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Peace in Colombia: Mission Impossible?

Andrés Rozental

Shortly after his election in July 2000, President Vicente Fox was approached by his then-colleague Andrés Pastrana and asked to renew Mexico's active participation in the Colombian peace process. During his administration, Fox's predecessor Ernesto Zedillo had decided not to involve Mexico in what was seen as a quagmire of guerrilla revolution, drug cultivation and spiraling violence. In spite of Mexico having hosted prior peace negotiations in Tlaxcala during 1992 between the Colombian government of César Gaviria and the rebel Simón Bolívar Coordination Body—to which the National Liberation Army (ELN) and the Revolutionary Armed Forces of Colombia (FARC) both belonged at the time—Zedillo felt that there was little to be gained in getting involved and a lot to lose if it meant getting closer to the double scourge of civil war and narcotics trafficking.

At Pastrana's ranch on the outskirts of Bogotá in late 2000, President-elect Fox was treated to the Colombian President's legendary bonhomie and sense of humour, as well as to a proposition to have Mexico return as a facilitator of the peace process between the FARC and the government. Although by that time there were three separate insurgent groups operating in the country, Pastrana and his peace commissioner, Camilo Gómez, were concentrating on two parallel discussions: one with the ELN in Havana at the invitation of Fidel Castro, and the second in the demilitarized zone (*zona de despeje*) created to give safe haven to the FARC and lead them to negotiate a cessation of hostilities while peace discussions were underway.

In both cases, third countries and organizations participated in one way or another in helping the opposing sides at the negotiating table. In Havana, representatives of Spain, France, Norway, Switzerland and Cuba sat in on the talks and contributed with ideas and proposals on resolving some of the major issues between the ELN and the government. In the jungles of Caguán, another set of outside observers acted as facilitators of the dialogue and guarantors of the process.

Fox reversed Mexico's previous position and accepted Pastrana's invitation, conditioned on acquiescence by the FARC. Thus it was that Mexico joined the efforts already underway by the United Nations (UN), the Church, the European Union (EU) and others to broker an agreement that would allow a ceasefire and the discussion of a wide-ranging agenda for peace that had previously been agreed between the parties.

Through all of 2001 and early 2002, Mexico played an active role—together with various other countries—in trying to get the two sides to at least agree on how to move the violence and conflict to a negotiating mode under terms which would temporarily bring an end to open hostilities. Unfortunately, the enormous effort and genuine attempts to reach agreement were dashed at the end by a lack of time and of willingness to make the hard decisions necessary to bring an end to decades of civil strife. Pastrana's term came to an end and Álvaro Uribe was elected Colombia's new President on a hard-line platform of no concessions to the guerrillas and military tactics to liquidate them. In addition, the new government decided to replace the group of international facilitators with the UN and politely thanked the countries that had participated in the process under Pastrana. The infrastructure that had been put into place in Havana and the *zona de despeje* was dismantled and the existing peace process effectively came to an end.

Uribe's decision to take an uncompromising stance with the two main rebel groups was diluted by his determination to bring the paramilitary group United Self-Defenses of Colombia (AUC) into the equation and to first negotiate with them. Many observers harboured suspicions that Uribe's relationship with the paramilitaries was closer than he admitted and that bringing them to the table would legitimize and strengthen an otherwise pariah organization that had been listed as a terrorist group by the United States, the EU, and Canada among others. Nevertheless, Uribe and his new team began the process of negotiating a laying down of arms and demobilization of the irregular armies which were originally created, funded and supported by certain sectors of the military, by businesspeople who craved an end to the disruptive violence that had gripped Colombia, and by some of the drug growers who saw in the AUC the same source of protection and diversionary distraction that they had previously established with the ELN and the FARC.

Midway through Uribe's term, the peace process in Colombia continues to elude success. The paramilitaries have not yet agreed to demobilize, the ELN has flatly rejected the various proposals that Uribe has made for it to lay down its arms and re-incorporate its members into society. As for the FARC, Uribe decided to brook no further negotiations but to take on the largest of Colombia's rebel movements on the battlefield. The killing of rebels and soldiers in a wide area of the country continues, notwithstanding the military and narcotics control assistance provided by the United States under Plan Colombia.

