



### In this Issue

**Bank of the South: Politically Driven Agenda Duplicates Existing Institutions**

*Vladimir Torres*.....1

**Editorial: A Revitalized Canadian Policy for the Americas**

*John W. Graham*.....3

**Cuba's Energy Future**

*Jorge R. Piñon*.....4

**Brazil and Mexico Edging Towards a Strategic Relationship?**

*Alberto Pfeifer*.....6

**Troubles Mounting in Guatemala**

*Carlos A. Rosales*.....7

### News Briefs

Ecuador.....2

Haiti-Venezuela.....3

Bolivia.....8

### Editorial Board

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## Bank of the South: Politically Driven Agenda Duplicates Existing Institutions

*Vladimir Torres*

For some years now Venezuelan President Hugo Chávez has been floating the idea of creating a Bank of the South. As with many initiatives presented by his government at international fora and gatherings of heads of state, this one first arose as a “spur of the moment” idea. This characteristic improvisational approach is at odds with the procedures within multilateral organizations, and the intense preparatory work that goes into defining agendas and laying the ground for the agreements and declarations emanating from them.

The Bank of the South initiative seems to be going ahead though, as the effectiveness of Venezuela’s oil-diplomacy can be measured in the acquiescence of the countries at the receiving end of Chávez’s largesse to support this idea. On February 21, Argentina and Venezuela signed a Memorandum of Understanding committing to create the Bank and setting a 120 day-period to implement it. On March 30, the Finance Ministers of the two countries and their counterparts from Bolivia and Ecuador met in Caracas to further advance the negotiations; and technical commissions are working toward a formal announcement to be made as early as April 16 and 17 in the context of the first South American Energy Summit in Venezuela.

Albeit still vaguely defined, the Bank has been presented as a financial alternative for development, a Latin American controlled multilateral lender intended to help South American countries break away from the dependency on the existing International Financial Institutions (IFI), namely the IMF, World Bank and Inter-American Development Bank. An initial formula, under which Venezuela and Argentina will contribute 10% of their international reserves, will provide approximately US\$7 billion as starting capital. The Central Bank of each country willing to join would have to place part of its international monetary reserves in the Bank of the South.

Aside from Venezuela and Argentina, who has received more than US\$2.5 billion in loans from Venezuela, the other two countries on board are Bolivia and Ecuador. These two governments are counting on Venezuelan cash flows to help them confront their domestic challenges. Other Latin American countries have been more cautious to support the initiative or have openly expressed their doubts regarding the need for another development bank in the region. Paraguay and Uruguay, the two smaller economies within Mercosur, have already seen the difficulties in implementing Mercosur’s Structural Convergence Fund (FOCEM), the fund designed to address asymmetries within the bloc. Venezuela’s opposition to the fund in favour of bilateral aid and the Bank of the South idea, could be perceived as being at odds with its

regional solidarity claims and indicative of the political strings attached to the oil largesse.

Most Brazilian officials do not see the need for the Bank, particularly in light of Brazil's renewed commitment to the Andean Development Corporation (CAF), where the country recently became a shareholder, adding more than US\$1 billion to the CAF's paid-in capital. From their perspective, the Bank represents a duplication of efforts and an overlap in mandates with the CAF. In the context of Mercosur, Brazil not only supports the FOCEM, but will also implement in July a bilateral pilot-program to trade in national currencies with Argentina. This initiative, which cuts out the US dollar as vehicle currency, is part of the original goals of the bloc and a step toward financial integration, which Brazil would like to see extend throughout South America.

Brazil is also vying for regional leadership and would not want to be left outside an initiative that would see Venezuela at the helm. One stated component of the Bank of the South proposal is that no one shareholder (or shareholders) would exercise control of the institution, and that all member countries would have equal weight. Yet the proposed model lends itself to the larger participating economies to take control of the Bank's operations, a

fact even more apparent when considering the Venezuelan Central Bank's lack of autonomy from the government. The rationale for creating the Bank to break away from the conditionality attached to IFI lending—already very debatable—would be replaced by the Venezuelan agenda dictating the Bank's. Brazil cannot allow this to happen, and will be part of the project, asserting its influence from within.

