Colombia: Post-Conflict Politics

With the death of Alfonso Cano, the “maximum leader” of the Revolutionary Armed Forces of Colombia (FARC) on November 5, it is tempting to declare Colombia’s conflict over and to look forward to rebuilding Colombia’s democracy, battered by three decades of violence and corruption.

Fixing Colombia indeed seems to be the agenda of President Juan Manuel Santos, who says he is leading a national unity government. His cabinet includes principal opponents from the presidential elections 18 months ago. He just appointed one of them—the capable and forthright leader of the Liberal Party, Rafael Pardo—as minister of labor, a recently re-created post with responsibility for carrying out workplace reforms and fulfilling labor commitments made to the United States as part of the recent free trade deal.

Santos, twice minister with economic responsibilities in previous governments, understood the importance of signing the trade agreement, despite humiliating delays and meddling conditions. The U.S.-Colombia trade agreement opens the door to investment and growth. Strong growth will provide revenues needed to carry out the ambitious consolidation and land restitution initiatives in former conflict zones and maintain security forces needed to protect those programs and ensure that neither FARC nor any other illegal band will ever again rise to challenge the authority of the state.

Important parts of a post-conflict agenda remain in doubt. The country held local and regional elections on October 30 that produced some encouraging results in the largest cities. Highly respected candidates won in Cali, Medellín, and Barranquilla, and in Bogotá, Gustavo Petro, once a guerrilla operative but for the last 20 years a legislator, won the mayorality leading a pragmatic reformist movement. But in much of the country candidates won with loosely organized populist groups that could be vulnerable to corrupting deal-making. Santos’ “national unity” approach seems to be further weakening the political party system the country needs.

The president has promised judicial reform, but the highly qualified new minister of justice has yet to outline what changes lie ahead. Meanwhile, trust in the current courts system seems to be deteriorating. Even the chief prosecutor has cast doubt on the viability of the recently adopted accusatory penal system.

Moreover, like many countries after periods of violence, the public continues to dwell on past atrocities and mysteries, such as who was responsible for the destruction of the Palace of Justice in 1985 and the deaths of political leader Luis Carlos Galán (1989) and Alvaro Gomez (1996). To his credit, Santos has done away with the tainted civilian intelligence agency, the Departamento Administrativo de Seguridad (DAS), but trust in government will be greatly affected by the character and quality of the organization that replaces it. —Phillip McLean

Program Highlights

- November 8, the CSIS Americas Program held an experts meeting with the Center for Hemisphere Defense Studies to review the upcoming report, *Iran’s Influence in the Americas*.

- November 15, the Americas Program hosted Canadian officials from the University of Ottawa’s Leadership Seminar. Anthony Cordesman, CSIS Arleigh Burke Chair, David Pumphrey, Director of the CSIS Energy Program, and Simon Serfaty, the CSIS Zbigniew Brzezinski Chair in Global Security and Geostrategy led a roundtable discussion.

- November 29, the Americas Program held an experts meeting to review the forthcoming report, *Police Reform in Latin America—Implications for U.S.*
Cuba’s Economic Reforms

During the last two months, Cubans have regained some economic freedom. Following reforms allowing Cuban citizens to buy and sell cars and seek self-employment in more categories than the past, President Raúl Castro announced that, as of November 10, Cubans may sell property to each other for the first time since the 1959 revolution. While these changes are intended to bolster Cuba’s precarious economy, more than 60 years of economic restrictions and continued monetary controls may overshadow glimmers of real change.

Under the new law, Cubans may own one permanent home and a vacation home, but few Cubans come close to being able to afford either. Per capita income averages some US$200 per month, and most Cubans live in dilapidated dwellings that will likely require significant investment before going on the market. Further, Cuba is short some 1.6 million homes, according to the Associated Press, and nearly 1 million homes in Havana are in serious disrepair. Maintenance has been deferred, and cumbersome state bureaucracy has hampered construction—the state still controls the construction sector and will present an ongoing hurdle to renovations.

