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Between Coup and Chaos: Political Standoff in Venezuela

Judy Meltzer

As Venezuela enters its third week of general strikes, talks between the government of Hugo Chávez and opposition forces are making little progress, and the outcome of the political deadlock remains unpredictable. The imminent threat of a coup d'état seems to have been warded off at least temporarily by a public declaration of support for Chávez from General Garcia Montoya, the head of the armed forces. However tensions continue to rise as Venezuela's oil operations and other commercial sectors are shut down by strikes, leading to shortages of fuel and food and crippling the national economy. The impact of the crisis in the world's fifth largest oil producer are beginning to be felt internationally, as crude oil prices rise to over US\$ 30 a barrel.

Chávez is desperately implementing measures to prevent economic and social collapse. He has begun importing basic food supplies and fuel from neighbouring countries and the Caribbean and foreign merchant navy crews have been contracted to replace striking tanker crews. He has had the military take over oil refinery operations and, in a controversial move, has given the military the authority to commandeer privately-owned transport vehicles to distribute waning supplies. (BBC, 19/12/02) Additionally, the police force, who Chávez put under military control, have been reacting with increasing force, using tear gas and rubber bullets to disperse protestors and road blockades. However these stopgap measures will do little to alleviate the crisis: the Supreme Court recently ruled that Chávez must relinquish control of the police to Caracas Mayor Alfredo Pena, a strident *anti-Chavista* tankers with vital exports remain at anchor; specialized workers are required to maintain even a minimum level of oil production, and divisions within the military make its cooperation unpredictable.

The standoff reflects the extreme, deep-rooted polarization of Venezuelan society. Chávez was elected by the poor majority in a landslide victory in 1998 and reelected in 2000, on a socialist platform promoting a "Bolivarian Revolution." His election came in the wake of increased poverty resulting from the decline of the oil-based economy during the 1990s, and the collapse of the two traditional political parties, which had become increasingly unresponsive to the needs of the poor. His populist economic policies, centralization of power, and self-serving reform of key institutions, politicization of the military, and fiery anti-elite and anti-business rhetoric, rapidly alienated middle and upper classes as well as key commercial and civil society sectors. Their opposition, and divisions within the military, which increasingly viewed him as a liability, lead to a brief coup in April 2001. However, the coup provoked international condemnation, the invocation of

the new Inter-American Democratic Charter, and ended with Chávez's reinstatement. The coup not only revealed the international community's lack of support for an undemocratic rupture in the constitutional order, but gave Chávez the opportunity to purge the military of disloyal officers, both of which undoubtedly helped to delay a coup in the current context.

Importantly, Chávez still has the backing of a significant proportion of Venezuela's poor. Although many of his promises to improve their quality of life remain unfulfilled, support for Chávez continues to hover at approximately 30% -remarkably high relative to other leaders in the region. At the same time, the heterogeneous opposition is increasingly uncompromising, vowing not to back down until Chávez is out. Chávez has refused to resign or hold early elections, on the basis that they are unconstitutional and that the earliest a referendum could be held is in August 2003.

Nicaragua

On December twelfth, the Nicaraguan National Assembly voted in favour of lifting former president Arnoldo Alemán's legislative immunity. Shortly after the decision was read, former president Alemán was put under house arrest and charged with corruption and fraud during his administration (1997-2002).

The decisive forty-seventh vote needed to *desaforar* Alemán (lift his immunity) was provided by Mariano Suárez of the *Partido Camino Cristiano Nicaragüense* (PCCN). The PCCN is a centrist party allied with the governing *Partido Liberal Constitucionalista* (PLC).

The decision made by the National Assembly was applauded and welcomed by President Bolaños and a majority of Nicaraguans as a historic step forward. This is the first time a former president has been obliged to face criminal charges. According to the results of a telephone poll conducted in mid-December by *M&R Consultores*, 77.4 percent of those questioned supported the parliamentarians' decision to strip Alemán of his immunity. (La Prensa Online, 16/12/02)

However, the *desafuero* is only the first step in what is likely to be a long legal process. Former president Alemán claims that he still enjoys parliamentary immunity from the Central American Parliament (PARLACEN), but the Nicaraguan courts have yet to interpret the PARLACEN regulations regarding immunity. If convicted, former president Alemán could face up to 30 years in prison.