Aside from being subject to Chávez's political agenda, there are other issues of concern regarding a Bank of the South controlled by Venezuela: the transparency of its operations given the unaccountable practices of the Venezuelan government and its oil industry; the technical expertise required for its operation; and its independence from political opportunistic dictums, which would determine the kind of lending extended and the choice of projects. But arguably the main issue of concern derives from the Bank's reliance on Venezuelan funds given its current economic situation and its sustainability.

In the absence of the windfall income from current high oil prices, and the deceptive growth in GDP it has brought, Venezuela's economy shows many worrisome indicators. The country's deficit rose last year to US\$3.8 billion; the domestic currency, currently fixed, is the worst performing currency on the global black markets; inflation rate was the highest in Latin America; official oil production figures are questioned by market observers as being inflated; the oil industry has recently issued US\$7.5 billion in debt bonds, revealing cash-flow problems. Long-term prospects, even with oil prices remaining high, are gloomy as inflationary pressures, excess liquidity, unbridled government spending, and lack of domestic private investment, compound an unsustainable illusion of bonanza.

In the end, the most immediate question remains why would the region need another development bank? Beyond the political rhetoric there is a conspicuous absence of compelling answers, and still, in a region known for the gap between words and actions, this initiative might happen. History shows that once a multilateral institution is created, even if it proves useless, it is bound to live forever. ■

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## ECUADOR

On Sunday April 15 Ecuadorians voted 'yes' in a referendum to hold a constituent assembly with a turnout of 70%. With 52,2% of the votes counted, 85% supported the formation of a constituent assembly that will be fully empowered to transform the institutional framework of the state and draft a new constitution. Though complete results will not be released until eight days after the referendum, on April 16 the Supreme Electoral Tribunal (TSE) declared the results official.

The referendum was a central element in President Rafael Correa's reform agenda and is a controversial issue within Congress. Political infighting along Quito-Guayaquil lines provoked the TSE to strip 57 congressional deputies of their political rights on March 7. Of these deputies, 52 had voted to remove TSE President Jorge Acosta from office on claims that his refusal to approve congressional amendments to the text of the referendum was unconstitutional. The remaining five deputies had filed a suit against the Constitutional Court to have the referendum declared unconstitutional. The incorporation of 21 alternates to Congress on March 20 partially quelled the crisis by ensuring quorum for the sessions.

The Constituent Assembly should be officially declared May 3. The inauguration of the 130-member Assembly is scheduled for October following election of representatives. Debates will take place until April 2008 and a new constitution will be presented to citizens in a referendum vote.

## Editorial

### A Revitalized Canadian Policy for the Americas

*John W. Graham*

Changes of direction in Canadian foreign policy are not usually signalled by leaks to the press, especially not under the iron discipline of the Harper government. But that appears to be what has happened to policy toward Latin America and the Caribbean. On March 26 the Canadian Press broke a story about Prime Minister Stephen Harper's plan to undertake a major trip to Latin America and the Caribbean in a bid, according to the anonymous sources, "to raise Canada's profile and strengthen ties with a host of new leaders in the region". Visits to the major countries and to the Caribbean, possibly including Haiti, are envisaged.

The credibility of leaks is usually graded by the government's reaction to the breaking news. In this case, there were no denials. In fact, there are 'informal' indications that the government was not displeased about the stories which circulated in both the English and French media.

The timing of the Prime Minister's expedition is said to be sometime this summer. Of course, as Aristotle noted, the sighting of 'one swallow (even an un-denied swallow) does not a summer make'. Not only is the policy not yet publicly confirmed, but elections and other unforeseen distractions could get in the way. Nevertheless, there is reason to be cautiously optimistic. Inside government, especially in the Department of Foreign Affairs and International Trade (DFAIT) and the Canadian International Development Agency (CIDA), the wheels have been grinding steadily in this direction and it appears that Cabinet agrees that the Americas should be elevated to Canada's number three foreign policy priority after the United States and Afghanistan.

The foreign policy landscape is thick with other competitors. What has given the Americas the edge? Trade and investment have a lot to do with it. Historically there is a lag between what merchants and investors have been achieving and government follow-up. In the Americas the gap is startling. Canada's investment in Latin America and the Caribbean is almost three times that of our investment in Asia according to DFAIT statistics. Mexico is our fourth largest trading partner.

