



# Hemisphere Highlights



## Headlines

**Mexico's** National Action Party (PAN) to select new party president. The Canadian Senate Committee on National Security and Defence issues a critical report on **Canada's** security efforts. Extradition becomes a hot topic in **Bogotá**. Frank McKenna is appointed new **Canadian** ambassador to the United States. **Brazilian** President Lula signs the bill creating Public-Private Partnerships. January proves to be a particularly difficult month for the government of **Bolivian** President Carlos Mesa. Escalating violence among rival drug cartels undermines security at prisons along **Mexico-U.S.** border. The reputation of **Peruvian** President Alejandro Toledo's government takes another beating in January. Relations between **Venezuela** and **Colombia** take a sharp turn for the worse.

## Central America and Caribbean

**CAFTA will get its day in court.** Held in abeyance until the political weather cleared, the Bush administration is reportedly set to present for congressional consideration the free trade agreement that it signed last May with the Central American countries and the Dominican Republic (CAFTA). According to Capitol Hill staffers, the bill may be submitted to the appropriate committees in Congress (that

would be the Ways and Means Committee in the House and the Finance Committee in the Senate) as soon as late February. By law, the committees have 45 days to mark up the bill, debate it for no less than 20 hours, and submit it for a vote no longer than 15 days after that, which implies that we may have a full vote on the measure as soon as late April/early May. *CAFTA will be an early and key test of the Administra-*

*tion's free trade agenda. Opposition, especially in the House, from the sugar and textile-producing states and from the labor and environmental camps, is gathered against the agreement. The stakes are high. The decision on CAFTA will send a strong political message to the entire region and will strongly affect ongoing negotiations of an Andean FTA. Miguel Diaz*

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## Upcoming Events

Feb. 7 **Conference with Juan Pablo Guerrero, Commissioner IFAI, Mexico**

## Upcoming Publications

### Hemisphere Focus

**Mexico Alert: Baja California Sur, Guerrero, Quintana Roo, Hidalgo Gubernatorial Elections**

### Significant Issue Series

**"Mexican Governance: From Single Party Rule to Divided Government"**

### Congressional Report Series

**The Fall 2004 Term of the Mexican Congress**

## South America

### ARGENTINA

**A number of bills were passed by Congress in its last week of ordinary sessions.** Among them, the Chamber of Deputies approved a law, already passed by the Senate, to ratify a nuclear cooperation treaty between Argentina and Australia. The first concrete result of this treaty is an agreement between the Australian Nuclear Science and Technology Organization (ANSTO) and INVAP, an Argentine company controlled by the Province of Río Negro, for the construction by the latter of a research nuclear reactor in Lucas Heights, near Sydney. This 200 million-dollar facility represents, in the words of ANSTO's Chief Executive, "the largest single investment in science and technology in Australia's history." It is the largest single turn-key plant ever exported by Argentina. INVAP's main business is the design and construction of complex systems such as nuclear reactors and other nuclear facilities, space research satellites, industrial automation projects and plants for the treatment of hazardous industrial wastes. *INVAP, by specializing in small satellites and reactors and employing state-of-the-art technology became one of the world leaders in its market.* **Carlos Regúnaga**

### CHILE

**Following a week of intense campaigning, on January 15 a national convention of the Christian Democratic Party of Chile (PDC) selected former Foreign Minister Soledad Alvear** as the PDC's choice to compete against former Defense Minister Michelle Bachelet of the Socialist Party/Party for Democracy (PPD) grouping to be the candidate of Chile's governing coalition (*Concertación*) in the December 2005 presidential elections. Alvear defeated PDC President Adolfo Zaldívar by a vote of 287 to 239 to win the nomination. Both the PDC and Socialist/PPD bloc have expressed the desire to select a single presidential candidate to represent the *Concertación* against the center-right *Alianza por Chile* coalition

in December and to choose a candidate by April if possible. *The PDC convention avoided what some predicted would be an all-out battle between the forces supporting Alvear and Zaldívar. Former president Patricio Aylwin sided with Alvear while ex-president Eduardo Frei chose not to speak in favor of either candidate. Prompt congratulatory statements to Alvear from the Socialist/PPD coalition underscored relief in the Socialist camp that the Christian Democrats were able to choose a candidate without too much internal travail or criticism of the ruling Coalition, which would weaken the eventual center-left candidate in the general election in December. Most observers predict an uphill battle for Alvear against Bachelet, whose polling figures have been steadily on the rise. The key challenge for the Coalition will be to reach agreement on a consensus candidate without engaging in internecine conflict.* **Peter DeShazo**