Even if the two sides reached an agreement to hold early elections, a change of government is not a given. Despite their numbers, the fractious nature of the opposition combined with persisting support for the government could allow Chávez to win again. In addition, achieving a political resolution is hindered by the pervasive mistrust of the official institutional bodies that officiate over such processes, including the National Electoral Council and the Supreme Court. Both were reformed by Chávez, and are perceived as partisan by the opposition, despite Supreme Court rulings against the President in recent weeks.

Given these domestic institutional weaknesses, many are looking to the Organization of American States (OAS) to resolve the impasse and prevent a violent conflict. Despite the December 16 OAS Resolution supporting a democratic and constitutional solution to the crisis, the dialogue between Government and opposition, mediated by the Secretary General of the OAS, César Gaviria, is not making much headway. Both sides have been enticed to the table, but have been unwilling to make any concessions to break the standoff. Cooperation from both sides to move talks forward is ever more urgent, as the threat of violence will likely rise as divisions within the military manifest themselves, and fuel and food shortages hit the population harder.

Given this standoff it is not clear how the situation will unfold. The failure of the previous coup, the army's apparent support for the government, international demands for a democratic resolution, and OAS involvement, serve to buoy hopes for a peaceful political resolution. Yet divisions within the military, an unrelenting opposition, and a crippled economy (that may ultimately erode support for Chávez among the poor), are circumstances that have historically lead to coups d'états in the region.

Judy Meltzer is an Andean Analyst at FOCAL.

After Plan Colombia: Why Doesn't Washington Learn from Failure in Colombia?

Adam Isacson

The United States is continuing to pursue a dangerously simplistic strategy in Colombia. Instead of reflecting the complexity of Colombia's crisis and addressing its many deep causes, Washington's approach has been dominated by the priorities of the "war on drugs" – and now, the "war on terrorism."

In the name of the drug war, the United States has given aid to Colombia totaling approximately \$US 2.4 billion between 1996 and 2002. Of this, 82 percent – about \$US 1.96 billion – has gone to Colombia's military and police. Until a recent change in the law, the official purpose of this aid had been to keep drugs from arriving in the United States.

By all measures, however, the anti-drug mission has failed. The price of cocaine and heroin on U.S. streets has remained constant during the past ten years. Meanwhile, the amount of coca grown in South America has stayed about the same, at over 200,000 hectares.

As evidence of failure accumulates, one might expect Washington to consider a fundamental reconsideration of its military-dominated strategy. But U.S. officials appear to be learning the wrong lesson. Caught up in the angry post-September 11 mood, they have found a new cause for their inability to stop drugs – and it isn't U.S. addicts' demand or the desperate poverty of Colombia's coca-growing *campesinos*. The main obstacle, they argue, is the "terrorists" who siphon funds from the drug trade and hinder the military/police anti-drug effort.

Citing the FARC (Revolutionary Armed Forces of Colombia), ELN (Army of National Liberation) and AUC (United Self-Defence Forces of Colombia) presence on the State Department's list of international terrorist groups, U.S. officials and hard-line members of Congress have moved beyond the drug war to a more "counter-terror" posture. In mid-2002, a Bush Administration request to Congress for more worldwide anti-terror funds included a single sentence that dramatically changed the purpose of Washington's aid. The sentence explained that all past and present anti-drug aid to Colombia's armed forces – including the 2000 "Plan Colombia" aid package – could now be used for "a unified campaign" against Colombia's guerrillas and paramilitaries.

By going beyond the drug war to include Colombia's counter-insurgency war, this sentence could lay the foundation for a dramatically increased U.S. military commitment, and raise many urgent questions. Will we see a big counter-insurgency aid package in 2003 or 2004? Will military-aid levels – which will reach \$US 500 million per year in 2003 – grow to \$US1 billion or more? Will we see an increased U.S. military presence in Colombia? How much aid or U.S. involvement is enough to guarantee success? Does the United States even have a definition of what "success" would look like?

In a U.S. capital obsessed with preparations for war in Iraq, these important questions are not being asked. But we are already seeing the first manifestation of the move beyond the drug war: a \$US 104 million plan to help Colombia's army protect the 500-mile long Caño Limón-Coveñas oil pipeline. U.S. Special Forces have arrived in the north-eastern department of Arauca to begin training two army brigades to protect the pipeline, of which a U.S. corporation, Occidental Petroleum of Los Angeles, has a 44 percent share.

