

## HEMISPHERE HIGHLIGHTS

Volume VII | Issue 2 | February 2008

## Upcoming Events

March 10

"Venezuela Forum: Civil-Military Relations in the Bolivarian Republic"

March 12

Update on the Argentine Economy: Breakfast Roundtable cosponsored with the American Chamber of Commerce

"Calderón... focused his time speaking with business leaders, state and city officials, and representatives of immigrant rights groups."

## Headlines

**Mexican** president Felipe Calderón visits the United States for the first time since assuming the presidency. February marks the fourth anniversary of President Jean Bertrand Aristide's departure from **Haiti**. President Daniel Ortega of **Nicaragua** holds a meeting with senior U.S. officials. Additional evidence that **Venezuela's** PDVSA is short of cash comes to light. The acrimonious dispute between ExxonMobil and Hugo Chávez's government continues. **Colombia's** armed forces manage to eliminate one of the principal leaders of the country's largest guerrilla group. A Constitutional referendum is set for May 4 in **Bolivia**. **Brazil's** stock market becomes a major attraction for emerging market investors. Former **Argentine** president Néstor Kirchner scores an unexpected goal on his road toward the reorganization of the *Partido Justicialista*.

## North America

## Mexico

**Mexican president Felipe Calderón visited the United States for the first time since assuming the presidency in 2006.** Starting his visit in New York on February 10 and continuing to Boston, Chicago, Sacramento, and Los Angeles over a period of five days, he notably bypassed Washington, DC and did not meet with President Bush, members of Congress, or any of the presidential candidates. Calderón instead focused his time speaking with business leaders, state and city officials, and representatives of immigrant rights groups. At a dinner hosted by the Council of the Americas in New York, the Mexican president highlighted his administration's efforts to make Mexico a premier investment destination and, during a speech at the Kennedy School of Government at Harvard University, emphasized his commitment to free trade and deeper regional integration. "The one real opportunity [the United States and Mexico] have" he stated, "is to integrate our markets for the purpose of being more competitive and more productive." Calderón recognized that economic growth and job creation in Mexico are crucial to reducing the flow of migrants to the United States. Immigration was a theme the president addressed throughout his trip. In Chicago, Calderón met with leaders of the Mexican community and listened to their concerns about immigration reform. Speaking before the California State Assembly in Sacramento, the president acknowledged the economic contributions of Mexican immigrants and emphasized that both the United States and Mexico, "Must take a comprehensive approach to the phenomenon of immigration, considering its economic, political, social, and cultural aspects." *According to a February 25 report from El Colegio de la Frontera Norte, a research and academic institution in Tijuana, at least 1,000 Mexicans, most of whom are undocumented, successfully cross the U.S. border every day. Due to tightened border security, most of these migrants settle permanently in the United States because it is too difficult to cross back into Mexico, thus draining the country of a dynamic population. The implications of this phenomenon will affect Mexico's future economic growth and development. Calderón's task is to sufficiently stimulate the economy and make it more attractive for workers to find good jobs in Mexico.* **Sarah McCune**

## Recent Events

February 25

"Haiti Update:  
MINUSTAH at  
Four Years"

February 15

"Mexico's Re-  
cent Electoral  
Reform: A  
Change for the  
Better?"

February 11

"U.S. Smart  
Power in the  
Americas: 2009  
and Beyond"

"Recent statements made  
by Ortega and other Nicaraguan  
officials reveal a  
strongly bifurcated view of  
the United States."

## The Caribbean

### Haiti

February 29 marks the fourth anniversary of President Jean Bertrand Aristide's departure from Haiti. Since that time, the United Nations' seventh peacekeeping mission (MINUSTAH) has been on the ground ensuring that Haiti's transformation to a more secure, stable, and capable state is on track. Considerable progress has been made since 2004, thanks to the United Nations, the leadership of Brazil, the participation of other countries in peacekeeping, and the support of donors, the United States and Canada being the largest. Successful national elections in 2006 gave Haiti a democratically elected president, René Préval. It also ushered in an unprecedented period of consensual politics, where a broad range of political parties have engaged in rebuilding institutions, and more important, the Haitian state. Finally, on-the-ground security has also improved since last year. MINUSTAH, with the full agreement of the government of Haiti, launched a very aggressive gang eradication program that has reduced violence and kidnappings in Port au Prince. But the clock is ticking. Real progress on the ground has been slow for Haitians. In spite of improved economic growth (3 percent last year) Haitians remain dependent on international humanitarian aid and diaspora resources to survive (\$1.65 billion, or 35 percent of gross domestic product). Job creation programs have been slow to reach the vast ranks of the unemployed, and decentralized assistance outside of the capital is still lagging. Finally, elections scheduled for this coming April, which would have completed a cycle of constitutionally mandated votes for new senators, have been postponed, and the head of the electoral council was dismissed. Such delays are not new to Haiti. But these signal a need to monitor more closely conditions on the ground that could become a tipping point if not attended to. *Although the United Nations has learned its lessons about early exits from unstable countries from its previous experiences in Haiti, and more recently in Timor, it will take at least three to five years more of a continuous UN presence in Haiti to ensure that a new police force is in place and that a successive democratic election for president allows for a nonviolent succession. This is a tall order for the international community, but one that it avoids at its peril. For the United States, Haiti should remain a priority, because the presence of a weak state on its third border would have negative implications for the United States and for other regional neighbors. Saving Haiti should again be a priority for U.S. foreign policy, but only if Haitians are willing to help in the rescue efforts this time around. The current emphasis on partnership will help in achieving this goal.* **Johanna Mendelson-Forman**