## Recent Events

Jan. 10 **Francisco Gil, Mexican secretary of finance and public credit.**

## BOLIVIA

**January proved to be a particularly difficult month for the government of President Carlos Mesa**, as it faced determined protests from broadly disparate sectors of Bolivian society. The Government's decision in late December to increase up to 33 percent the price of subsidized gasoline and diesel fuel triggered protests and work stoppages by transport workers and civic groups in the largely indigenous city of El Alto, located contiguous with La Paz, and in the city of Santa Cruz in the eastern lowlands, heart of Bolivia's prosperous agro-industry and energy production. When the Government refused to rescind the increases, leftist political groups in El Alto joined civic and indigenous organizations in protesting, reviving the demand that the Government cancel its contract with the French-owned Aguas del Illimani company that supplies water and sewage services to local consumers, claiming non-compliance by the company in increasing water lines. On January 11, Mesa cancelled the Aguas del Illimani contract and several days later the El Alto work stoppage was called off. On January 17, however, civic organizations in Santa Cruz began stepped-up protests against the increase in fuels, with parallel demands for greatly expanded regional autonomy, and coca-growers in the tropical Yungas region of La Paz Department began blocking roads in an unrelated protest. A move by the Government to lower the price of diesel two days later failed to stop the Santa Cruz protesters, who proclaimed their intention of electing a governor for their Department. On January 27 Mesa further lowered the price of diesel and subsequently published a decree calling for the direct elections on June 12 of Department "prefects," a position previously filled by executive appointment. With these concessions the strikes were lifted. *The January protests highlighted the tensions prevalent in the fabric of Bolivian politics and the vulnerabilities of the Mesa government to pressure from the left and right. Both the El Alto and Santa Cruz protesters exploited the economically necessary but politically unpopular decision to raise fuel prices to achieve other objectives. In the case of El Alto, Evo Morales' MAS party and others on the left applauded the cancellation of the French contract as yet another move to roll back Bolivia's privatization/capitalization process begun after 1985, proclaiming the electric company "Electropaz" as the next target. The very different protest movement in Santa Cruz was aimed at achieving an unprecedented degree of regional autonomy for the Department, exploiting the political weakness of the Mesa government. How far the process of dismantling political centralism in Bolivia goes is yet to be seen, but it is clearly underway. Mesa, meanwhile, must move beyond his still considerable personal popularity among voters to stitch together coalition of political and civic forces that will allow him to advance a coherent policy agenda and govern effectively. It will be a tall order.*

**Peter DeShazo**

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**BRAZIL**

In December, after Senate and House approval, President Lula signed the bill creating Public-Private Partnerships (PPPs) law. The project’s general rules aim to increase the rate of private sector projects in conjunction with the government. Each contract will consist of at least 30 percent private capital and 70 percent Federal Government funds. New projects, part of this new partnership, are due to start in the second semester of 2005. *This new law is an important step in promoting much needed investment in Brazil’s infrastructure, specifically in the transportation system. Through the PPPS, the Brazilian government is able to share with the private sector the economic burden that comes with major public infrastructure projects and also attract additional capital. Such investments in infrastructure are essential in sustaining Brazil’s recent export-led growth. President Lula said that the PPP law is vital in keeping Brazil from becoming a “victim” of its own growth. In 2004’s third quarter, international investment accounted for 21 percent of the quarter’s GDP growth, a key factor contributing to the 5 percent annual growth Brazil experienced this past year.* **Viviane V. Leffingwell**