Titling will also complicate sales. Many properties were expropriated or have been passed along to new owners illicitly. In some cases, many generations of a family or more than one family occupy a home, muddling

Oil Update

ARGENTINA

Spanish oil company Repsol YPF announced on November 7 the discovery of the equivalent of 927 million barrels of shale oil and natural gas in Argentina’s Neuquén province. The unconventional hydrocarbons, located in a 428 square kilometer area in the Vaca Muerta shale formation where the company owns rights to 12,000 square kilometers, is the largest oil discovery in the company’s history. Repsol has already drilled 15 wells that produce 5,000 barrels of oil a day and is exploring a 502 square kilometer area in the same formation. Repsol extracts the hydrocarbons through the controversial process of hydraulic fracturing.

Repsol’s discovery could make Argentina one of richest energy exporters in the Western Hemisphere. The potential for even larger deposits of shale oil and gas could set Argentina on a path to energy independence. However, environmental concerns regarding hydraulic fracturing could force the Argentine government to impose strict regulations on oil drilling. As a result, foreign oil companies may be less likely to establish operations in Neuquén province. Amid the excitement over the discovery, the price of electricity in Argentina more than doubled after President Cristina Fernández lowered energy subsidies. To reduce the budget deficit during a second term, the Fernández administration could increase government investment in the energy sector. The discovery also brings greater attention to the defense of the region’s natural resources. At a recent meeting, the 12 defense ministers of the Union of South American Nations Defense Council agreed to increase military cooperation to protect these strategic assets. —Sebastian Arandia

BRAZIL

As Chevron halted offshore drilling in the Atlantic more than 200 miles northeast of Rio de Janeiro after discovering a major leak in a new well, the Spanish oil company Repsol announced promising results from a well test for a discovery in waters off Sao Paolo. Repsol claims it could produce up to 28,000 barrels of crude oil per day. Partners include Brazil’s state oil company Petrobras, China’s Sinopec, and British company BG (British Gas). All have stakes in the discovery.

Major deep water oil discoveries off Brazil’s coast over the last several years continue to brighten prospects for Brazil’s booming economy and raise hopes that Brazil will become a major oil exporter. While the leak off Rio is relatively small, it highlights the risk Brazil undertakes as it pursues challenging drilling projects and underscores the need for oversight and precautions.

— Caitlin Watson

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who has the right to sell it.

If reforms help mainly elites with the best-kept homes, they will likely intensify inequality and stifle social mobility that will be crucial to lifting Cuba out if its economic malaise. On the other hand, the reforms could offer hope to rural Cubans. Cuba relies heavily on small farms to produce food and has turned over large plots of government land to independent farms. Substantial agriculture subsidies as well as significant autonomy from central party controls have propped up rural residents, leaving them better able to weather a transition to private enterprise and ownership.

Nevertheless, long-term prosperity in all sectors will require an infusion of technical assistance and capacity building from abroad in addition to a relaxation of state control. Years of isolation have stifled technological development, particularly in the agricultural sector. Much of Cuba’s arable land lies fallow, forcing Cuba to import 80 percent of its food, according to the United Nations World Food Program.

While the last decades have seen an uptick in foreign investment, only Brazil, China, and Venezuela have played a major role, and they have focused nearly exclusively on high-end tourism enterprises such as golf courses. —Caitlin Watson

In Brief

Peru

Amidst anti-mining protests in Peru, President Ollanta Humala announced this month that he would send a bill to congress to improve the distribution of mining royalties to more fully support social programs. In September, Humala approved a law that forces companies to consult local communities before starting projects and signed a bill raising taxes on the mining sector.

The tax increase is expected to bring the government an additional US$1 billion each year from increased royalties and taxes on windfall profits. Humala has vowed to invest the new funds in infrastructure projects to combat rural poverty, one of his campaign promises. The administration has yet to announce how the new bill would affect the distribution of these funds.

The new bill represents Humala’s latest effort to balance his campaign promise to promote social inclusion with his attempt to maintain a robust economy bolstered by an industry largely opposed by his left-leaning base. In 2010, mining represented 15 percent of Peru’s GDP, and many of Humala’s proposed social programs rely heavily on that kind of foreign investment. Humala currently enjoys a 60 percent approval rating, but social unrest and criticism that recent infrastructure projects have done little to improve prospects for the poorest Peruvians could begin to erode public confidence.