In these circumstances, it seems improbable that a major breakthrough will occur anytime soon. Nevertheless, at the request of the ELN, Mexico has once again named a facilitator to assist in the Colombian peace process, this time in the ELN-Uribe government talks. So far, the facilitator's role has been to receive and forward messages and proposals back and forth between the parties and no information has been made public on his substantive contribution, if any. In contrast to the situation that prevailed during the Pastrana years, there is an apparent reduction in visible incidents of violence, kidnappings and clashes, although it is not clear whether this has been translated into a real improvement in the overall situation. Drug mafias continue to finance the rebels, irregular forces continue to threaten parts of the country they control and although Bogotanos probably find it safer to walk

the streets of the capital now than before, the continued Colombian civil war shows no signs of ending. ■

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The Seven Lives of Hugo Chávez

Maxwell A. Cameron

Venezuela's President Hugo Chávez won the August 15 presidential recall vote and can now look forward to serving out the remainder of his term until new elections are held in 2006. This is a dramatic victory for Chávez, a massive vindication for his populist strategy, and a severe blow to the opposition. He now takes a special place in the pantheon of the region's populist leaders, along side Juan Perón of Argentina, General Juan Velasco of Peru, and Lázaro Cárdenas of Mexico. Having survived two elections, three general strikes, a coup attempt, and now a recall referendum, Chávez is a cat with at least seven political lives. This is even more extraordinary considering the fact that many Latin American leaders seem unable to survive to the end of their terms. The jocular, folksy, former-coup maker has begun to earn a degree of respect among his counterparts in the region, and the abiding distaste of Washington.

There is another, darker side to the Bolivarian revolution. In June, Chávez expanded the Supreme Court from 20 to 32 members, giving the administration a clear majority. This flagrant violation of the basic constitutional principle of judicial independence, enshrined in the Bolivarian Constitution of 1999, makes a mockery of the rule of law. Chávez may have wanted a court that, in the event of a successful recall vote, would rule in favor of his candidacy in a new election (a point on which the constitution is silent). The court stacking also opens the door to even greater concentration of power in the hands of the executive, and denies Venezuelans recourse to a

neutral body in the event of governmental abuses of power. So far, Chávez has shown restraint in dealing with the opposition, but the referendum result may embolden him in the future.

Chávez's legitimacy is plebiscitary, not procedural. As a critic of the "old regime" he rejects the idea that his authority derives from accepted procedures of fair play rather than the substantive justice symbolized by his efforts to distribute wealth to the poor. He believes his legitimacy comes directly from the people, on behalf of whom he speaks. From the balcony of the Miraflores palace in downtown Caracas, Chávez intoned: "the people have spoken and the people's voice is the voice of God." Chávez personifies Ché Guevara, incarnates Bolívar, and thunders like Moses; he is the quintessential providential leader.

True, there is more than a small dose of Enlightenment constitutionalism in Chávez's belief system. Inspired by the French revolution, he has made

Rio Group

What was expected to be an ordinary ministerial meeting of the Rio Group, held in Brasilia on August 19 and 20, sparked debate in the region after a proposal put forth by Brazil to promote dialogue with Cuba. The Rio Group is the principal forum for political negotiation and mediation in Latin America and is comprised of Argentina, Bolivia, Brasil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Guyana (representing Caribbean Community) Honduras, Mexico, Nicaragua, Paraguay, Panama, Peru, Dominican Republic, Uruguay and Venezuela.

Brazil put forth its surprising proposal at the beginning of the gathering, however it was not met with consensus from the Rio Group members. Lack of support for the proposal prevailed, and in the wake of the debate Brazilian Foreign Minister, Celso Amorim, stated that although there was no consensus they did break the ice on the issue (Merco Press, 23/08/04). Whether a dialogue with Cuba was also on other governments' agendas, to what extent Brazil will pursue this, or whether Cuba was even aware of Brazil's proposal prior to the Rio Group meeting remain to be clarified. The very fact that Itamaraty raised this issue has been questioned, considering the divisiveness of Cuba-related discussions among Latin American and Caribbean governments in past years.

