



# HEMISPHERE HIGHLIGHTS

Center for Strategic & International Studies ■ Washington, D.C.

Volume V ■ Issue 3 ■ March 2006

## Upcoming Events

**March 1** Private discussion with U.S. ambassador to Bolivia, David Greenlee

## Headlines

The results of a tightly contested election in **Costa Rica** give way to a new Arias administration that will need to reconcile a polarized electorate and improve relations with its neighbors. The newly elected **Canadian** prime minister, the **U.S.** president, and the **Mexican** president plan to meet in Cancún. The **Brazilian** government proposes a new measure to give foreign investors a tax break. More stress is added to the already rocky **U.S.-Venezuelan** relationship. Taped conversations reveal a **Mexican** governor's and a businessman's plot to silence a journalist. The newly appointed **Canadian** defense minister announces that **Canada** will be signing a new military partnership treaty with the **United States** in the area of sea surveillance. A diplomatic row intensifies between **Uruguay** and **Argentina** over the decision of the **Uruguayan** government to allow the construction of two pulp mills. Cabinet members from the **United States** and **Mexico** prepare to meet and advance the bilateral agenda.

## South America

### Argentina

**"We have defeated the Olivos Pact!"** claimed a jubilant **President Néstor Kirchner** upon the enactment of a bill reforming the composition and rules of procedure of the *Consejo de la Magistratura*. The Olivos Pact refers to the agreement between former presidents Raúl Alfonsín and Carlos Menem that opened the way for the 1994 constitutional convention. The Consejo is an institution created by that convention, entrusted with the nomination of candidates for judicial appointments and the initiation of impeachment proceedings against national judges except for Supreme Court justices. "A step backward for republican institutions!" editorialized the prestigious *La Nación*. "This act weakens the independence of the judiciary," warned Human Rights Watch from Washington, D.C. "Manifestly unconstitutional!" is a repeated appraisal by constitutional law experts. As the final decision will fall on a Supreme Court in which the majority of justices have been appointed in the last four years, some bar association leaders are already considering a boycott of the new Consejo: the tiny representation now awarded to bar associations would be left unfilled. "Defense of special interests!" counterattacks President Kirchner. *Time will tell if the act will pass the constitutional test. If it does, it will still be too early to tell if the act will achieve greater efficiency in the Consejo or represent yet another step by the executive to control the judiciary since President Menem's successful 1990 Supreme Court-packing scheme. However, one thing is certain: it has been a long time since the Argentines have been so sharply divided over a bill as they are in this case.* **Carlos M. Regúnaga**

## Recent Events

- Feb. 8 **Container Security Initiative Conference with Robert Bonner, former commissioner of the U.S. Customs Service**
- Feb. 16 **Seminar with governor of Baja California**

### Venezuela

**More stress was added to the already rocky U.S.-Venezuelan relationship late last month** when President Hugo Chávez threatened to reduce the number of flights by U.S. airlines to Venezuela and oil minister Rafael Ramírez once again warned that his country could act by steering oil exports toward other markets in the face of what he called aggression by the Bush administration. Venezuelan aviation authorities, who said the flight reduction had been taken in response to the restriction of some flights by Venezuelan carriers to the United States in 1996 because of safety concerns, have delayed cutting the number of flights until March 30 to allow more time for talks with the airlines. Venezuelan officials also say they have made safety improvements since 1996. *Although President Chávez has threatened to cut off oil shipments to the United States many times in the past, and although he needs revenues from oil sales to the United States more than the United States needs oil, Ramírez's latest comments are another sign that Venezuela is serious about finding new markets. It is becoming more likely that Chávez will be willing to pay the economic penalty involved in transporting crude to countries that are a 30-day tanker trip from Venezuela rather than to the United States, which is only 5 days away. There is no doubt that Chávez wants to switch sales of petroleum from the United States to other parts of the world. Discussing the sale of natural gas on a recent radio program, Chávez said the country's supply is for the domestic market and for Latin America, and not for the United States. The only question is how much time he needs and how much he is willing to pay to accomplish this goal.* **Lowell R. Fleischer**