If Congress gives the Bush Administration what it asks for, the 2003 bill would provide Colombia with \$US 538 million in assistance, of which \$US 383 million would go to the police and military (an estimated \$US 125 million in additional military aid would come through the budget of the Defense Department). The administration is working closely with Colombia's popular new "law and order" president, Álvaro Uribe, who has imposed draconian security measures with enthusiastic U.S. support. Washington is currently working with Bogotá to develop its "shopping list" of military assistance for 2004, which will be part of the foreign aid request that will go to Congress in February or March.

While U.S. policy toward Colombia is likely to become more militarized, a major buildup is unlikely in 2003. Washington will remain distracted by its Iraq preparations. Republican control in the Senate will not result in a significant hardening; many key Senate Democrats (Chris Dodd of Connecticut, Joseph Biden of Delaware, Bob Graham of Florida, Carl Levin of Michigan, among others) had already taken a hawkish stance on Colombia.

Unfortunately, we are also unlikely to see a U.S. policy that takes more seriously into account the fundamental causes underlying Colombia's violence and narcotics epidemic. We are unlikely to see increased support for rural and neighborhood development efforts, assistance to internally displaced persons, alleviation of the poverty that afflicts two-thirds of the country, treatment of drug addicts in the United States, efforts to strengthen the judiciary and end impunity for the powerful, or attempts to

negotiate peace. Colombia – a battleground in the cold war, the drug war and now the war on terror – faces another year of attention only to the military dimension of its crisis.

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Paraguay

On December 5, the Chamber of Deputies voted on a surprise motion to impeach President Luís González Macchi on charges of incompetence and illicit enrichment. Fifty-two deputies from a heterogeneous coalition of Liberal Party (PLRA) supporters of exiled strongman General Lino Oviedo, and dissident members of his own ruling Colorado party voted against the president. Not a single vote was recorded in his favour, although several abstained. The Senate must approve the motion by a two-thirds majority to initiate an investigation. (ABC Color Digital, 6/12/02)

However, the likelihood that this attempt at impeachment will prosper is conditional on several factors of which the most important is the vacancy in the vice-presidents' post. If the president were to be impeached, the presidency would fall to the vice-president, and in his absence, to the president of the Senate. Until former vice-president Julio César Franco of the Liberal Party resigned his post in mid-October, González Macchi had been protected by fears that impeachment would deliver the presidency to the opposition.

Over the course of November the president of the Senate, Juan Carlos Galaverna, member of the Colorado party and current next-in-line for the presidency, faced intense pressure to call a joint session of Congress in order to elect a new vice-president to replace Franco. He resisted these calls when it was clear that the favoured government candidate did not have the necessary support, and out of fears that the most likely victor, Juan Roque Galeano, was backed by supporters of Lino Oviedo hoping to issue an amnesty for the disgraced General and clear the way for his participation in the April elections. (ABC Color, 29/11/02)

The anti-government parties in the Congress are unlikely to impeach the president if his replacement will be another Colorado *oficialista* – Senate President Galaverna – as is currently the case. But if the Congress succeeds in selecting a new vice-president with sufficient support among a diverse collection of parties unified only by their support for Lino Oviedo, then the impeachment will probably succeed. González Macchi and Galaverna are betting they can forestall the selection of a vice-president until after the elections on April 27.

Free Trade Agreements Reinforce Customs Union in Central America

Rigoberto Monge

Existing free trade agreements (FTAs), those under negotiation, and the participation of the five Central American countries in the World Trade Organization (WTO), contribute to the improvement of the customs union in Central America.

Forty-two years ago, Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica agreed to create a free trade zone and a customs union. With this agreement, the governments of that time committed themselves to adopt both free trade within the region, and a common external trade policy. The influence of the General Agreement on Tariffs and Trade (GATT) was minimal due to the fact that at the time Nicaragua was the only signatory to the GATT.

However the failure to fully implement the original objectives has created multiple problems for intra-regional trade. These problems have been exacerbated by the absence of a regional mechanism for conflict-resolution and have also made tariff harmonization problematic in cases where just one or a few of the five nations negotiate free trade agreements with outside countries.