The remainder of meeting focused on topics prioritized by the Rio Group over the past several months: "flexible and innovative" financial mechanisms to expand public and private investment in Latin America; the importance of creating conditions for development in Haiti; the need to strengthen multilateralism; and reform to the structure and functioning of the United Nations. They also discussed the organization of a meeting of world leaders to be held in New York, coinciding with Brazilian President Luiz Inacio Lula da Silva's attendance at the UN General Assembly. The most recent Rio Group meeting was held in preparation for the 18th Summit of the regional bloc to be held on November 4 and 5, 2004 in Rio de Janeiro.

constitutional reform a centerpiece of his program, and the Bolivarian Constitution is, to date, his greatest achievement. The question, however, is whether the achievement will outlast its progenitor. To do so, it must become part of the common sense of the nation—a document to which all become habituated and accept at some basic level as the terms of reference within which political life is acted out. Yet Chávez's own insistence on confrontation and polarization has undermined this possibility. The recall result is decisive and credible, but it also demonstrates that the nation is cleaved right down the middle.

For its part, the opposition has tried to fight Chávez within the framework of the constitution and has failed. They have failed because they could not put forward a positive vision that could compete with Chávez's rhetoric, now greased with unprecedented oil money; because they do not have a leader with Chávez's charisma; and because they are deeply associated with the politics of the past. Had there been any doubt about the manipulative character of some of the opposition leaders, they were dispelled by the coup of April 2002, when a clique of opposition leaders exploited the apparent collapse of military support for Chávez to tear up the constitution, close the National Assembly, and dismiss the Supreme Court. The stench of illegitimacy still hangs around the opposition.

It is also possible that the opposition failed to dislodge Chávez in the recall referendum because it wanted to fail. Its leaders must have intuited that a successful recall vote would have triggered immediate general elections in which Chávez would no doubt have run (with the blessing of an obsequious court) and probably would have won. Unable to produce an attractive leader for a unified movement, and lacking clear programmatic goals, the opposition would have been trounced by Chávez who would then have another 6 years in office. Instead, the opposition now has two years to set aside its visceral anti-communism and go back to the humdrum business of rebuilding its party organizations and preparing for the presidential contest of 2006. The Chavista forces believe they must win this election for the Bolivarian revolution to be consolidated, or all is lost. For the opposition the stakes are no less high.

Chávez has done what plebiscitarian leaders do best: win a plebiscite. The results are probably the best outcome possible. In the long run, however, justice—both in the formal liberal sense of equality before the law, as well as in the more revolutionary or substantive sense of empowerment of the people—requires the rule of law and the gradual entrenchment of the rights and freedoms of citizens. For meaningful progress to be made toward a democracy based on citizenship, both Chávez and his opponents will have to mend their ways.■

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Succession in Mexico: The Last Temptation of an Old Regime

Olga Abizaid

One of the most remarkable and under appreciated achievements of Mexico's political reform has been the establishment of a competitive and inclusive electoral system. Both are necessary conditions if all political parties competing in the electoral process are to accept the results of the ballot box. Thanks to these electoral reforms, the defeat of the Institutional Revolutionary Party (PRI) and peaceful alternation of power became a reality in 2000. However, to advance in the consolidation of democracy it is important that the principle of competitiveness is respected, and this requires that the parties in office resist the temptation of trying to appoint their successors, and of misusing the power and resources of the government to favour their party's candidates in the elections as way to perpetuate their rule.

But with the presidential election of 2006 looming in the horizon, the issue of succession still lures Mexican political parties to perpetuate habits of the old political regime. Take as an example the elections in Oaxaca on August 1st, where the PRI was able to win the governorship and many local government races in that state. Overall, these elections were plagued by co-optation and coercion strategies, the alleged illegal involvement of the incumbent PRI governor in favour of the PRI-supported Oaxacan New Force coalition candidate Ulises Ruiz, as well as political turmoil prior to the election day that left two people dead; conditions that have led Gabino Cué, Ruiz's main contender, to question the electoral results (Latin News 10/08/04). Although state electoral processes are still at a different level of development than the federal processes and need further reform, there are sufficient grounds to be worried about these results. It is not just the fondness of the party's leadership to use loyalty as opposed to merit as criteria to select its candidates, or its preference for the PRI's infamous old-style patronage strategies, both of which represent a retreat from the party's democratic reform initiatives of the 1990s that aimed to foster a rapprochement with the electorate in an increasing competitive political landscape; there is also the question of whether the PRI under Roberto Madrazo, one of the main aspirants to bear the party's banner in the presidential elections of 2006,

would employ the same strategies used in the state elections at the federal level.