**The PPPs law is an important step in promoting much needed investment in Brazil’s infrastructure.**

**PERU**

**The reputation of President Alejandro Toledo’s government took another beating in January** – creating a lot of noise -- but not putting in any real danger the survivability of his government, which ends in 18 months. First was the house arrest of the president’s sister, Margarita Toledo, who is charged with having forged signatures to get her brother on the presidential ballot in 2000. She is one more in a list of people as-

sociated with the Toledo government charged with wrongdoing, including former cabinet members and presidential staff. More recently, the government’s reputation was further sullied by a congressional motion to censure the Prime Minister, Carlos Ferrero and Defense Minister Roberto Chiabra for their handling of the short-lived uprising of former soldiers in the town of Andahuayas. The two cabinet officials survived the motions by a

comfortable margin, but nonetheless the highly publicized congressional initiative was a cause of embarrassment to a president whose support level is back down to 8 percent. *As in the past, President Toledo will resort to another round of cabinet changes to shore up his administration; while opposition will continue to seek political advantage in the run to the 2006 presidential elections by continuing its accusations of corruption and incompetence.* **Miguel Diaz**

**President Toledo will resort to another round of cabinet changes to shore up his administration**

**VENEZUELA/COLOMBIA**

**Relations between Venezuela and Colombia took a sharp turn for the worse** after Colombian authorities admitted earlier in January that they paid bounty hunters (perhaps moonlighting Venezuelan police officers) to capture the FARC leader Rodrigo Granda in Caracas and return him to Colombia, where he was arrested by Colombian officials. President Chávez denounced the incident as a violation of Venezuela’s sovereignty, recalled Venezuela’s ambassador in Bogotá, froze commercial ties with Colombia, and demanded that President Uribe apologize. Chávez claimed that the U.S. had a role in the matter and that the tensions between Bogotá and Caracas were “planned and executed” by the United States, charges roundly dismissed by U.S. spokesmen. *The two Andean neighbors have had many disputes in the past over security issues along their 1,400 mile border, often arising from Colombia’s decades-long struggle against guerrilla groups. This recent round of confrontation is now subsiding, thanks in part to appeals from foreign governments to defuse the tension. But meaningful bilateral cooperation against the FARC and other narco-terrorists will be needed to avoid further such episodes.* **Lowell Fleischer**

**Meaningful bilateral cooperation against the FARC and other narco-terrorists will be needed to avoid further disputes.**

## COLOMBIA

**Extradition became a hot topic in Bogotá late last year.** Before his capture in Quito last year, Ricardo Palmera was a senior leader of the Revolutionary Armed Forces of Colombia (FARC), Colombia's largest guerrilla group. When Ecuador turned Palmera over to the Colombian government, the FARC declared that if "Simón Trinidad," as they call him, were sent on to the United States as the Bush administration made clear it wanted, President Uribe could forget about any possible exchange of the 63 civilian hostages the guerrillas are holding. Families of the hostages urged the president to hold off, causing Uribe to reiterate once again his willingness to discuss an exchange. He demanded, however, a serious guerrilla offer. Lacking a concrete response, Colombian authorities turned Palmera over to the U.S. Marshals' Service on December 31 for delivery to the U.S. District Court in Washington, D.C. to face drug trafficking and kidnapping charges. *Nationalist politicians complain Uribe is "politicizing" the extradition process, especially when they contrast the handling of the Palmera case with the president's decision not to turn over paramilitary leaders, especially the best known Salvatore Mancuso, who are also wanted by the United States. The president's reply is that Palmera's guerrillas are not engaged in a "peace process" as Mancuso's paras are. For their part, U.S. law enforcement officials would no doubt prefer extradition decisions be made on narrow legal grounds but, they can hardly object to Uribe's practices that have given U.S. custody of more than 170 Colombians accused of narcotics offenses, including the long sought chief of the Cali cartel, Gilberto Rodríguez Orejuela in early December.* **Phillip McLean**

**Nationalist politicians complain Uribe is "politicizing" the extradition process.**

## North America

### CANADA

**Frank McKenna was appointed new Canadian ambassador to the United States on January 14.** The announcement was made by Prime Minister Paul Martin, who praised McKenna as the person with the skill and experience to "be a great asset as Canada and the United States begin to implement the agenda that President Bush and I set out during his recent visit – to enhance the shared security, prosper-

ity and quality of life of our two peoples." McKenna comes to the position after a long career in both government and the private sector. He was elected to the Legislative Assembly of New Brunswick in 1982, and was the Premier of New Brunswick from 1987 to 1997. McKenna is replacing Ambassador Michael Ker- gin, who has been Canadian ambassador since 2000. *McKenna's appointment as ambassador can be interpreted as a sign that Paul*