### Brazil

**The Brazilian government proposed a new measure to give foreign investors a tax break** when buying government bonds, as a way to increase inflows of foreign capital. This new measure exempts foreign investors from a 15 percent tax on fixed income and gains from federal government bond trading. There are some exceptions to avoid the flow of speculative capital, and congressmen have already suggested 40 amendments to the measure. Domestic investors will not be exempt from this tax. They currently pay between 15 and 22.5 percent. The measure, however, will give them a tax break when investing in venture capital funds. The government is also exempting all investors from paying the Provisional Contribution on Financial Transactions (CPMF) when shares are traded on over-the-counter markets. According to the secretary of the Treasury, Joaquim Levy, international investors today hold only U.S.\$5 billion in Brazil's domestic bond market of U.S.\$472 billion, and the new measure seeks to boost this number in the medium term, allowing the government to borrow at longer terms and lower interest rates. *Having a larger pool of capital to draw on will allow the government to finance more domestic investments and lower the Selic interest rate. The shortage of investment in 2005 contributed to Brazil's low gross domestic product growth last year (2.3 percent). Many analysts fear, however, that the flow of more dollars to Brazil will further strengthen the real and jeopardize exporters' competitiveness. The government explained that the Treasury intends to buy the dollars from the central bank to repay international debt, thereby avoiding appreciation of the real with the greater inflow of dollars. It is still not known when the measure will be voted on in Congress, but the deadline to propose amendments is over.* **Viviane Leffingwell**

## Uruguay

A diplomatic row has intensified between Uruguay and Argentina over the decision of the Uruguayan government to allow the construction of two pulp mills by a Spanish company and a Finnish-Swedish consortium on the bank of the Uruguay River, which serves as the border between the two countries. Argentina has manifested its opposition to this decision because it believes that the construction of the paper mills will lead to pollution of the river and a decrease in tourism in the area, with Argentine protesters blocking access to the roads and main bridge connecting the two countries. The Uruguayan government has reaffirmed its support for the construction of the mill, which it believes is a very much needed investment that will create jobs, and has stated that the construction will adhere to international environmental standards. The Argentine government claims that the construction of these pulp mills is in violation of the bilateral treaty that governs the use of the river and has brought a case against Uruguay to the International Court of Justice in The Hague. Uruguay responded by demanding that the Argentine government take action to lift the blockage of the roads and bridges by the protesters as this violates the Mercosur charter by preventing the free movement of goods between members, and it is threatening to take the case to the Council of the Common Market, the most important organ of Mercosur. While the Argentine government has stated its disapproval of the roadblocks, it has not taken concrete action to bring them to an end. *Both sides remain firm in their positions, and the Organization of American States has agreed to serve as a mediator in this diplomatic row. But the outcome, no matter what, is likely to have a negative effect on further economic integration in the region.* **Nelson Olhero**

**Argentina and Uruguay remain firm in their positions, and the Organization of American States has agreed to serve as a mediator in this diplomatic row.**

## North America

### Mexico

**U.S. and Mexican members of Congress are prepared to discuss a bilateral agenda.** On March 3–4, 2006, Sen. John Cornyn (R-TX) and Rep. Jim Kolbe (R-AZ) will be cochairing a bipartisan U.S. congressional delegation to Valle de Bravo, Mexico, to meet with their Mexican congressional counterparts as part of the annual U.S.-Mexico Interparliamentary Group (IPG) meeting. The multipartisan Mexican congressional delegation will be cochaired by Sen. Silvia Hernández (PRI-Querétaro) and Deputy Emilio Chuayffet (PRI-Estado de México). This year's IPG meeting is programmed to discuss trade, immigration, and border security. At the time of this writing, it was estimated that the IPG meeting would be attended by 7 senators and 10 deputies from the Mexican Congress and 2 senators and 10 representatives from the U.S. Congress. Unlike previous IPG meetings, this year's meeting will include the participation of Mexican congressional "observers"—consisting of a deputy from each of the six political parties represented in Congress—and will be condensed into a one-day session, as opposed to the traditional two-day gathering. *The meeting follows a tense period in the bilateral relationship over border security*

*and occurs in the midst of a debate in the U.S. Congress over immigration reform. Moreover, it falls during an election year in both countries. The IPG usually produces headlines—more so in Mexico than in the United States—but limited results. In essence, its value stems from the opportunity it provides to develop cross-border congressional relations and a deeper legislative understanding of bilateral issues; by no means has it resulted in tangible legislative results on either side. Although the Mexican Congress has matured as a legislative body since 1997, it is still devoid of reelection, resulting in a revolving door of Mexican legislators, and, thus, is not being seen as being on par with the U.S. Congress. For the IPG to be a more effective mechanism will require the possibility for reelection of Mexican legislators and the participation of pertinent U.S. committee chairmen. Nonetheless, the IPG has served a constructive purpose. It is worth acknowledging that this will be the twenty-first and final IPG meeting for Rep. Jim Kolbe, who announced in November 2005 that he would not be seeking reelection. Rep. Kolbe's leadership role in the IPG over the years, not to mention in U.S.-Mexico relations at-large, is to be commended and will be sorely missed.* **Armand Peschard-Sverdrup**

**The IPG meeting follows a tense period in the bilateral relationship over border security and occurs in the midst of a debate in the U.S. Congress over immigration reform.**

López Obrador and Calderón took this opportunity to publicly condemn corruption and ask for the Puebla governor to step down, while Madrazo suggested that this scandal is being used against him through allegations that corruption still runs deep within the PRI.