## Central America

### Nicaragua

On February 4, President Daniel Ortega of Nicaragua held a meeting with senior U.S. officials from the Drug Enforcement Agency (DEA) and the Department of State to discuss cooperation in combating drug trafficking in the Central American nation. At the meeting's conclusion, Ortega expressed hope that the encounter would bring about a "new stage" in U.S.-Nicaraguan relations with regards to the fight against drug trafficking. He stated that Nicaragua is "seriously committed" to addressing this problem and articulated his government's interest in receiving more assistance from the United States in order to do so. Meanwhile, officials from the U.S. delegation were also optimistic as they emerged from the meeting. U.S. deputy assistant secretary of state for counternarcotics Christy McCampbell thanked Ortega for the role his administration has played in "keeping drugs off the streets" in Nicaragua. After a discussion with Ortega and local police, Michael Braun, chief of operations for the DEA in Washington, also spoke highly of the Nicaraguan president, saying, "The guy gets it." *In spite of the abundance of goodwill expressed by both sides in the aftermath of this high-level meeting, it remains to be seen whether this optimism can serve as a stepping stone toward an overall improvement of relations between the two nations. Recent statements made by Ortega and other Nicaraguan*

officials reveal a strongly bifurcated view of the United States. In early February, Arturo Cruz, the Nicaraguan ambassador to the United States, was quoted as saying that the Ortega administration and the United States were on a path toward a "relationship of friendship." These comments came less than two weeks after Ortega had characterized U.S. involvement in Colombia as a threat to all of Latin America and promised to retaliate should the United States "mess with one of us." In late January, Ortega criticized globalization saying that "global capitalism has...lost control." Meanwhile, during Ortega's first year in office, bilateral trade between Nicaragua and the United States increased considerably. Additionally, at the inauguration of a U.S.-financed section of a highway in Nicaragua, Ortega expressed great praise for the United States, ultimately proclaiming, "Long live the U.S. government." Less than three weeks later, Ortega claimed that "the empire" was launching a "clear offensive" against Nicaragua's regional friends by way of ExxonMobil seeking court orders to freeze the assets of Venezuelan state oil company *Petróleos de Venezuela, S.A. (PDVSA)*. The February 4 meeting represents a positive development for U.S.-Nicaraguan relations, but conflicting signals from the Ortega administration suggest that ideology, memories of the past, and Ortega's friendship with Hugo Chávez continue to influence his outlook toward the United States. **Peter Gosselin**

## South America

### Venezuela

**Additional evidence that PDVSA—despite the record high price of crude oil—is short of cash** came to light last month when President Hugo Chávez announced that China has given the Venezuelan state oil giant a \$4 billion loan to be repaid in shipments of refined fuel oil. The deal was reportedly signed last November. At the time, the Chinese press characterized it as a \$4 billion deposit to a \$6 billion (Venezuela added \$2 billion) investment fund dedicated to Venezuelan development projects in the oil sector. According to some reports, this fund could reach \$18 billion in nine years. A similar deal was signed with Japan at the end of 2007 for \$3.5 billion in loans from a consortium of Japanese banks and trading houses. *Most analysts believe that this deal has likely gone through, even though many agreements trumpeted by Chávez have not seen the light of day. There is no doubt that Chávez is seeking out China to counterbalance U.S. influence and to continue to diversify Venezuela's oil markets. China wants a steady supply of energy but does not wish to antagonize the United States in the process. The Chávez government has announced its intention to supply 1 million barrels of crude a day to China, up from the current PDVSA figure of 350,000 barrels (other estimates put that figure closer to 100,000), and the Venezuelan press has reported that construction has begun on three refineries in southern China that are capable of refining the poorer-grade Venezuelan crude. So far, these deals have not put U.S. petroleum imports from Venezuela in jeopardy.* **Lowell R. Fleischer**

**"There is no doubt that Chávez is seeking out China to counterbalance U.S. influence and to continue to diversify Venezuela's oil markets."**