Yet the problems with succession are not exclusive to the PRI. Between June and July 2004 the government of Vicente Fox faced an important Cabinet crisis that included the resignations of Felipe Calderón (Minister of Energy) and Alfonso Durazo (Fox's Chief of Staff and Press Secretary), and was only resolved when the First Lady Marta Sahagún publicly denied having any intentions of running for the presidency in 2006. Calderón's resignation came after Vicente Fox publicly scolded him for making an early move to become the National Action Party's (PAN) candidate, arguing that being part of the government was not compatible with openly campaigning for public office (Mural, 01/06/04). This same standard, however, was not used with Santiago Creel (Minister of Interior). The major blow came with Durazo's accusation that the Fox administration was trying to support Sahagún's path to the presidency, just as in the PRI's golden days. This offered an opportunity for opposition parties to voice their suspicions about the alleged misuse of public funding in Sahagún's foundation *Vamos por México*, and about the government's alleged involvement in discrediting Andrés Manuel López Obrador, the Mayor of Mexico City, who is the likely presidential candidate for the Party of the Democratic Revolution (PRD) in 2006 and the frontrunner in public opinion polls. The tension created by these declarations did not subside until Marta Sahagún gave in a week later and declared on July 12th that she would not seek the presidency. Although this pronouncement served to ease some of the pressures on the Fox administration, this crisis raised questions about transparency in the relationship between government and the party; something that is perceived as worrisome, particularly after 70 years of party-government symbiosis under the PRI.

Ironically the PRD, one of the most adamant critics of this episode, faced the same situation in Tlaxcala, where the current Governor Alfonso Sánchez Anaya openly supported his wife's (Senator María del Carmen Rodríguez) intentions to replace him. The selection of Rodríguez as the PRD candidate for the state elections scheduled for November has been problematic. Members of

the PRD in Tlaxcala have accused the governor of favouring his wife's campaign over other contenders during the July primaries and voiced concerns regarding what they consider the governor's questionable behaviour in office and his disregard for the PRD's platform (Mural, 11/08/04). Probably because of the striking parallel to the Fox-Sahagún affair, in order to formally nominate Rodríguez as the party's candidate and in an effort to avoid a conflict of interest, the PRD of Tlaxcala asked Governor Sánchez Anaya to step down. When he refused to do so in August, the party decided to strip Rodríguez of the nomination (Notimex, 13/08/04). This incident is not yet over, as Rodríguez has promised to lodge a claim against the party at the Federal Electoral Tribunal. Plan B of course is to look for another party.

Mexico

On July 30th, 2004 the Mexican Congress passed a controversial set of reforms aimed at modifying the pension plan of Mexican Social Security Institute (IMSS) employees. The bill was submitted by the National Action Party (PAN) but, surprisingly, gathered support from the Institutional Revolutionary Party (PRI) in the lower house, and was later ratified by the Senate (Reuters, 31/07/04).

For years, the IMSS has balanced its role as the main provider of public health services and as a provider of social security for low-income Mexicans. But following the 1997 pension reforms that enabled private sector employees to save their pensions with private providers, the number of active workers contributing to the public system compared to the number of retirees drawing from that system has steadily declined. This has drained the fund and potentially puts in jeopardy the ability of IMSS to provide services to the public. This has led to proposed changes to the benefits of IMSS employees and a progressive reduction of its workforce to avoid bankruptcy. Currently IMSS workers (approximately 350,000) have one of the most favourable collective contracts in the country. Under the proposed collective contract, new employees will receive fewer benefits and not all retired employees will be replaced. It is hoped that this will lead to a self-financing pension scheme for public employees (Latin News, 10/08/04).

The IMSS labour union has fiercely opposed the reform, arguing that it will create discrimination among union members and violate worker's rights. After the bill was approved the union called for a work stoppage in several social security offices. They also found support with the National Union of Workers (UNT) that includes the telephone and electricity workers' unions. They have threatened to cut off services in these two sectors on September 1st, when President Vicente Fox is due to deliver his annual address to the nation (IPS, 05/08/04).