Security is another key reason. With the increasing movement of people and cargo (legal and illegal) from Caribbean and Latin American airports and seaports directly to Canada, the Caribbean has become in real terms not only a Canadian border but Canada's most porous border. The issues are drugs, counter terrorism and the many faces of organized crime. Health security is yet one more area of neglect and concern. The rising incidence of communicable diseases coupled with inadequate monitoring and disease prevention controls in the region underscore the urgent need for attention and improved collaboration.

Foreign policy has long ceased to be primarily about polishing an image that makes Canada look good in international fora. It is about serving the nation's

vital interests—defending and strengthening the quality of life for all Canadians. In that context, the Latin American and Caribbean region is the number one contender after the United States.

Government recognition of this priority has been sporadic. Brian Mulroney as Prime Minister and Joe Clark as Foreign Minister decided that we should join the hemisphere politically as well as geographically and so it was that seventeen years ago Canada became a member of the Organization of American States (OAS). In the early years after joining, Canada and a handful of other states were the architects of surprisingly successful policies designed to defend democracy in a region where both the rules and the culture had long sheltered authoritarian governments. This tradition was

#### HAITI - VENEZUELA

Venezuelan President Hugo Chávez visited Haiti on March 12 where he met with Haitian President René Préval for the signature of a tripartite agreement with Cuba. According to the agreement, Venezuela will provide Haiti with US\$100 million in Venezuelan oil, development assistance for airport and energy infrastructure, and financial aid for the partnership between Haiti and Cuba whereby Cuba sends doctors to Haiti and supports scholarships for Haitians to attend Cuban medical schools. Cuban Vice-President Estebán Juan Lazo Hernández was in Port-au-Prince for the agreement's signing and President Fidel Castro reportedly joined the meeting by phone (*Le Nouvelliste*, 14/3/07).

Chávez, who was given a warm welcome by the Haitian population, spoke of the agreement as a part of Venezuela's historic debt to Haiti, which helped Venezuelan founder Simon Bolívar to free his country from Spanish rule. While awaiting the results from this south-south cooperation partnership, many observers consider the Venezuela-Cuba-Haiti agreement as the first important manifestation of Haiti's movement towards re-integration in Caribbean and Latin American spaces following isolation during the interim government period. (*Le Nouvelliste*, 23/3/07).

## Cuba's Energy Future

*Jorge R. Piñon*

maintained initially by the new Liberal government of Jean Chrétien. With Lloyd Axworthy in the chair, Canada hosted the General Assembly of the OAS in Windsor and became actively engaged in drawing Peru back from tyranny. Canada's profile in the region reached its zenith the following year when Canada hosted the Summit of the Americas in Quebec City, brokering negotiations that led a year later to the Inter-American Democratic Charter. Since then Canada's interest has faltered. Governments did not confer upon Latin America and the Caribbean the priority that geography and self-interest would suggest. Policy follow-up had also become a victim in the last decade of intoxication with our status as a member of the G8. Great power pretensions without great power resources (or even the willingness to devote middle power resources) have led to excessively diffuse foreign policy and acutely under-resourced diplomatic, trade, development and immigration tools.

The government's apparent intention to focus on the Americas is a welcome change. FOCAL has long argued that any plans for reinvigorating this relationship will require visits by the Prime Minister as the cornerstone. No other policy option offers the same level of immediacy and impact. However, the benefits of the Prime Minister's visit, like the benefits of Windsor or Quebec City, will quickly atrophy if they are not buttressed by follow-up visits by ministers and senior officials and by sustained and adequately nourished support for public, trade and cultural diplomacy - a general failure that has for at least a decade debilitated Canadian diplomacy and Canadian efforts to serve the national interest around the world.

