

## HEMISPHERE HIGHLIGHTS

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## Upcoming Events

April 10

Presentation by Hédi Annabi, Special Representative of the Secretary General and Head of the United Nations Stabilization Mission in Haiti (MINUSTAH), Cosponsored with the Woodrow Wilson International Center for Scholars

**“The two foreign ministers restarted the Meeting of the Permanent Mechanism for Information and Political Consultation, which had been adjourned since 1998, and reactivated a series of bilateral agreements.”**

## Headlines

**Mexico** and **Cuba** announce recent steps to strengthen their bilateral relationship. **Colombians** are beginning to wonder whether the days of the FARC might be limited. China will deliver a satellite to **Venezuela** sometime this year, and President Hugo Chavez of **Venezuela** announces a new “windfall” tax on oil companies to recoup a larger share of their rising profits. On his first official visit to Washington since assuming the position of minister of defense last July, Nelson Jobim discusses **Brazil’s** geopolitics with U.S. officials. Tension between the government of President Evo Morales and regional authorities in **Bolivia’s** four lowland departments (Santa Cruz, Tarija, Pando, and the Beni) continues to build. The **Chilean** government continues efforts to address the country’s energy and drought problems. In **Argentina**, highways are cut by farmers furious at a new raise in export duties on several crops.

## Mexico

**Mexico and Cuba announced recent steps to strengthen their bilateral relationship.** On March 13, Mexican foreign secretary Patricia Espinosa visited Cuba and met with Cuban foreign minister Felipe Pérez Roque, who declared, “Relations between Mexico and Cuba are fully normal once again and a new period of cooperation and renewal” has begun. Historically, ties between the two countries have been strong—Mexico was the only Latin American country that did not break diplomatic relations with the island nation after the 1959 revolution. During the Vicente Fox administration, however, tensions mounted after Mexico criticized Cuba’s human rights record at the 2002 UN Commission on Human Rights. In May 2004, Mexico briefly expelled the Cuban ambassador and withdrew its ambassador to Cuba, accusing the Castro regime of meddling in the country’s internal affairs. President Felipe Calderón has sought to improve relations with Cuba. Indeed, Espinosa noted that a new era between the two countries “began the first day of Felipe Calderón’s presidency.” Mexico’s ambassador to Cuba, Gabriel Jiménez Remus, echoed this sentiment and stated, “Foreign Secretary Espinosa’s visit [was] the personalized manifestation of President Felipe Calderón’s determination to strengthen relations between Mexico and Cuba.” The two foreign ministers restarted the Meeting of the Permanent Mechanism for Information and Political Consultation, which had been adjourned since 1998, and reactivated a series of bilateral agreements. Among the issues detailed in these agreements were commercial and industrial development, trade, tourism, health, and transportation. Additionally, Cuba announced that it would support Mexico’s bid for a non-permanent seat on the UN Security Council and thanked the country for its “unwavering position” against the U.S. embargo. Mexico, in turn, agreed to restructure Cuba’s \$400-million debt, allowing repayment over a period of 15 years with an interest rate of 6 percent and a grace period of five years before the principal is due, Reuters reported. Bancomex, Mexico’s foreign trade bank, also opened a \$25-million credit line, which will increase as trade does. Trade between Mexico and Cuba plummeted from \$459 million in the mid-1990s to \$200 million in recent years. *In strengthening relations with Cuba, Mexico underscores its traditional differences with the United States over Cuba policy.* **Sarah McCune**

## Recent Events

March 10

Venezuelan Forum:  
“Civil-Military Relations  
in the Bolivarian  
Republic”

March 12

“Update on the Argentinian Economy:” Breakfast Roundtable  
Cosponsored with the American Chamber of Commerce

March 18

Discussion with María Isabel Salvador, the Foreign Minister of Ecuador, Cosponsored with the Inter-American Dialogue

March 24

Presentation by William Brownfield, Ambassador to Colombia, Cosponsored with the World Affairs Council

March 27

Discussion with OAS Secretary General Jose Miguel Insulza on Conflict in the Andes and Its Resolution, Cosponsored with the Inter-American Dialogue

“What is unique about this cooperation is that it is only the second time that China has been contracted to assemble an entire satellite for a third party, though it has carried out commercial launches before.”