**Taped conversations reveal a Mexican governor's and a businessman's plot to silence a journalist.** On February 14, 2006, Mexico's *La Jornada* newspaper and W Radio released a series of 12 taped conversations, allegedly between the governor of the state of Puebla, Mario Marín, also a member of the Institutional Revolutionary Party (PRI), and textile businessman Kamil Nacif, detailing their plot to jail journalist Lydia Cacho after she linked Nacif to a pedophile and child pornography ring in her 2005 book, *The Demons of Eden*. On December 16, 2005, Cacho was arrested in Cancún, driven for 20 hours to the city of Puebla, and charged under state law with criminal libel for linking Nacif in her recently published book to a man accused of pedophilia. Although Cacho was later released on \$7,000 bail, she still awaits trial. The debate over the legality of Cacho's arrest was brought back to the forefront of discussion after the release of the tapes. In the recorded conversations, the two men threatened to arrange her rape or murder while she was in prison. Nacif also allegedly proposed to bribe the judge handling the case. Governor Marín denied that the voice on the tape is his and has declared that even if it were, his rights would have been violated because recording private conversations is a violation of Mexico's privacy laws. President Vicente Fox condemned the taped statements and has since announced that the case will be handled by the newly created position of special prosecutor for crimes against journalists. Officials from Mexico's House and Senate responded to the scandal by voting to ask the Supreme Court to investigate the governor of Puebla for violating the individual rights of

Cacho. Presidential candidates Andrés Manuel López Obrador, of the left-of-center Democratic Revolutionary Party (PRD), and Felipe Calderón, of the current ruling National Action Party (PAN), have both condemned the recordings and called for Marín's resignation. Roberto Madrazo, the PRI candidate, initially dismissed the tapes but has since called for a full investigation.

*Incidents such as these raise the question of the influence Mexico's powerful economic elite may have over politicians. Although Fox condemned the violation of the constitutional right of freedom of the press, he is virtually powerless to intervene because such cases fall under the state's jurisdiction unless they involve drugs or illegal weapons trade. State lawmakers could ask for a federal intervention, but, instead, over 100 Puebla mayors (mostly PRI) have collaborated to sign a full-page newspaper ad demanding that the federal government stay out of the case. Moreover, Fox's new "special prosecutor for crimes against journalists" position may not have a significant impact, as crimes involving organized crime or drug trafficking, which make up a large part of the crimes committed against journalists, will continue to fall under the jurisdiction of the overly burdened organized crime unit, not the new office. López Obrador and Calderón took this opportunity to publicly condemn corruption and ask for the Puebla governor to step down, while Madrazo suggested that this scandal is being used against him through allegations that corruption still runs deep within the PRI. Kristin Wedding*

It is anticipated that the BNC meeting will announce, among other things, the extension of the work of the Peace Corps in Mexico to include environmental work, a trucking pilot project, and local repatriation.

**Cabinet members from the United States and Mexico prepare to meet and advance the bilateral agenda.** On March 24, a number of U.S. and Mexican cabinet members will be meeting in Washington, D.C., to participate in the 22nd annual U.S.-Mexico Binational Commission (BNC) meeting. The meeting allows for regular exchanges at the cabinet level on a wide range of issues critical to U.S.-Mexico relations. It is anticipated that of the 14 BNC working groups, only the following 8 will convene during this year's meeting: foreign policy; education; energy; environment; homeland security and border cooperation; housing and urban development; law enforcement and counternarcotics cooperation; and, migration and consular affairs. Hence, it is expected that the BNC will naturally include, from the United States, Secretaries Condoleezza Rice (State) and Michael Chertoff (DHS)—who will participate at the very outset prior to departing for Asia; Samuel Bodman (Energy); Alberto Gonzales (Justice); Carlos Gutierrez (Commerce); Gail Norton (Interior); Margaret Spellings (Education); and Steve Johnson (EPA administrator), along with their respective Mexican counterparts. *It is anticipated that the meeting will announce, among other things, the extension of the work of the Peace Corps in Mexico to include environmental work, a trucking pilot project, and local repatriation. A series of agreements, which are currently being finalized, will also be signed. It is also anticipated that issues pertaining to the International Boundary Water Commission (IBWC) will be discussed under the Homeland Security and Border Cooperation working group. While this is Secretary Rice's first BNC, it will be the last U.S.-Mexico Binational Commission meeting for members of the outgoing Fox administration. Armand Peschard-Sverdrup*