We have other suggestions. Rightly or wrongly, most of Latin America and the Caribbean will be judging Canada by how tightly connected we are with Washington's policies. The US image has never been lower in that region, despite the US President's recent tour of Latin America. Cuba will be a special litmus test. The region has admired the distinctiveness and independence of Canadian policy toward Cuba since the Diefenbaker government in the sixties. Canadian advocacy of allowing Cubans inside Cuba to find their own way in a post-Castro transition free from external threats, coupled with our present policy of constructive engagement would set a positive tone for dialogue on other issues. This can be done without gratuitous US bashing. The itinerary will probably include a brief visit to Haiti. It would be essential to include a separate visit in the Commonwealth Caribbean where the regional heads of government could meet with Mr. Harper. There has been no full Canada-Caricom heads of government meeting since 2001. A conversation with José Miguel Insulza, the surprisingly enterprising and determined OAS Secretary General, in advance of the trip would send the right signals about the priority that Canada attaches to the Inter-American system. Other potentially positive signals might be sent by adding one of the 'populist' states for a short visit.

This visit presents a significant opportunity. Canada has the potential to make a difference in our own hemisphere that we clearly do not have in most other parts of the world. ■

John W. Graham is the Chair of FOCAL's Board of Directors.

### Opportunities

The United States Geological Survey (USGS) in its "Assessment of Undiscovered Oil and Gas Resources of the North Cuba Basin, Cuba, 2004", estimated a mean of 4.6 billion barrels of undiscovered oil, a mean of 9.8 trillion cubic feet of undiscovered natural gas, and a mean of 0.9 billion barrels of undiscovered natural gas liquids in Cuba's North Cuba Basin. If this assessment is correct it will move Cuba up the ranks, and side by side with other South American top holders of proven oil reserves such as Ecuador, Colombia and Argentina.

The future of Cuba's oil and gas exploration and production sector could very well be in the deep offshore Gulf of Mexico waters, along the western approaches to the Florida Straits and the eastern extension of Mexico's Yucatán Peninsula. Cuba's Exclusive Economic Zone (EEZ) in the Gulf of Mexico is an 112,000 square kilometers (km<sup>2</sup>) area that has been divided in 59 exploration blocks of approximately 2,000 km<sup>2</sup> each at an average depth of 2,000 meters, with some blocks as deep as

**Table 1**

#### Regional Top Holders of Proven Oil Reserves 2006 (Billion barrels)

Venezuela	79.70
Mexico	12.35
Brazil	11.70
Cuba	4.60*
Ecuador	4.50
Argentina	2.47
Colombia	1.45
Peru	1.00
Cuba	0.75

\* Undiscovered Reserves

Source: *Energy Information Administration*

4,000 meters. The EEZ lies within demarcation boundaries, between Mexico, Cuba and the United States, agreed in December 1977 during the administration of US President Jimmy Carter. Yet to be agreed is the maritime boundary for the Gulf of Mexico's Eastern Gap located off Florida's west coast.

As of today Cuba has awarded twenty offshore blocks, representing five concessions, to international oil companies such as Spain's Repsol, India's ONGC, Malaysia's Petronas, Canada's Sherritt and Venezuela's PDVSA. If successful, these deepwater projects would take from three to five years to bring into full development at an estimated total capital investment cost of over US\$3 billion.

Current commitments by international oil companies in spending hundred of millions of dollars in exploratory work, along with the USGS new estimates of undiscovered reserves, underscores Cuba's oil and natural gas offshore potential. The challenge for foreign oil companies operating in Cuba would be how to commercialize future hydrocarbon production in the most efficient and cost effective way as long as the United States economic and trade embargo against the Cuban government remains in place. With the possible exception of PDVSA's future revamped Cienfuegos refinery, Cuba does not have the refinery or conversion capacity needed to process large amount of heavy crude oil production in its two other refineries.

**Challenges**

As of 2006 it is estimated that Cuba had a demand of approximately 160,000 barrels per day (b/d) of crude oil and refined products. Due to the lack of heavy oil refining capacity Cuba's current onshore/coastal heavy oil production of approximately 68,250 b/d is used directly as boiler fuel in the electric power, cement, and nickel industries. Under a subsidized supply

agreement Cuba imports its shortfall of about 90,000 b/d of crude oil and refined products from PDVSA, Venezuela's national oil company.

Rice University's economists Amy Myers Jaffe and Ronald Soligo project that if Cuba opens up its economy and develops a market economic system, the country's crude oil consumption would nearly double from 179,000 b/d in 1998 to 349,000 b/d by the year 2015. This anticipated future demand would prevent Cuba from becoming a net exporter of crude oil until projected production surpasses the 350,000 b/d threshold.