**The acrimonious dispute between ExxonMobil and the Chávez government over the U.S. company's attempt to gain compensation** for the May 2007 expropriation of the Cerro Negro oil project continued last month. Chávez again threatened to cut off petroleum supplies to the United States in retaliation for ExxonMobil's legal actions abroad (he later again backed down). ExxonMobil got courts in the United States, the United Kingdom, the Netherlands, and the Netherlands Antilles to freeze up to \$12 billion in PDVSA assets based on concerns that the Venezuelan oil company would shift assets to other jurisdictions, including China, in order to put them out of the reach of an international arbitration panel. Meanwhile, Venezuelan energy and petroleum minister Rafael Ramírez said that he expects to negotiate a settlement with ConocoPhillips soon over their expropriated energy assets. ConocoPhillips has said it wants to avoid a court fight and lengthy arbitration. *Chávez is obviously seeking domestic political gain in ramping up the rhetoric against ExxonMobil and the United States at a time when his domestic political backing seems to be decreasing. ExxonMobil seems to have made the right tactical moves even though any resolution of the dispute may be years away. It remains to be seen how long Chávez's tactic of exploiting nationalist sentiment to distract from growing economic problems at home will produce results.* **Lowell R. Fleischer**

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## Colombia

**Colombia's armed forces have managed to eliminate one of the principal leaders of the country's largest guerrilla group.** In a news conference on March 1, Minister of Defense Juan Manuel Santos announced the death of Raul Reyes, long the chief spokesman of the Revolutionary Armed Forces of Colombia (FARC) and thought to be the organization's second ranking leader. The minister said Reyes and a band of his comrades were killed in a night joint army-air force raid very near the border with Ecuador (later confirmed to be inside Ecuador). One Colombian soldier was killed in the firefight following the initial attack. Early reports suggest that by a combination of human- and telephone-intercepted intelligence Colombian military forces were able to locate the guerrilla leader and deploy an advanced strike force at the antinarcotics base at Larandia. According to Colombian officials, they then launched an air attack delivered by Brazilian-made Tucano fighters followed by a helicopter borne army assault. *The details of the operation are important for two reasons. First, the operation demonstrated a high degree of coordination and the skillful use of the intelligence capabilities and weapons acquired in recent years. For many years, President Alvaro Uribe has put a high priority on taking down the top FARC leaders, but until recently, his armed forces seemed incapable of the kind of interservice and even intra-service coordination needed to accomplish those objectives. In the last nine months, however, the armed forces and the national police have had a run of successes killing and capturing significant mid-level FARC commanders. The FARC is still a formidable force, but the Colombian estimates are that with just 8,000 armed combatants, it is now just half the size of a decade ago. The extension of the operation into Ecuador is the second detail that has worrisome implications. International news agencies have reported, to the embarrassment of Colombia's neighbors, that the FARC is operating in both Ecuador and Venezuela (see last month's Hemisphere Highlights, January 2008). In an attempt to save face for Ecuadorian president Rafael Correa, Colombian officials emphasized that the attack on March 1 was initially against a camp within Colombia. President Hugo Chávez of Venezuela was having none of that. He immediately made threats of war against Colombia and claimed he was sending 10 battalions of his best troops to the border.* **Phillip McLean**

“This latest move by the government to push the constitutional reform process forward highlights the near complete lack of consensus that permeates the country.”

## Bolivia

**Constitutional referendum set for May 4 in Bolivia.** During a tumultuous session of Bolivia's Congress on February 28 to which many members of opposition parties were denied access by a crowd of pro-government supporters surrounding the premises, three laws were approved regarding Bolivia's highly contentious and polarized constitutional process and the issue of regional autonomy. President Evo Morales signed these laws the following morning. His Movement Toward Socialism (MAS) party had employed similar methods to approve and reconfirm the text (drafted by MAS delegates to the constitutional assembly) of a new constitution in Sucre and Oruro on November 24 and December 9, 2007, respectively. In the face of referenda on regional autonomy scheduled by authorities in the lowland departments of Santa Cruz (May 4) and the Beni (June 1), the Morales government mobilized a contingent of hundreds of miners and *campesinos* to take control of La Paz's Plaza Murillo and seal off access to oppositionist members of Congress. It took the MAS-controlled Congress only a half hour to pass the three bills, one of which sets May 4 as the date for a national referendum to approve the new constitution (trumping the referendum on autonomy set for that date in Santa Cruz) and another changing an earlier law governing referenda giving Congress the sole right to call regional consultative referenda. The opposition decried these steps as an illegitimate power grab by Morales. Vice President Alvaro García Linera was quoted as stating that the government “had tried dialogue...and all we got in return was rejection.” *Print media throughout the country described the February 28*

event as the MAS scheduling a plebiscite to approve its own constitutional draft. This latest move by the government to push the constitutional reform process forward highlights the near complete lack of consensus that permeates the country. The Morales government is intent on a major restructuring of Bolivian politics and society, putting it at loggerheads with the opposition-controlled Senate and political leadership in at least four of Bolivia's nine departments. Morales is under considerable pressure from his support base to move the text of the new constitution ahead toward referendum after a year-long process in which no agreement had been reached on any of the key elements of the draft. With authorities in Santa Cruz pledging to go ahead with the scheduled referendum on autonomy regardless of the new law and with a date now set for approval of the new constitution, political tension is heating up. **Peter DeShazo**