## Colombia

**Colombians are beginning to wonder whether the days of the FARC might be limited.** Pundits from the left to the right have been tempted by the argument that after 40 years of combat the Revolutionary Armed Forces of Colombia (FARC) are now a spent force. A recent Gallup poll found that more than two-thirds of Colombians currently believe the FARC will be defeated militarily, a striking statistical inverse of people's perceptions just six years ago. Even such a cautious analyst as Alfredo Rangel of the Fundación de Seguridad y Paz says the FARC's territorial reach is now 40 percent less than six years ago and its field force down 30 percent (from 18,000 to 12,000—which is significant, though smaller than the Colombian government's estimate of a decline to 8,000). The sense that the FARC is vulnerable, of course, follows the government's success in killing FARC commander Raúl Reyes and destroying his camp inside Ecuador on March 1. Colombians have a new respect for the intelligence and fighting capabilities of their armed forces. The country received heavy international criticism for that cross-border operation, and even though in resolutions of the Rio Group of Latin American heads of state (March 7) and the Organization of American States (March 17) Colombia had to pledge not to repeat such an incursion, it also received recognition that its neighbors must act more firmly to keep the outlaw organizations from operating in their territories. *Just the belief that the FARC may one day no longer be a threat has many implications. First, it has already strengthened those who promote a “law and order” agenda. The recent Gallup poll puts President Alvaro Uribe's support at 84 percent. Second, and somewhat in contradiction, the decline of the FARC and the weakening of right-wing armed groups will open “space” for the development of a true democratic left over the longer term. Third, Colombia's legal economy will be stronger. And finally, there is now an opportunity to considerably reduce narcotics production and trafficking, which in recent years has been sustained in large part by the guerrillas and paramilitaries. But the danger of this changed public perception is that long-suffering Colombians will look for quick solutions. With large guerrilla and bandit organizations broken up, the job for the law enforcement and the justice system will likely become more complicated.* **Phillip McLean**

## Venezuela

**China will deliver a satellite to Venezuela sometime this year.** Its purpose is to give Venezuela greater autonomy in telecommunications. The satellite will be launched by the China Great Wall Industry Group, which signed an agreement with the government of Venezuela this month. For Venezuela, having a satellite will help give remote parts of the country greater access to television and the Internet. What is unique about this cooperation is that it is only the second time that China has been contracted to assemble an entire satellite for a third party, though it has carried out commercial launches before. *Having access to space is an important symbol of power, and President Hugo Chávez sees this agreement as another step for Venezuela to expand its international reach. This particular satellite will be also be supported by Uruguay. The cost of the satellite is estimated at \$250 million, but the symbolism is priceless. According to the agreement, the satellite will be called the Simón Bolívar Satellite, in honor of the South American liberator. Cooperation between Venezuela and China on space technology began in 2004.* **Johanna Mendelson-Forman**

President Hugo Chávez at the end of March announced a new “windfall” tax on oil companies to recoup a larger share of their rising profits, although details, including the rate, are yet to be worked out. During a regular weekly TV/radio address, Chávez also labeled a recent legal victory over ExxonMobil as a “victory against [U.S.] imperialism.” Earlier in the month, a British judge tossed out a preliminary order to freeze \$12 billion in Petróleos de Venezuela, S.A. (PDVSA) assets instituted at the request of the company after Chávez in effect nationalized a heavy oil project in the crude-rich Orinoco River basin. Venezuela is still bound by similar asset freezes put in place by courts in the Netherlands and Dutch Antilles, pending arbitration proceedings in New York. *The ExxonMobil dispute with Venezuela is likely to be a protracted affair with arbitration proceedings not scheduled to take place before the end of 2008 at the earliest. Meanwhile, talks termed “friendly” by Oil Minister Rafael Ramírez and ConocoPhillips over similar issues continue and are not expected to be concluded anytime soon. It is evident that the Chávez government needs all of the revenue it can get from both PDVSA and the international oil companies—and PDVSA may not have the funds to contribute much more. One of the stumbling blocks to negotiating a final agreement with Brazil over the financing of a new \$4-billion refinery in Pernambuco is that PDVSA is having trouble coming up with its share of money for the project. Even though PDVSA has not been very forthcoming with financial information, what evidence there is suggests that the company is bleeding money and taking on large debt even as crude oil prices hit record highs.*

Lowell Fleischer

**“The ExxonMobil dispute with Venezuela is likely to be a protracted affair with arbitration proceedings not scheduled to take place before the end of 2008 at the earliest.”**