In essence, all of these incidents demonstrate that in order to consolidate democracy in Mexico, there is a need to strengthen the party system in parallel to the electoral reforms. They also underscore the apparent failure of political parties to establish real links with the electorate through platforms and programs. And although the level of support for democracy in Mexico (as a system of government) remains largely unchanged (Latinobarómetro, 2004), abstention is increasing even in tight election races; a phenomenon that many observers relate to the lack of trust in political parties (according to a poll by Mitofsky in April 2004, political parties rank among the least trusted public institutions in the country). Concentrated in the struggle for power, Mexican political parties seem to overlook the needs of people, who are in turn expressing concern about their capacity to deliver and to represent them (according to the 2004 report of Latinobarómetro, 67 percent of Mexicans would not mind having a non-democratic government if it was able to resolve economic problems, and 75 percent considered that the country was governed by a handful of powerful groups that acted in their own interest). Thus, the elections of 2006, and the way in which parties resolve the issue of succession, will be a determinant in strengthening (or possibly weakening) the credibility of electoral processes in particular, and Mexican democracy in general. In this sense, one has to agree with Alfonso Durazo that the main challenge of succession is not who assumes the presidency, but rather how he or she gets there. ■

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Hugo Chávez' Triumph Is Also Fidel Castro's

Ana J. Faya

Hugo Chávez' triumph in the Venezuelan national referendum on August 15th gave Fidel Castro temporarily relief in the struggle to keep the Cuban economy alive. Under President Hugo Chávez, Venezuela has become Cuba's only ideological ally in the Western Hemisphere and its first commercial partner. More importantly, the island receives a third of its oil consumption from the Andean country. If Chávez had been defeated in the referendum vote, Cuba would have lost 53,000 oil barrels that are sent at preferential prices on a daily basis to Cuban ports, leading the island to a crisis similar to that experienced after the 1992 fall of the Soviet Union.

The search for alternate domestic sources—after the island lost 13 million tons of crude oil that Moscow had been sending yearly—has met with limited success. Some oil was found inland, on the north coast of the western provinces of Havana and Matanzas, and its production has been increasingly steady but is of very poor quality. Foreign companies from France, Great Britain and Sweden, including Canadian firms Sherritt International Corp. and Pebercan Inc., have joint ventures and production agreements with Cuban state oil company Cubapetróleo (Cupet), accounting for approximately 60 percent of Cuba's oil and gas output.

Despite recent record-breaking production of oil produced at home, shortages continue as the quantity and quality of domestic production is not able to satisfy demand. In the late 1990s, the government resorted to measures that included an increase in the use of locally drilled oil to generate electricity, which is burned in old power plants and factories that were specifically modified to process Cuba's sulfur-laden crude. In spite of these adjustments, Cubans still suffer from annual summer power outages. This year, prior to the Venezuelan referendum, the situation was particularly acute. Cuban authorities adopted severe measures to save fuel, and made frequent calls to the population to save power - in what seemed to be a preventive measure in case president Chávez was defeated.

Offshore exploration for oil have been even less successful. In 1999, Fidel Castro's government opened up Cuba's platform in the Gulf of Mexico to foreign investors for exploration—including an invitation to US companies—in an effort to stimulate oil production. Canadian mining and energy company Sherritt International, together with other foreign companies, are involved in current efforts. In July 2004 Spanish Repsol-YPF announced that after deep exploratory drillings offshore, oil found in Cuban waters was not "commercially viable", but the Spanish consortium also said it was ready to begin drilling again by next year. To date Cuban authorities have been particularly discreet about the status of the oil exploration.

Given the unsuccessful attempts to find sources at home, Cuba has been dependent on Venezuelan oil since the October 2000 Comprehensive Cooperation Agreement signed by the two nations which allowed the sale of oil to Cuba at preferential prices. However, this agreement has been a sensitive issue for Venezuelan internal politics. It was due to the excellent

personal relations between Chávez and Castro that the Venezuelan oil shipments to Cuba were not interrupted after the attempted coup against Chávez in 2002. During this time, Venezuela's Supreme Court investigated the oil sales agreement with Cuba after the opposition accused the president of signing the deal without the Venezuelan Parliament's approval. *Petróleos de Venezuela S.A. (PDVSA)* also denounced the Caribbean island for falling behind in its payments, while at the same time selling part of their cheap oil abroad at market prices—an old Cuban procedure since the days of the Soviet oil supplies to the island. Hugo Chávez pressured PDVSA to honour the deal with Cuba, and in September 2002 the two parties reached an agreement to restructure Cuba's \$140 million oil debt. In June 2003, oil shipments to the island once again provoked political debate and the Cuban government was pressured to publish an official statement promising that Cuba would pay down the debt that it owed to PDVSA "to the last penny".