*Martin will actively seek to improve Canada-U.S. relations in the next four years. McKenna has long been close to Martin, even contemplating a return to politics during the recent federal election, and is known for being pro-American. Many analysts consider his appointment as a good move for Canada, as he possesses the experience and close ties to the Prime Minister many argue are necessary for a Canadian ambassador in the United States.* **Andre Belelieu**

**McKenna comes to the position after a long career in both government and the private sector.**

**The Canadian Senate Committee on National Security and Defence issued a critical report on Canada's security efforts on December 8.**

While the report does acknowledge that the Canadian government has made progress in addressing many security related weaknesses since September 11, 2001 - in particular singling out the release of Canada's first National Security Policy in April 2004 and the consolidation of much of the security file under Deputy Prime Minister Anne McLellan – the report cites a long list of holes and weaknesses in current efforts, such as lax airport screening, inadequate defense budgets, staffing problems at the Canada-U.S. border, and inadequate resources and

“toothless” mandates in the security of Canada's coasts and waterways. Moreover, while the report acknowledges that Canada released a National Security Policy, it notes that the Canadian government still lacks a definitive statement on foreign and defense policy to guide future efforts, and that the government “has yet to demonstrate that it is prepared to match resources with its stated objectives.” *In the past three years, the Senate Committee on National Security and Defence has released nine reports, many of which have been highly critical of Canada's security efforts. While the report does highlight much of the recent progress made by the Martin government, it also suggests issues the Canadian government will have to address in order for its security policy to improve.* **Andre Belelieu**

**The Canadian government has made progress in addressing many security related weaknesses; however, there are holes and weaknesses in current efforts.**

**Canada and the United States released a fifth status report on implementation of the Smart Border Action Plan on December 17.**

Signed in December 2001, the 30 point Smart Border Action Plan (the plan was expanded to 32 points last year) has been the framework through which Canada and the United States have adapted the Canada-U.S. border to the new security requirements of the post September 11 era while ensuring that the border remains open to trade. Each year since that time, the Canadian deputy prime minister (currently Anne McLellan) and Secretary of Homeland Security (Tom Ridge) have met to review progress and discuss future areas for cooperation. Even if most of the original 30 point had been delivered in prior years, this year's meeting in Detroit revealed additional accomplishments in 2004, including the expansion of the Free and Secure Trade (FAST) program to seven additional border crossings, implementation of the Safe Third Country Agreement for asylum seekers, and expansion of U.S. pre-clearance facilities to the Halifax International Airport. *Canada-U.S. cooperation at the border has been one of the strongest accomplishments of both governments since September 11. The \$1.4 billion dollars in daily trade continues to flow at the same time as the implementation of security measures that have improved overall security. However, the list of accomplishments has been getting shorter every year, as the original agenda has largely been delivered. What is needed now is increased discussion to tackle some of the outstanding issues, such as the limitations of the current physical infrastructure at most border crossings, as well as more ambitious thinking regarding future directions.* **Andre Belelieu**

**Canada-U.S. cooperation at the border has been one of the strongest accomplishments of both governments since September 11.**

**On December 9, Canada's Supreme Court declared that same-sex marriages are constitutional.** The decision allows for the federal government to redefine marriage to include gay couples. Gay marriage is already legal in six of the ten Canadian provinces and one of the three territories but is opposed by the government of Alberta. Prime Minister Paul Martin said he would introduce a bill to legalize same-sex unions across the nation early this year. Most members of the Conservative party are expected to oppose this legislation, while members of the New Democratic Party and the Bloc Quebecois should support it. Representatives of the Liberal party will be able to vote freely on the issue, except for cabinet ministers who will have to support the government position. If the bill is adopted, the Charter of Rights and Freedoms will still guarantee the right of religious officials not to perform unions against their beliefs. *Legislation to legalize gay marriage was first drafted under the Chrétien government, two years after an Ontario provincial court ruled that the traditional definition of marriage was unconstitutional and discriminatory. This decision by the Supreme Court of Canada makes marriage a federal matter, creating a new obstacle for Ralph Klein, the premier of Alberta, who said he would use every political means possible to defend the traditional definition of marriage. While the legislation is expected to pass, Martin will have to employ considerable political skills to ensure its enactment, as the Liberal caucus is split on the issue.* **Sonia Ziadé**

**Prime Minister Paul Martin said he would introduce a bill to legalize same-sex unions across the nation early this year.**