## Brazil

**On his first official visit to Washington since assuming the position of minister of defense last July, Nelson Jobim discussed Brazil’s geopolitics with U.S. officials.** Brazil, the rising power in South America and strong U.S. partner on energy security, has also taken a more independent role as nominal leader of the region’s security through its leadership in peacekeeping in Haiti and as a convener of defense ministers who have contributed troops to the UN operation. At a speech delivered at CSIS on March 21, Jobim, a former jurist and senator, provided an overview of current issues facing the region’s largest nation. He noted that Brazil’s military has always played a significant role in national politics, but in the mid-1980s there was little political interest by civilian leaders to support the military, especially after a period of authoritarian rule. Like other countries of the Southern Cone, Brazil had experienced a dark period of repression, but it had also emerged as a state where civilian control of security was often not matched with adequate resources for that function. Jobim pointed out that the role of the Brazilian military is being reviewed with the goal of developing a strategic defense plan that will bring unity and geopolitical vision to the institution and its relationship to the state. His role as defense minister is to develop this plan, to be completed by September 2008 for presentation to President Luiz Inácio Lula da Silva. Among the key issues it will review are border security, especially the threats of paramilitary forces coming into the country, as well as, operational practices and needed changes in the armed forces. Finally, the review will also examine equipment needs for the armed forces, including the purchase of new weapons, especially aircraft, and a nuclear submarine, which Brazil is developing with German assistance. The most dominant geographic feature of Brazil, the Amazon region, plays a major role in the formulation of Brazil’s defense posture. It challenges the way in which the military provides security to a region that must be defended but is also part of a larger zone that affects its neighbors. Finally, Jobim noted that he would start discussions with other South American states about Brazil’s proposal for a regional defense council to create a “separate South American defense identity” based on three geographic zones: the Amazon, the Andes, and the River Plate area. The council would operate on principles that would respect sovereignty, territorial integrity of the state, and nonintervention in internal affairs, principles arising from the UN Charter. Underlying this concept is a greater need for the continent to “think big.” He suggested that unless the region expanded its vision of defense and security, it would remain on the sidelines of international relations. *Brazil’s approach to regional security has*

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evolved over the last two decades to a more active and integrated vision of projecting power beyond this hemisphere. With six percent of the world's population and its sheer size in comparison to other countries in the region, Brazil has demonstrated its broader aspirations of international leadership in multilateral institutions such as the United Nations and the World Trade Organization.

Johanna Mendelson-Forman

**“Local municipal authorities in Santa Cruz, backed by civic and economic groups, are determined to proceed with a May 4 referendum on approving “statutes of autonomy,” despite a conclusion by Bolivia’s National Electoral Court (CNE) that the events are unauthorized and cannot be held under its auspices.”**

## Bolivia

**Tension between the government of President Evo Morales and regional authorities in Bolivia’s four lowland departments (Santa Cruz, Tarija, Pando, and the Beni) continues to build.** Local municipal authorities in Santa Cruz, backed by civic and economic groups, are determined to proceed with a May 4 referendum on approving “statutes of autonomy,” despite a conclusion by Bolivia’s National Electoral Court (CNE) that the events are unauthorized and cannot be held under its auspices. The Morales administration had previously scheduled a national referendum on May 4 to ratify the text of Bolivia’s new constitution drafted by representatives of Morales’s party, *Movimiento al Socialismo* (MAS), and approved under highly controversial circumstances. But the CNE announced in mid-March that there was not enough time to organize the referendum by that date. The Santa Cruz autonomy statutes, some 168 articles in total, lay out a regime of very broad and independent authority for the department. The Morales administration says that it will provide no special police support for the event, and supporters of the national government in Santa Cruz vow that they will disrupt the vote with protests and road blockages. Civic leaders in Santa Cruz announced that they will provide “brigades” of civilians to “guarantee the vote.” The Beni and Pano are scheduled to hold similar autonomous referenda on June 1, and Tarija later that month. Another ingredient in the central/regional conflict with Santa Cruz was the executive decree issued by the Morales administration to prohibit for six months the export of cooking oil (mainly soy and sunflower), a mainstay of the Santa Cruz economy, along with natural gas. The government explained its decision as purely economic, in order to meet domestic demand and counter rising prices for that staple, while *cruceño* leaders claim it is a directed political move to punish them. *The prospect of a May 4 vote on sweeping regional autonomy puts Santa Cruz on course for a potential collision with the Morales administration. The interaction between both sides in coming weeks will determine whether tensions will be ratcheted up further or some traditionally Bolivian compromise path can be reached. With the other departments of the media luna waiting in the wings, events in Santa Cruz will have particular significance.* **Peter DeShazo**