As part of the 2000 Cooperation Agreement, which was expanded in 2003, in exchange for a cheap and secure source of oil, and as part of political assistance to the Chávez government, Fidel Castro has provided Venezuela with thousands of Cuban professionals, including nurses, teachers, sports coaches, and over 10,000 medical doctors who have been working in poor neighborhoods as part of Chavez' national social campaigns. This disproportionate contribution of medical doctors has damaged Cuban public health system, provoking complaints by sectors of the Cuban population that were addressed by Castro in a public speech. Officials from the US Department of State have accused Cuba of sending military advisors among the "volunteers". However, despite Castro's old practices in the 1970s and 1980s in Chile, Nicaragua, and the Caribbean island of Grenada, Washington has produced no evidence to back up this accusation. In July, prior to the referendum, Chávez himself welcomed the significant figure of 5,000 new Cuban sports coaches that arrived in Caracas.

For its part, the opposition in Venezuela has been warning that this arrangement should end. Cuba owes Venezuela an estimated \$800 million, and

the opposition wants to put an end to the so-called “cubanization” of Venezuela by sending the Cuban volunteers back home. However, given the referendum results, the opposition will have to keep the pressure on if they want Castro’s government to pay the money they owe, and to contain further Cuban humanitarian aid to Venezuela.

Release of 2004 Latinobarómetro

The latest edition of Latinobarómetro was released on August 13th, 2004, the ninth annual publication that reports on Latin American’s perceptions of democracy, the economy and public trust, compiled via public opinion surveys. This year’s survey was applied to 19,605 individuals in 18 countries—all Spanish-speaking Latin American countries, with the exception of Cuba. The 2004 report shows that 53% of those polled consider democracy to be the preferable form of government, a number unchanged from last year, but down from the 61% support in 1996. Support for authoritarian government has dropped from 18% in 1996 to 15% today, however pollsters note a troubling trend in the increase of those “indifferent” to the type of government—which has risen from 16% to 21% during the same period.

These are averages for the region, and in some cases fail to convey the heterogeneity of conditions found in individual countries. While regionally the support for democracy has remained constant in the past year, the report’s findings reveal fluctuations at the national level. For example, in Nicaragua, Paraguay, Bolivia and Peru support for democracy has fallen approximately 20% since 1996, with all suffering declining support in the last year. Costa Rica—long considered one of the region’s few consolidated democracies—witnessed a 10 point drop in support for democracy between 2003 and 2004, while during the same period Venezuela—mired in an ongoing and deeply divided political struggle—had a 7% increase in the number of people who support democracy as the preferable form of government.

Further questions about citizens’ satisfaction with democracy, public institutions and their attitudes towards politics nuances these findings, but also uncover contradictions and inconsistencies in people’s perceptions and expectations of democracy, the economy and their government. Additional findings of the survey reveal that:

- 48% of those polled would prefer order to liberty.
- 55% would not mind a non-democratic government if it would solve their economic problems.
- There is a large population of “unsatisfied democrats” in the region, with 53 % supporting it, but only 29% being very or sufficiently satisfied with the functioning of democracy in their countries.
- In 16 countries, between 60% and 85% of those polled believes that their country is being governed for the benefit of a small, self-interested group. In Venezuela, only 51% of the population believe this to be true.

The full report can be accessed in Spanish at www.latinobarometro.org

The victory of Hugo Chávez has come just in time for Fidel Castro. With no oil on the horizon, market prices on the rise, the current oil deal with Venezuela ending in 2005, and complaints at home about the assistance given to Venezuela, the Cuban leader had a lot at stake in the referendum process. For the moment, Chávez’ oil sales are helping to keep the island’s economy afloat. Recent expert warnings of a new crisis of dramatic consequences for the island will be avoided for now. ■

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Editorial

Mercoskeptics Gaining Strength: This Time in Brazil

Florencia Jubany and Donald Mackay

Growing domestic discontent over President Lula’s trade policy has become the latest headache of his administration. Brazilian politicians have faced challenges at the tactical level before, but what is different now is that serious questions are aimed at the foundation of Brazil’s trade strategy—the shape and nature of the Mercosur agreement.