**MEXICO**  
**Escalating violence among rival drug cartels undermines security at prisons, along border.** A military siege at the maximum security prison La Palma, the murder of six prison guards from the maximum security Matamoros prison, and escalating drug-related violence in the border region serve as reminders of the pervasive effect of the narcotics trade in Mexico. On January 14, responding to a recent shooting and rumors of an escape attempt, the military raided the La Palma facility in the State of Mexico,

where once-rival kingpins Benjamín Arellano Félix and Osiel Cárdenas are interned. An overhaul of La Palma's security and personnel procedures is underway. In a separate (but potentially related) incident in the northern state of Tamaulipas, six prison guards were killed while leaving the Matamoros prison on January 20. The La Palma and Matamoros facilities are currently under the control of federal agents. Cartel rivalries have also led to increased violence along the U.S.-Mexico border. 39 drug-related homicides have been recorded in the month of January in the

Tijuana region alone. *The deployment of military and federal police units to guard the prisons and patrol the border is a provisional and unsustainable solution to a much larger problem: the need for comprehensive judicial reform in Mexico. A reform package might redress the lack of professionalism of civil servants in the penitentiary and law enforcement communities; weaknesses in the procedural code that delay or obstruct indictments; overfilled and understaffed prisons; and the susceptibility of the judicial and penitentiary systems to narco-corruption.* **Sara Rioff**

**39 drug-related homicides have been recorded in the month of January in the Tijuana region alone.**

**National Action Party (PAN) to select new party president.** The right-of-center PAN will select its new president on March 5, as outgoing president Luis Felipe Bravo Mena prepares to step down after serving two consecutive three-year terms. Among those seeking the presidency are Senator Carlos Medina Plascencia, PAN Secretary General Manuel Espino Barrientos, former PAN Secretary for Government Action Alejandro Zapata Perogordo, and Senator Juan José Rodríguez Pratts. Since the election requires two-thirds of the vote of the 383-member national council, it might take more than one round to elect a victor. Carlos Medina Plascencia had been seeking the party's nomination for the 2006 presidential election until January 22, when he announced his interest in running for the PAN presidency. His announcement came with the endorsement of PAN presidential hopefuls and party stalwarts Francisco Barrio, Felipe Calderón and Alberto Cárdenas (with the notable absence of Interior Minister and presidential hopeful Santiago Creel), making it apparent that a significant segment of the PAN backs Medina Plascencia's bid for the party presidency. *Of the four aspirants, Carlos Medina Plascencia and Manuel Espino are the two clear frontrunners. This election is of critical importance for a party with most of its political capital either serving in the Fox administration, Congress, or vying for the candidacy for president in 2006. The party's next president will not only have to oversee a hotly contested (and procedurally unprecedented) primary process for the selection of its presidential candidate; he will also have to mend any resulting differences if he is to successfully engineer a strong, unified presidential campaign.* **Armand Pechard-Sverdrup**

**Chinese vice-president Zeng Qinghong and Mexican president Vicente Fox signed strategic alliances to facilitate trade, tourism, and maritime transportation,** among others. Since the creation of a permanent binational commission in December 2003 (the first of this kind between Mexico and an Asian country) President Fox has visited China twice and has met three times with President Hu Jintao. During the recent visit, Mexican Foreign Minister Luis Ernesto Derbez, stressed that one of the principal goals of the Fox Administration's foreign policy is to strengthen

long-term relations with China. Vice-president Qinghong emphasized that, "China and Mexico are partners in cooperation instead of competitive rivals," and encouraged the two countries to "take advantage of the opportunity, work together to face the challenges and carry the Chinese-Mexican strategic relationship to a new level." Mexico is China's second-largest trading partner in Latin America and in 2003 Mexico exported \$720 million worth of goods to China, while imports from China exceeded \$9.9 billion. By the third quarter

of 2004 exports and imports had increased by 13% and 56% respectively. *While the Bush Administration remains focused on the war against terror and less so on the geopolitical importance of the Western Hemisphere, China's President Hu Jintao has consolidated his exchanges with Mexico and other Latin American countries. China's 1.3 billion people competing for jobs, investment and a piece of the global marketplace has often been seen as a threat to the Mexican economy, but Derbez's plan for a strategic alliance looks to convert the competitor into an unprecedented opportunity for extended trade.* **Alexandra Bradley**

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