Today, just like during the 1970-80s, Cuba again depends on over 50% of its oil supply from a single foreign source at subsidized prices and preferential contractual payment terms. Such relationship and dependence would weaken any future economic transition and growth. It is important for a future Cuba, not only economically but also politically, to gain energy independence free of any one single foreign crude oil supplier's influence.

Cuba's long-term energy challenge begins with its future economic growth and rising standard of living within an open market environment. This anticipated growth will depend largely on the development of a competitively priced, readily available, environmentally sound long-term energy plan. There will be no sector, industry or infrastructure group that will not be directly impacted and/or influenced by such a comprehensive energy policy.

A future Cuban energy policy should embrace energy conservation, modernization of the energy infrastructure and a balanced sourcing of oil, natural gas, sugarcane ethanol and other alternative energy sources in a way that protects the island's environment and plays a catalyst role in its economic development and growth. The economic and political implications for the island—not only becoming oil self-sufficient but also a possible net crude oil/products exporter—could also become a major challenge for future US/Cuba policy makers. ■

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**Table 2**

**Cuba's Exclusive Economic Zone Concessions**

N25-29, N36	Repsol-Spain	40%
	Norsk Hydro-Norway	30%
	ONGC-India	30%
N16, N23-24, N33	Sherritt-Canada	100%
N34-35	ONGC-India	100%
N44-45, N50-51	Petronas-Malaysia	100%
N53-54, N58-59	PDVSA-Venezuela	100%

Source: *Oil and Gas Journal*

## Brazil and Mexico Edging Towards a Strategic Relationship?

*Alberto Pfeifer*

Relations between Brazil and Mexico appear to be on a steady course to improve in the near future. The convergence of new presidential mandates in both countries—Mexico's Felipe Calderón was inaugurated December 1, 2006 and Brazilian incumbent Luiz Inácio Lula da Silva started a second term in office this past January 1—represents a potential political catalyst for the two Latin American powerhouses to set aside past jealousies, identify shared interests and work together to realize their potential as political partners with equivalent responsibilities in the Americas and as similar economies who can benefit from cooperation when they face third countries such as the United States and China.

Brazil and Mexico account for more than half of Latin America's population—and 65% of the region's GDP. Both countries are characterized by stable and reliable macroeconomic management, diversified and modern economies, and together represent a market of 300 million people. Both have also developed into full-fledged democracies in accordance with the republican concept of three independent powers. Both countries also have strong federalist and decentralization structures, universal elections and strong protections for freedom of speech and the right to assembly.

During his term (2000-2006) Mexican President Vicente Fox pushed for closer relations between Mexico and Brazil. In 2002 both countries signed a series of agreements, including a trade mechanism under the Latin American Integration Association (LAIA) framework. LAIA's Economic Complementarity Agreements 53 and 55 became the most profitable trade agreements that Brazil signed in the past 12 years: in 2006, bilateral trade reached US\$5,7 billion. Today Mexico is Brazil's 5<sup>th</sup> most important export market, generating US\$3,1 billion in trade surplus.

According to data from the Mexican Secretaries of Economy and Foreign Relations, stocks of Mexican foreign direct investment (FDI) in Brazil reached US\$8 billion at the end of 2006, concentrated in telecommunications (fixed and mobile telephony). Large Mexican corporations active in Brazil include: Carso, Bimbo, Femsas, Posadas, CIE, Del Valle, Telmex, as well as several automotive suppliers. Brazilian FDI to Mexico is not as large. Estimates for Brazilian FDI in Mexico totalled US\$500 million in 2006, including triangular financing through offshore offices. However, Brazilian firms in Mexico are in larger number and more diversified across industries: Petrobras, Marcopolo, Busscar, WEG, Andrade Gutierrez, Odebrecht, Tramontina, Natura, Oxiteno, Intelbras and several IT suppliers textile manufacturers. There are indications that several Brazilian companies are using Mexico's domestic market, logistical advantages and network of free trade agreements (Mexico has 42 such agreements) as a training camp for their strategies for foreign investment and expansion.