On January 31, the Mexican Supreme Court reversed a 2001 ruling outlawing the extradition of Mexican nationals facing charges that would result in sentences of life imprisonment or the death penalty. In 2001 the Supreme Court ruled to prohibit the extradition of individuals who would face sentences of life imprisonment and the death penalty arguing that Article 22 of Mexico's constitution prohibits cruel and unusual punishment. This ruling made extradition to the United States difficult given that U.S. prosecutors and judges are unable to grant assurances that they will not seek life imprisonment. Since the 2001 ruling, a number of suspected criminals have avoided extradition in murder or drug smuggling cases; an estimated 3,000 individuals accused of committing murder in the United States are evading prosecution by fleeing to Mexico. On November 29, 2005, the Mexican Supreme Court reinterpreted Article 22, and ruled that a sentence of life imprisonment was not a violation of the country's constitution. This ruling provided the legal basis for Mexico to extradite suspected criminals; so long as prosecutors ensured Mexico that they would not seek the death penalty. This reinterpretation, however, created an inconsistency between the ruling and Article 10, paragraph 5 of Mexico's law of extradition, which still required Mexico to make certain that countries requesting extradition apply a sentence lesser than life in prison prior to granting the extradition request. On January 31, 2006, the Mexican Supreme Court issued a second ruling which stipulated that life imprisonment did not violate Article 10 of the extradition law, therefore removing it as possible grounds for an appeal. *The Supreme Court's reinterpretation of Article 22 of Mexico's constitution and Article 10 eased the conditions for the extradition of suspected criminals and made it possible for the United States to bring criminals to justice. It will be interesting to see the impact of these rulings on Mexican domestic law. Could these rulings begin to lay the legal groundwork for the possibility of life sentences in Mexico?* **Emily Goldberg**

**The Mexican Supreme Court's most recent ruling eased the conditions for the extradition of suspected criminals and made it possible for the United States to bring criminals to justice.**

**Newly elected Canadian prime minister Stephen Harper, U.S. president George W. Bush, and Mexican president Vicente Fox plan to meet in Cancún, Mexico, on March 30–31, 2006.** The three heads of state of North America will be meeting to follow up on the progress made under the Security and Prosperity Partnership of North America (SPP)—the trilateral initiative that was unveiled in Waco, Texas, on March 23, 2005, aimed at enhancing the security as well as the economic well-being of North America. In June 2005, President Bush, President Fox, and former Canadian prime minister Paul Martin were presented with a report compiled by the various thematic working groups, laying out the various work plans with which to fulfill the trilaterally agreed-upon objectives of the SPP. *With the January 23, 2006, election of Prime Minister Harper, Canada's candidate from that nation's Conservative Party (after 12 years of Liberal Party rule), the Cancún encounter will serve to ensure continuity to the North American vision that had been developed by the three administrations under the SPP. It will also serve to conceptualize and prioritize the next phase of work under*

*the SPP. Aside from underscoring the trilateral agenda, the three leaders will participate in a pair of bilateral meetings to advance the various pressing items on their respective bilateral agendas. The Cancún meeting will be bittersweet in that it will likely be the last official encounter between President Fox—who concludes his term in office on December 1, 2006—and President Bush and Prime Minister Harper. Depending on the outcome of Mexico's July 2, 2006, presidential elections, the Cancún summit could conceivably be the first and last meeting of three conservative North American heads of state, at least in the foreseeable future. The summit will also be the very first official international trip for 46-year-old Prime Minister Harper. Apart from the substantive agenda and accompanying atmospherics, President Fox will also use the summit to announce to the world that Cancún is again open to global tourism, following the damage sustained by Hurricane Wilma in October 2005. This is of particular economic importance to Mexico, given that the Cancún region contributes about one-third of Mexico's tourism revenue.* **Armand Peschard-Sverdrup**

**The Cancún encounter will serve to conceptualize and prioritize the next phase of work under the Prosperity Partnership of North America.**

While the Canadian government didn't agree to join the United States on the antiballistic missile defense project, it agreed to share its information with the U.S. commanders running the missile defense system.