## Chile

**The Chilean government continued efforts in March to address the country's energy and drought problems.** The weather phenomenon called La Niña, which involves a cooling of surface temperatures in the coastal Pacific waters, caused the worst drought that Chile has seen in 100 years, seriously affecting agricultural production and livestock in central and southern Chile. Historically low hydroelectric reservoir levels coupled with a simultaneous decrease in the natural gas supply from Argentina and an overall increase in natural gas prices have created a multitude of troubles for Chile. Falling water levels in reservoirs due to a lack of rainfall aggravated the electricity problem that Chile has been experiencing. The low levels at hydroelectric reservoirs force power generators to burn more expensive fuel, and while Chile relies mainly on thermal generation, hydropower sources still make up 40 percent of the energy sector, Bloomberg reported. On March 3, the Chilean government announced temporary tax cuts to stimulate the economy as the drought and high energy prices threaten to slow growth and promote inflation. Chile is experiencing its highest inflation rate in more than 11 years, accelerating to 8.1 percent (on an annual basis) in February 2008. Additionally, sources point to a 20 percent surge in electricity costs in the same month, as prices for fresh fruits and vegetables soared thanks to the increased cost of irrigation. In March, the Chilean Public Works Ministry disclosed that 200,000 residents risk losing access to clean drinking water. The Chilean government has been forced to distribute emergency drinking water and has invested over \$90 million in subsidies to help farmers feed livestock and dig deeper wells. Besides the negative effects on the agricultural sector, these problems have impacted Chile's copper sector as well. Copper mines in the central and southern provinces, where approximately 32 percent of Chile's copper is produced, face higher risks of blackouts as the drought cuts hydroelectric power. In northern Chile, where most of Chile's copper production takes place, the natural gas shortage could cause power outages as well. The Chilean Supreme Court has extended daylight savings time until March 29, from its original ending date of March 8, in efforts to save energy and to minimize future electricity rationings. Any power losses or electricity rationing would cause production cuts in copper mines, which would have a damaging impact on Chile's economy. *Although on March 26 the Chilean peso rose to 443.32 pesos per dollar (advancing 16 percent against the dollar this year on speculation that the central bank will raise its key lending rate in April), drought, gas shortages, and high energy prices continue to cramp the pace of Chile's economic growth.* **Michelle Housworth**

**“Historically low hydroelectric reservoir levels coupled with a simultaneous decrease in the natural gas supply from Argentina and an overall increase in natural gas prices have created a multitude of troubles for Chile.”**

## Argentina

**The unemployed in Argentina were the first major social group to express their frustration by blocking streets and roads with picket lines.** Because this method caught public attention and was successful in obtaining government concessions, it was soon copied by other groups. In the last few years, protests of this type have ranged from cutting off international bridges that link Argentina to Uruguay, on the grounds that paper pulp factories in the latter would affect the environment, to high school students supporting a candidate for principal. Today, we witness highways cut by farmers furious at a new rise in export duties on several crops. There have been reports of the lack or scarcity of foodstuffs in different parts of the country. Since the 2002 macro devaluation, export taxes have been applied on farm products for two purposes: to reach a necessary fiscal surplus and to prevent the full impact of the devaluation from causing an intolerable increase in prices of food and other essential items in the domestic market. Export taxes were later raised several times to compensate for increases in commodity prices in the world markets. Farmers contend that the treasury is therefore artificially keeping down prices of farm products without taking into account the continuous increase in costs caused both by international and domestic inflation. *The long-term solution to the dilemma is the replacement of export duties with a tax on land that would generate income without affecting prices. Because such a tax would be fixed, increases in production would not result in higher taxes. Unfortunately, such a step would have to be applied gradually while other compensatory measures (i.e., a reduction of the value added tax) mitigate the impact on consumers.* **Carlos M. Regúnaga**

**“Today, we witness highways cut by farmers furious at a new rise in export duties on several crops.”**

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