While businesses in both countries have been seizing opportunities, their governments have not been as nimble. Vicente Fox and Lula were never able to overcome resistance to closer ties from within their bureaucracies. For Lula's foreign advisors as well as fellows at the Forum of São Paulo and Mexican left-leaning oppositionists, it was hard to see any advantage of having a newly elected Lula, rising global star and former union leader, be associated with a former Coca-Cola executive. More nationalist elements of the diplomatic corps who were returned to leadership positions under Lula still resented Mexico's sudden severing of LAIA commitments when it joined the North American Free Trade Agreement. Since 2003, the political relationship actually worsened. Fox did not choose the best strategy and tactics to deal with Brazil. LAIA's Agreement No. 60 (Economic Complementarity Agreement number 60, June 2004) constitutes a free trade agreement with Uruguay, which seemed to Brasilia as contradictory with applying for full membership in Mercosur. Discordant views between Brazil and Mexico on the multilateral stage—such as in the Doha Round of World Trade Organization (WTO) and on the reform of the United Nations (UN) Security Council, alternatives to the Free Trade Area of the Americas and candidates for the Organization of American States Secretary General—did not help the bilateral dialogue.

But these issues have faded and now prospects could not be better. Lula recognized that his external economic strategy should follow in the footsteps of Brazilian corporations and that Mexico is a key element in this perspective. Calderón boldly declared his commitment to closer relations with Latin America, and has taken steps to realize this. For instance, free trade for light cars and the bilateral treaty to avoid double taxation and tax evasion became effective in January.

A new agenda is being built between Mexico and Brazil based on mutual respect and the recognition that the two countries are among the 15 largest world economies and enjoy growing political influence in the region and globally. In Brasilia on March 28, the Binational Commission held its first meeting, headed by Brazilian Foreign Minister Celso Amorim and Mexican Foreign Secretary Patricia Espinosa along with their respective ministers of Energy and Economy. Declarations

were ambitious, with signals of reliability. Several issues are to be deepened bilaterally: trade, investments, culture, science and technology, technical exchanges, education, migration, judicial procedures, etc.. Both countries discussed possibilities for cooperation and shared responsibilities in the regional and global arenas, encompassing issues as diverse as the peace process in Haiti, the reform of the UN, human rights, nuclear energy, WTO negotiations, and several mechanisms to enhance hemispheric cooperation.

Energy, though, appears to be the most promising issue. Petrobras, which was able to modernize and capture the advantages of operating as a private company while under state control is seen as a model in Mexico and is eager to transfer deep-water exploitation technology to Pemex. In biofuels, there are also immense opportunities. Mexican ethanol producers could adopt Brazilian technology, which uses sugar cane as opposed to corn, both for domestic consumption and for exports to the United States. Brazil and Mexico also discussed working together in Central America at the Group of Rio Summit held in Guyana in March: Plan Puebla-Panama, the regional integration and development plan championed by Mexico, could be the ideal infrastructure platform for developing a modern biofuels sector in the region that would benefit all the players involved.

Lula will pay an official visit to Mexico in August. Expectations are high now that pragmatism seems to be the driver of this crucial relationship within the Americas. "Strategic partnership" is the label being adopted by diplomats on both sides—hopefully not in vain. The private sector has clearly demonstrated the viability and benefit of closer relations for trade and investment which are growing at higher rates than in other markets. Governments should follow their lead and implement norms and regulations accordingly—free trade agreements between Mexico and Mercosur, mechanisms to protect investments, customs facilitation measures, facilitating the obtaining of work and business visas. Both countries should also devise strategies for joint action in third markets and for cooperation in technology and innovation. If Brazil and Mexico manage to forge closer ties, the gravitational force of their joint presence and concerted action in the region could be significant enough to create a long virtuous cycle of economic prosperity and democratic maturity for them and their neighbours. ■

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## Troubles Mounting in Guatemala

*Carlos A. Rosales*

The trip to Guatemala by US President George W. Bush last month came at a critical time for that Central American nation of 13 million. Two thorny issues dominated the agenda of the bilateral meetings with Guatemalan counterpart Oscar Berger: public security and immigration. Results were few.