## Canada

The newly appointed Canadian defense minister, Mr. Gordon O'Connor, recently announced that Canada will be signing a new military partnership treaty with the United States in the area of sea surveillance, extending the range of the bilateral defense treaty between the United States and Canada (NORAD). That announcement is one of the first concrete measures of Stephen Harper's newly elected Conservative government, which had promised in its electoral campaign that it would revitalize the Canadian military and strengthen the ties between Canada and the United States for a greater military partnership. In an attempt to defuse domestic opposition, which fears that a military partnership with the United States implies a surrender of Canadian sovereignty or warships patrolling Canadian waters, the Canadian defense department said the new treaty was only about a "transfer of information" on shipping and threats on seas between the two neighboring countries. The information would then be sent directly to the NORAD headquarters in Colorado, which is jointly staffed by Canada and the United States. *Canadians have always been wary of ceding sovereignty when signing military agreements with the United States. The recent issue of the intercontinental ballistic missile defense illustrates the dilemma. While the Canadian government didn't agree to join the United States on the antiballistic missile defense project, fearing it could lead to the militarization of space, it agreed to share its information with the U.S. commanders running the missile defense system. The Canadian policy is an attempt to strike a balance between the fear of becoming irrelevant in matters related to continental security and the concerns about the direction taken by the U.S. administration on the issue of continental defense.* **Benoit Cyr**

## Central America

### Costa Rica

**The results of a tightly contested election in Costa Rica give way to a new Arias administration that will need to reconcile a polarized electorate and improve relations with its neighbors.** The presidential elections in Costa Rica that began on February 5 were won by former president Oscar Arias of the National Liberation Party (PLN) in a closely disputed race with Ottón Solís of the Citizen's Action Party (PAC). The Supreme Tribunal of Elections (TSE) officially declared Arias president-elect by a margin of 18,167 votes, barely assuring him of the 40 percent necessary to win outright and avoid a runoff election in April. It was the closest margin in a Costa Rican election since 1966, when José Joaquín Trejos (PUN) defeated Daniel Oduber (PLN) by a difference of 4, 220 votes. *Such a narrowly split electoral outcome has several significant implications for the entering Arias administration. Arias will confront a disenchanting and polarized electorate that produced the lowest voter turnout rate (64 percent) in the history of Costa Rican elections and that voted nearly evenly for his PLN and Solís's PAC. This electoral divide will prove critical to the outcome of the congressional elections and will be important to the ability of the new administration to govern,*

*most likely without a congressional majority. The mobilization of a growing anti-CAFTA opposition that largely supported Solís and that catapulted him above the dismal early polling projections will challenge Arias's expected ratification of CAFTA and his foreign policy agenda, which is rooted in global competitiveness. The CAFTA debate could also strain his relationship with the telecommunications, insurance, and agricultural sectors.*

*Three issues on the domestic front will prove particularly important for Arias's presidency: addressing the needs of the 20 percent of the population that currently lives below the poverty line, reducing inflation, and improving infrastructure—an issue that Arias used as a pillar of his campaign platform. Costa Rica's bilateral relationship with the United States and with signatory Central American countries of CAFTA, especially with its neighbors Nicaragua and Panama, is also key. Protracted disputes with Nicaragua over navigation rights in the Río San Juan (based on the 1848 treaty of Cañas-Jerez that gave ownership of the river to Nicaragua but allowed commercial use by Costa Rica from El Castillo to the Caribbean) have flared up again and could heighten diplomatic tensions, particularly given the nationalist*

Three issues on the domestic front will prove particularly important for Arias's presidency: poverty, inflation, and infrastructure.

rhetoric already employed by a Sandinista-led coalition vying for the presidency of Nicaragua in the November elections. At the southern side of the eastern border, a spat with Panama in the Peñas Blancas region over Costa Rican digital container security that tracks the destination of shipments crossing the border could escalate into a border block if not resolved by May, when Arias will assume office. Above all, this Arias presidency will be expected to solidify Costa Rica's democratic image in the region, which suffered from corruption scandals involving three ex-presidents, including one from the PLN. **Danilo A. Contreras**

#### Contributing Authors

Armand Peschard-Sverdrup <i>Mexico Project Director</i>	Viviane V. Leffingwell <i>Program Manager</i>	Benoit Cyr <i>Intern-Scholar</i>
Lowell Fleischer <i>Senior Associate</i>	Kristin Wedding <i>Research Associate</i>	Emily Goldberg <i>Intern-Scholar</i>
Carlos M. Regúnaga <i>Argentina Office</i>	Danilo A. Contreras <i>Intern-Scholar</i>	Nelson Olhero <i>Intern-Scholar</i>

**Hemisphere Highlights** is published monthly by the Americas Program at the Center for Strategic and International Studies (CSIS), a private, tax-exempt institution focusing on international policy issues. Its research is nonpartisan and nonproprietary.

CSIS does not take specific policy positions. Accordingly, all views, positions and conclusions expressed in this publication should be understood to be solely those of the authors.

© 2006 by the Center for Strategic and International Studies.