Mercosur—the customs union linking Brazil, Argentina, Uruguay and Paraguay—is the foundation on which Brazilian trade has been built for the last 15 years. However, Mercosur has not always enjoyed widespread support and domestic critics have often pointed to the multiple exceptions contained in the agreement, overall lack of compliance with existing treaties and protocols, and the often-rocky relationship with Argentina, the country that absorbs three quarters of Brazil’s exports to Mercosur. So far pro-Mercosur forces have prevailed over the “Mercoskeptics”, but this may be changing.

“The war of the fridges and televisions”, as the latest trade row between Brazil and Argentina has come to be known, has unleashed a new and forceful wave of “Mercoskeptiscism”, particularly among the private sector in Brazil’s industrial

heartland of São Paulo. In July 2004 the government of Argentina adopted trade restrictions on certain Brazilian products that Argentine producers complained were flooding the market (a temporary 21 percent tariff on television sets and an import license for white goods). These sorts of complaints are nothing new and quite frankly each Mercosur member can readily point the finger at other partners with similar charges.

What has changed is that some of the country's most prestigious former insiders and supporters of Mercosur of the first hour, such as Rubens Barbosa (until recently Brazil's Ambassador to the US, and now a consultant) have now joined the ranks of the Mercoskeptics and are making their case in the country's media. In a recent op-ed "What to do with Mercosur", published in the influential *O Estado de São Paulo* (27/07/04), Barbosa greatly surprised a number of observers when he called for a roll back from a customs union to a free trade area. This came on the heels of an editorial in *O Estado* entitled "Mercosur, a frustrated project"; it said "As a geopolitical project, in the conception given to it by President Lula and his strategists, Mercosur is laughable" (13/07/04).

In publishing this piece, Barbosa is putting forth more than a technical complaint about Mercosur's structure or operations. He is, quite visibly, challenging the fundamental vision that has driven successive Brazilian governments for close to 20 years. It has been no secret that the Mercosur agenda is essentially a Brazilian one, with occasional concessions given to the other three partners. What would Brazil gain by challenging the institution of which it was so clearly in charge? Perhaps the answer lies with a growing sense in Brazil that Mercosur's real potential may fall short of what was originally believed. The development of complementary productive structures by the two largest economies of Mercosur was to be the bedrock of the integration project. But if that could not move forward while differences between the two economies were relatively minor, it is even more elusive now.

At any rate, mounting criticism of the government's trade policy, which is seen as prioritizing politics at the expense of economic sense, is adding to a difficult trade outlook for the government in the coming months. Consider this:

1. *Derailed negotiations between Mercosur and the European Union:* It is no longer expected that the longest-running free trade negotiations will come to fruition in October of this year. Differences over agriculture and services led to a collapse of talks in Brussels in July, and the consensus in Brazil is that there is no deal in sight.

2. *Protracted negotiations for a Free Trade Area of the Americas (FTAA):* Negotiations have been paralyzed since February as the result of the inability of the United States and Brazil, the two major players and co-chairs of these negotiations, to bridge differences over agricultural subsidies, services, intellectual property and government procurement.

3. *Absence of a bilateral trade agenda with the United States:* Delayed hemispheric negotiations have given way to a web of bilateral free/preferential trade agreements between the United States and a number of Latin American countries. The four Mercosur countries and Venezuela are among the few countries in the region that have not been offered bilateral trade talks.

4. *A promiscuous agenda of South-South trade:* Egypt, Morocco and Central American countries are just this month's additions to the extensive list of agreements in the pipeline between Brazil and other developing countries: India, China, Mexico and various other African and Asian countries are Brazil's target. Some in Brazil argue that this is far-sighted and necessary, but there are also those who see it as a triumph of old-fashioned Third Worldist thinking that does not serve the country's economic interests.

While the latest spat of anti-Mercosurism could well be just posturing designed to pressure the Argentine government, this is highly unlikely given the widespread questioning, including by some of Mercosur's original architects. Moreover, the fact that Rubens Barbosa chose to make his Mercoskepticism public right after leaving the government, very much like Luiz Felipe Lampreia (long-term career diplomat and Minister of External Relations under President Cardoso) did three years ago, may be revealing of weaker conviction in Mercosur among senior officials than Itamaraty (Brazil's Ministry of External Relations) likes to project.