## Brazil

**Brazil's stock market has become a major attraction for emerging market investors.** As of February 12, the total value of Bovespa-listed companies reached \$1.2 trillion, reported Oxford Analytica. The *Los Angeles Times* stated that Bovespa rose more than 44 points on February 21 alone, with the overall index down less than 0.2 percent in 2008, compared with a 9 percent decline in international stocks. Brazil's auspicious economic outlook is further demonstrated by the fact that in January the country achieved the status of net foreign creditor for the first time in its history. Brazil repaid its debt to the International Monetary Fund in 2005, and since that time its economy has continued to broaden. Thanks to increased global demand for Brazilian exports such as automobiles, iron ore, soybeans, and beef, total exports have tripled since President Luiz Inácio Lula da Silva took office in 2003. In February 2008, record exports of agricultural commodities and oil, together with inflows of foreign investment, caused international reserves—now totaling \$188 billion, up six-fold from 2003—to exceed international liabilities by approximately \$4 billion dollars. Data from Bloomberg News and Reuters indicate that foreign direct investment into Brazil in January alone grew to \$4.8 billion, which caused the value of Brazilian currency, the *real*, to climb to its strongest level since 1999 to 1.711 per U.S. dollar, thereby augmenting Brazil's purchasing power abroad. Brazil's trade minister Miguel Jorge said that Brazil's exports will total as much as \$180 billion this year, with experts forecasting more than 4 percent growth for Brazil's economy, compared with only 1.8 percent for the U.S., Bloomberg News reported. *Seeking to break away from its historic boom and bust cycles, Brazil has built up its foreign reserves and paid off its international debt in order to achieve net creditor status. That status has increased investor confidence in the Brazilian economy, helping it to win an investment-grade debt rating. Because of these positive economic developments, experts agree that Brazil will be able to weather current softness in the U.S. economy. Brazil is well-positioned to increase its status as a regional leader.*

**Michelle Housworth**

**“Brazil's auspicious economic outlook is further demonstrated by the fact that in January the country achieved the status of net foreign creditor for the first time in its history.”**

## Argentina

**Former president Néstor Kirchner scored an unexpected goal this month on his road toward the reorganization of the *Partido Justicialista*.** Former minister of the economy Roberto Lavagna, who ran against Cristina Kirchner in the October 2007 presidential election, accepted to join Néstor Kirchner as candidate for the party's vice presidency. Criticism poured on Lavagna, particularly from some of the several million citizens who voted for him as an opposition leader last year. Moreover, Lilita Carrió, the founder of the *Coalición Cívica*, who came in second place, denounced a previous secret pact between the Kirchners and Lavagna to use the latter's candidacy to divide the opposition vote and secure a first-ballot victory for Cristina. Whatever the past truth may be, Carrió should be glad because Lavagna's decision strengthens the *Coalición* as the first national opposition force. Another initiative Néstor Kirchner is working on is a reform of legislation that regulates political parties. *Argentine democracy is*

**“Criticism poured on Lavagna, particularly from some of the several million citizens who voted for him as an opposition leader last year.”**

*plagued by the excessive number of parties. Major traditional forces, affected by the country's successive crises, have split into two, three, or more branches or independent parties. And this phenomenon has been compounded by legislation, sanctioned with the aim of promoting political activities by citizens, which makes it very easy to create and manage a party. Moreover, it makes it profitable. Treasury funds are distributed among all parties that participate in elections. The national budget appropriates a global sum for that purpose. Seventy percent of that sum is distributed in proportion to votes obtained, while the other 30 percent is divided equally among all parties, without a threshold. The result is that there are more than 700 parties registered in Argentina.* **Carlos M. Regúnaga**

## Contributing Authors

Peter DeShazo  
*Director, Americas Program*

Johanna Mendelson Forman  
*Senior Associate*

Michelle Housworth  
*Intern-Scholar*

Lowell Fleischer  
*Senior Associate*

Carlos M. Regúnaga  
*Argentina Office*

Sarah McCune  
*Intern-Scholar*

Phillip McLean  
*Senior Associate*

Peter Gosselin  
*Intern-Scholar*

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