The visit came in the midst of that country's worst security crisis since its 36-year civil war came to an end in 1996. The gangland-style murder on Guatemalan soil of three Salvadoran representatives to the Central American Parliament and their driver two months ago shocked the entire region. News that the alleged assassins were members of their own national police force further outraged Guatemalan society.

The subsequent killing of four policemen suspected of the murders, while in custody at a maximum security prison barely two days after their arrests, further embarrassed the government. Since then, a handful of new suspects, with alleged links to drug-trafficking, have been arrested and accused of masterminding both sets of killings.

### Paradise for Organized Crime

Details of this case underscore the extent to which corruption and drug related crime plague institutions in Guatemala, and elsewhere in the isthmus. This institutional fragility prompted United Nations officials in late February to classify Guatemala as a "failed state." Hector Rosada, a prominent Guatemalan political analyst went even further. He told the Salvadoran newspaper *El Mundo* that Guatemala constitutes a "Mafia-State," where organized crime and the State amount to almost the same thing.

While investigations into the murders have yielded more questions than answers, most observers agree that the killings are related to organized crime and drug mafias. The government's inability to mount a credible investigation into the deaths has raised suspicions of a massive cover-up, and deeply frustrated public opinion in Guatemala and

in El Salvador where relatives of the victims have repeatedly demanded justice.

The entire episode shows that Central America has become an easy prey for criminal organizations involved in drug-related activities, who have been able to infiltrate the very institutions designed to provide security and protect citizens. According to several press reports, 75% of all the cocaine that reaches the US from Colombia passes through Guatemala (*Miami Herald*, 4/3/07; *Los Angeles Times* 4/3/07 *New York Times* 5/3/07).

American officials contend that Guatemala's record on fighting drug lords leaves much to be desired. Furthermore, they report, several former military officers have been singled out as drug traffickers.

Anders Kompass, United Nations High Commissioner for Human Rights representative in Guatemala, told *The Washington Post* recently that Guatemala "is a paradise for organized crime, [where] the state apparatus is very weak, and impunity rates very high."

### Deporting criminals worsens "la situación"

The extent of corruption and criminal behaviour related to drugs has exacerbated the culture of violence bequeathed from the civil conflicts that scarred Central America in the 1980s, particularly in Guatemala and El Salvador. The climate of insecurity affecting the region—or, *la situación*—is further complicated by the US policy of deporting Central American migrants convicted of crimes in the United States.

The urgent security situation in Central America is worsened by shipping back hardened criminals who made their bones in the mean streets of Los Angeles, New York, or Washington, DC. The practice of deporting dangerous criminals to the region has intensified in the past few years.

## BOLIVIA

President Evo Morales has raised the possibility of running for re-election as early as 2008, bringing forward the next elections scheduled for 2011. Lifting the ban on consecutive presidential re-election is among the reform proposals of Morales' *Movimiento al Socialismo* (MAS). Presented to Bolivia's constituent assembly on April 13, the MAS' proposal would allow two successive presidential terms and permit the re-election of members of Congress, regional governors and mayors. According to this plan, the term beginning after the next elections would constitute the first election under the new constitution. Morales also proposed to lower the voting age from 18 to 16 years old and to enfranchise Bolivians living abroad, who are estimated at 3 million people.

MAS Vice-President Gerardo García told Bolivian daily *La Razón* on April 2 that party members and affiliated social sectors consider that Morales should remain in power for 50 years or more, if possible. Opposition politicians denounced the proposal. Rubén Darío Cuéllar, a representative of Podemos, described it as "an instrument through which President Morales wants to perpetuate himself in power, as has done President Chávez in Venezuela" (*Financial Times*, 16/4/07).

Meanwhile, Bolivia could find a long awaited resolution to its conflict with Chile over Bolivia's access to the sea, which was lost to Chile in the War of the Pacific (1879-1884). Ambassadorial relations between Bolivia and Chile have been suspended since 1978 after a proposal to grant Bolivia a corridor along the Chile-Peru border failed due to Peru's veto.

The proposal is now being discussed again, this time with Peruvian support. On April 9, Peruvian Foreign Minister José Antonio García Belaúnde briefed members of the congressional foreign relations committee on the possibility that Chile might grant Bolivia access to the Pacific through the port of Arica behind closed doors. Similar talks were held in Bolivia April 12 where Foreign Minister David Choquehuanca briefed the foreign policy committee of the chamber of deputies on the current state of the talks initiated by Morales and Chilean President Michelle Bachelet in July last year.