In any event, Mercosur's travails have not prevented Brazilian negotiators from reaping considerable victories at the multilateral level. Indeed, the stage on which Brazil has struck the most visible successes has been global discussions in the World Trade Organization (WTO). In Cancún (September 2003) Brazil was undeniably a key player whose leadership was critical to the formation of the Group of 20 (G-20). By blocking the agreement in Cancún, Brazil and others gained time to reinforce their positions, including in the larger coalition – the Group of 90. With these advantages in hand, Brazil and others secured at least some meaningful concessions from the developed countries, especially in the all important agricultural sector, in the WTO framework agreement reached on August 1, 2004. While many details are yet to be determined, this agreement at least provides a roadmap for future agricultural negotiations, including the subsidies issue. One of the difficulties of the FTAA has been the absence of such a roadmap. Perhaps the WTO agreement can provide the basis for a renewed push at the regional level. Brazil, which is slated to host the

next FTAA Ministerial Meeting (timing to be determined) would have a clear incentive to maximize such a possibility. The question that remains is whether such an initiative would go under Brazil or Mercosur's name. ■

However, these inconsistencies appeared to affect both sides of the political spectrum. Despite the chaos, international observers saw nothing that met basic benchmarks of fraud or illegitimacy.

Commentary

Historic Recall Referendum Reaffirms Chavez' Presidency

Judy Meltzer

In a rare moment of attention, the international spotlight was on Latin America this month, specifically on Venezuela's historic recall referendum on August 15th in which the apparently untouchable President Hugo Chávez won the right to see out his term in office, winning nearly 60 percent of electors' votes. It was the event itself as much as the outcome that held everyone's attention. This was the world's first ever referendum of its kind; it came in the wake of two years of political turmoil that included an attempted coup, massive protests and a general strike; and Venezuela just so happens to be Latin America's largest oil producer, which carries particular weight at this time.

A significant 67.9 percent of eligible voters turned out to cast their 'si' or 'no' vote on new computerized voting machines. The enthusiasm for participation was dampened by the endless lines and complexity of the voting process. Getting voters through new fingerprinting machines to specific voting tables, confirming their names again and taking prints and signatures, providing on-the-spot instruction on new voting technologies and ensuring that no voter left without the trademark 'purple' finger to prevent double dipping, was a slow process. This was hampered by other procedural problems including inadequate training of members of the polling stations on new voting procedures, and registered lists that did not contain the names of all voters.

The opposition was, not surprisingly, disappointed with the outcome, and has launched a campaign claiming electoral fraud and requesting an exhaustive audit. Their key complaints include: procedural irregularities, discrepancy between their vote counts and official ones, lack of access to the audit process, and overall skepticism of the validity of the final results.

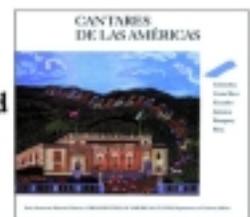
There is no doubt that irregularities existed both in the lead up to and during the election. The government took full advantage of timely oil prices to liberally spend on its own campaign and disburse social 'goods'; an extraordinary number of new citizenships were granted; and the parameters for international observation were constrained to the point that the European Union refused to participate. In turn, the opposition had the benefit of having the heavyweights of Venezuelan private media as political allies, and has held the 'advantages' of incumbency throughout past decades.

While Chávez emerges with a stronger mandate, the opposition is left without further recourse but to prepare for an election in 2006. Without the binding focus on protests and petitions, they face



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the task of building a coherent party and platform with a leader who is able to 'get the vote out' as effectively as Chávez. Their greatest challenge remains in convincing Venezuela's excluded majority who live in poverty that they too represent a break from the past—something at which they have not yet succeeded. Ultimately, Venezuelans must find a way to reconcile their political differences; in turn the international community should sustain its attention on Venezuela, and use the multilateral tools that are at its disposal to ensure that democracy and development prevail.

Results on the Referendum from Venezuela's National Electoral Council (CNE):

Total registered electorate	14,037,900
Total number of votes	9,539,969 (67.96%)
Total number of valid votes	9,492,905 (99.51%)
Total number of null votes	47,064 (0.49%)
Total NO votes	5,619,954 (58.9096%)
Total SI votes:	3,872,951(40.5971%)

<http://www.cne.gov.ve/resultados/>

Judy Meltzer is a FOCAL Senior Analyst and participated as an OAS observer in the Venezuelan Referendum.

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