did not result in much progress on current disputes or offer many surprises. *Bush’s visit to Canada was the sixth time he has met with Paul Martin in the last two years, but as his first visit focusing solely on the Canada-U.S. relationship, expectations were far more significant than during their previous meetings. Accordingly, the trip has been seen as a disappointment by many in Canada, who expected concrete achievements, even if the Bush administration had been downplaying the possibility of any significant announcements or breakthroughs. However, with Martin heading a minority government, and Bush disposing of limited powers to influence trade disputes that currently dominate the Canada-U.S. file, such trips can only achieve so much. They are important and useful, however, as they contribute to forging a solid bilateral working relationship at the highest levels of the Canada-U.S. relationship.* **Andre Belelieu**

Bush’s visit to Canada was the first state visit by an American president in ten years.

Canadian Prime Minister Paul Martin dismissed Liberal MP Carolyn Parrish from the Liberal caucus on November 18. Parrish’s dismissal was due to a number of controversial statements she made over the years, most notably her anti-Bush and anti-American remarks, but this was the first time she was sanctioned. Skeptics argued that she was dismissed now not because of these previous remarks, but because she recently attacked Paul Martin and the Liberal party. However, the decision to dismiss her came on the heels of a television appearance where Parrish stomped on an effigy of President Bush. The Mississauga MP will now sit as an independent, further reducing the precarious position of the Liberals in the minority government. *As President Bush was preparing to make his visit to Canada, Martin had warned his MPs not to make any provocative comments on the recent American election. In the past, the Liberal party has been criticized for allowing anti-American rhetoric and personal attacks against President Bush. With this dismissal, Martin is making good on his pledge to work to improve Canada-U.S. relations, while sending a clear signal that he hopes to forge a strong personal relationship with President Bush.* **Sonia Ziadé**

With this dismissal, Martin is making good on his pledge to work to improve Canada-U.S. relations.

CANADA

Progressive Conservative Ralph Klein was elected for a fourth time as premier of the province of Alberta on November 22. The victory marked the tenth consecutive Alberta provincial election where the Tories were able to win a majority, even if their overall support dropped. While the Tories won 62 per cent of the vote and 74 seats in 2001, this time around they were only able to win 47 per cent and 61 seats in the 83 seat legislature. The slight drop in support for the Tories benefited the Alberta Liberal party, who won 17 seats and 29 per cent of the popular vote, up from 7 seats and 27 per cent of the vote in 2001, and the Alberta New Democratic Party, who earned official party status by winning four seats in the legislature and nine per cent of the popular vote. The drop in support for Klein was due in small part to the lackluster campaign, which Klein himself called “boring”, and which prompted one pundit to dub the election the “Kleinfeld” election, after the sitcom “Seinfeld” which was about nothing. However, part of the explanation for this drop in support was also due to the rise of the “ultra-conservative” Alberta Alliance party, which won one seat but picked up nine percent of the popular vote. *With a strong economy and Klein’s strong favorability ratings, there was never any doubt that Canada’s most conservative province would return the Tories to power. Attention will now turn to Klein’s future and a struggle for power within the Progressive Conservative party, as Klein is expected to step down as party leader in 2006.* **Andre Belelieu**

The drop in support for Klein was due in small part to the lackluster campaign, which Klein himself called “boring”.

Central America and Caribbean

Corruption charges against former state presidents continue in Central America. Even Costa Rica has not been immune to corruption. Last month, Rafael Angel Calderon, president of Costa Rica from 1990 to 1994, was sentenced to a nine-month prison term while the investigations of corruption charges against him continue. He is accused of taking part in the loan provided by the government of Finland for investment in the Costa Rican healthcare system. In the same month, Miguel Angel Rodríguez, Costa Rican president from 1998 to 2002, was put under house arrest resulting from allegations that he took a bribe from a French telecommunications company bidding for contracts in Costa Rica. At the time of the charges Rodríguez was serving as secretary

general of the OAS, but resigned after the charges surfaced. In neighboring Panama, Mireya Moscoso, the country’s president from 1999 until August 2004, was stripped of her political immunity over accusations of embezzlement of public funds during her presidency. Alfonso Portillo, president of Guatemala from 1999 to January 2004, left Guatemala earlier this year in the face of accusations of corruption and is currently residing in Mexico. Lastly, Arnoldo Alemán, Nicaraguan president from 1996 until 2001, is serving a 20-year sentence for fraud. *Regional experts see this wave of corruption charges as a facet of the regional democratization process and a sign of progress in injecting transparency and accountability into politics.* **Helen Markelova**

Wave of corruption charges may be seen as a facet of the regional democratization process.

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