These negotiations have been supported by ceremonial gestures initiated by the Bachelet administration. A ceremony honouring Eduardo Abaroa, one of Bolivia's foremost heroes of the War of the Pacific was held on 10 April, attended by the Bolivian Defence Minister and top Bolivian military chiefs. Chile's navy commander also met his Peruvian counterpart in Lima and laid a wreath at the monument to Admiral Miguel Grau, a Peruvian war hero from the War of the Pacific (*Latin American Weekly*, 12/4/07).

## FOCAL Highlights

For example, according to figures from the Salvadoran government, in 2004 the US deported 6,248 Salvadorans. Slightly over 2,000 of them had been convicted of crimes. Last year, the number of deportees rose to 14,395. Of those, a little over 3,000 were convicted criminals. Patterns are similar in neighbouring Guatemala and Honduras. The situation is further complicated by the scant information on the deportees provided to local police forces upon their repatriation.

### The US should help

Deporting criminals worsens insecurity. Deportations in general are a problem too. Berger complained to Bush about the constant harassment by federal and local law enforcement endured by migrants. Days before Bush's arrival, 300 Guatemalans were rounded up in New Bedford, Massachusetts, and deported. Critics say immigration raids are conducted simply to appease anti-immigration zealots in the Republican Party.

Yet, the meetings between both leaders did not produce specific agreements, only announcements and promises. Bush revealed a proposed regional plan to fight narco-trafficking. The plan would include the US, Mexico and Central America. It entails financing and training specialized units to interdict drugs and fight organized crime.

On immigration, Bush made it clear that deportations would continue. He insisted they are part and parcel of compliance with existing laws. He argued that comprehensive immigration reform was the way forward, but said the issue required congressional approval. He hoped the matter could be resolved in August and that lawmakers will find a formula to normalize the legal status of millions of migrants in the US.

They should. Central America needs relief. Their economies are too dependent on remittances sent by migrants in the US to relatives back home. Massive deportations as a result of deadlock on immigration reform could wreak havoc on already strained social and economic fabric in Guatemala and Central America. A more compassionate immigration policy can provide that relief.

Troubles in Guatemala are mounting. Increasing public insecurity and violence, coupled with persistent high levels of poverty, could dramatically boost the number of illegal migrants heading north. Thousands of Guatemalans, Salvadorans, and Hondurans did once before fleeing war and natural disasters. ■

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### Seminar: Brazil and Canada in the Americas

On May 1st, The Gorsebrook Research Institute at Saint Mary's University, Halifax will hold the seminar "Brazil and Canada in the Americas." The event is co-sponsored by FOCAL, the International Development Research Centre and the University of Western Ontario. Panellists for the day's sessions include: Ambassador of Brazil to Canada Valdemar Carneiro Leão; Canadian Ambassador to Brazil Guillermo Rishchynski; Professors from Universities of Ottawa, São Paulo and Saint Mary's; and Latin America Analyst and FOCAL consultant Vladimir Torres.

### The Mapping the Media in the Americas Project

In an effort to foster transparency around the role and connections between the media and democracy FOCAL, The Carter Center and the University of Calgary have undertaken the *Mapping the Media in the Americas* project. Through this project, interactive web-based maps have been created using Geographic Information Systems technology that illustrate the location, coverage and ownership structure of the media, and cross this information with electoral results and socio-demographic information. Countries mapped are Argentina, Brazil, Canada, Chile, Colombia, Costa Rica, the Dominican Republic, Guatemala, Mexico, Peru, Trinidad & Tobago and Uruguay.

The maps can be accessed at [www.mediamap.info](http://www.mediamap.info).

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### Article Submission

We welcome your contributions. Send your article to [clavoie@focal.ca](mailto:clavoie@focal.ca). Articles should be 700 – 900 words in length and of interest to academics, policy makers and students.

**Style:** journalistic, analytical. Descriptive articles or summaries are not accepted.

All contributions are on a volunteer basis.

You may access FOCAL's reports, articles  
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