—Caitlin Watson

Uruguay

Uruguay joined Brazil as a net creditor to the International Monetary Fund (IMF), Uruguay’s Central Bank announced this month. Once a recipient of significant IMF loans during its 2002 financial crisis, Uruguay now enjoys one of the world’s fastest-growing economies, with a real GDP growth rate of 8.5 percent in 2010.

As Europe falls deeper into a debt crisis, Uruguay and Brazil, the latter a net creditor since 2009, have taken on prominent roles by joining other emerging economies in offering bilateral loans to troubled European economies and supporting a new European Fund in the IMF to bolster the struggling Eurozone.

Bilateral loans, drawn by the IMF directly from a lender country to a recipient country, are a quick way to aid a European recovery.

As creditors to the IMF, Brazil and Uruguay may be able to exert more influence and gain credibility in other multinational institutions that have long been dominated by the United States and Europe. IMF chief Christine Lagarde’s visit to Brazil, Mexico, and Peru this month highlights an increased awareness of Latin America and its growing importance in the global economy.

—Christine Zaino and Caitlin Watson
Inaugurations

**ARGENTINA:** Inauguration December 10, 2011

Incumbent president Cristina Fernández de Kirchner won a clear victory in Argentina’s presidential elections on October 23, obviating any need for a run-off. Kirchner obtained the largest proportion of votes cast in favor of any presidential candidate since Argentina returned to democratic rule in 1983—almost 9 percentage points more than she won in 2007.

**NICARAGUA:** January 10, 2012

With more than 62 percent of the vote in Nicaragua’s November elections, Daniel Ortega won his third (second consecutive) term as President. Ortega, leader of the Sandinista National Liberation Front that overthrew the Somoza regime in 1979, was first elected in 1984, then again in 2006, with less than 50 percent of the vote. The Nicaraguan constitution prohibits a president from serving more than two terms, but Ortega’s supporters in the supreme court overrode that rule.

**GUATEMALA:** January 14, 2012

Retired General Otto Perez-Molina of the conservative Partido Patriota won the presidential run-off on November 6 with 54 percent of the vote. Perez-Molina served in Guatemala’s army during the country’s civil war, which lasted from 1960 to 1996. Perez-Molina ran on a platform of taking a “mano dura” firm hand approach to tackling Guatemala’s rise in violent crime. The 2011 homicide rate is approximately 41 deaths per 100,000 persons, twice that of Mexico.

Argentina

With cash reserves reportedly at their lowest levels in years, Argentina’s government has taken steps to curb capital flight, often at the expense of investor confidence. Until recently, it benefited from a comfortable surplus. However, government spending, which rose 39 percent in January 2011 alone, ate into cash reserves while the official 11 percent inflation rate (some analysts estimate as high as 33 percent) seemed to alarm domestic investors. Rising inflation prompted the government to artificially appreciate the peso. This coupled with slower growth and a weaker currency in Brazil, Argentina’s largest trading partner, has depressed exports and slowed industrial production.

Despite signs of a slow-down, a stronger peso has encouraged domestic spending and boosted Argentina’s real growth rate to 8 percent in 2010, up from 0.9 percent in 2009. To slow capital flight, which, since August, has exceeded $10 billion the government has restricted the purchase of dollars and has begun to fine institutions that publish inflation rates that differ from the government’s official rate. The Central Bank plans to increase access to loans for industries that raise production. By eliminating some subsidies on utilities, which cost Argentina some 4 percent of its GDP, the government hopes to cut its spending. Foreign investors will have a better idea of the country’s economic direction once President Cristina Fernández names a new cabinet in December.

—in John Ransom

Upcoming Events

**December 5:** Caribbean Policy Dialogue of the Science, Technology and Innovation Network, Inter-American development Bank, Belize City, Belize

**December 15:** Peace Corps 50th Anniversary, CSIS-B1 Conference Center

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