On March 24, 2002, encouraged by the free trade negotiations between four Central American countries (Guatemala, El Salvador, Honduras and Nicaragua) and Canada, and preparations to initiate FTA negotiations with the US, the Central American governments agreed, at the highest political level, to promote the improvement of the customs union and the intra-regional free trade regime.

Among the expected results of completing the Central American Customs Union are the following: the completion of the first phase of tariff harmonization, with the aim of setting a common external tariff for Central America; the recognition of health registers; common sanitary

and phyto-sanitary rules based on the WTO; rules of origin regulations; a general trade agreement for services and investment; a regional mechanism for conflict-resolution; the elimination of border posts within the region as a result of joint customs administration; and trade facilitation measures.

By implementing plans to perfect the customs union, the countries of the region are moving towards the full enjoyment of a regional trade policy, which, without a doubt, will facilitate joint negotiation of trade agreements with third parties as well as those within the context of the FTAA and the WTO.

It is anticipated that the completion of the customs union will increase intra-regional trade as the obstacles that have been accumulating over the years are eliminated. Intra-regional exports in 2000 and 2001 reached 23 percent and 29 percent, respectively, of the total value of Central American exports. The primary reason for the six percent difference is the decrease in extra-regional demand in 2001, notwithstanding the strategic importance that a regional market would present for the economic integration of Central America.

Equally as significant as the political restructuring of regional integration, is the fact that Central America is preparing to become, through the adoption of common standards, a single trade bloc, consisting of 35 million people and a GDP of \$US 62 billion. This alone establishes Central America as an important trading partner, without taking into account the strategic geographic position of these five countries in the hemisphere.

Rigoberto Monge is the Coordinator of the Salvadorian Private Sector in International Trade Negotiations, Oficina de Apoyo al Sector Privado (ODASP)

Disponibile en español en el sitio web de FOCAL.

Confirmed Cabinet Appointments in Brazil

Finance	Antonio Palocci	PT
Foreign Affairs	Celso Amorim	Diplomat
Interior	Jose Dirceu	PT
Justice	Márcio Thomaz Bastos	PT
Agriculture	Roberto Rodriguez	Agro-business
Education	Cristovan Buarque	PT
Industry and Trade	Luiz Fernando Furlan	Businessman
Environment	Marina Silva	PT
Culture	Gilberto Gil	Musician
Communications	Miro Teixeira	PDT
Cabinet Chief	José Dirceu	PT
National Integration	Ciro Gomes	PPS

A New Brazil?

Florencia Jubany

"I am optimistic: I feel a new Brazil is being born"

With those words Luiz Inacio "Lula" da Silva ended his open letter to Brazilians written after his election as President of Brazil in October. And Lula's optimism appears to be contagious. In the past few weeks Brazil has witnessed an array of international visitors carrying messages of good will for President-elect da Silva, including International Monetary Fund deputy director Anne Krueger and World Bank president James Wolfenson, praising Brazil and pledging support, and Deputy US Trade Representative Peter Allegier, who assured Lula that "everything is on the table" in the FTAA negotiations.

Inside Brazil, this feeling of optimism is widely shared, but the honeymoon is unlikely to last long. Tensions between expectations and the real possibilities of change are bound to catch up with Lula, as his room to manoeuvre will be constrained by the following factors:

- A broad and heterogeneous governing coalition made up of the Workers' Party (PT), Partido do Movimento Democrático Brasileiro (PMDB), the rightwing Partido Liberal (PL) and a collection of leftwing parties (PTB-PDT-PPS-PSB-PV-PcdoB and PMN);
- Divisions within the PMDB (the largest party in the Senate and third largest in the lower House, which would guarantee Lula a majority in both houses) on whether to join Lula's government;
- Tensions within Lula's Workers' Party between "reformists" and "fundamentalists";
- Stringent economic targets set by the IMF as a condition for a \$30 billion emergency loan in August 2002;
- Limited external financing as a result of the global economic slowdown and lost confidence in emerging markets, and;
- A complex economic agenda including competing demands on economic growth, employment, salaries, and income distribution.

On the positive side, the Brazilian economy might be less fragile than originally thought. Forecasters polled by *The Economist* in November 2002 expected GDP growth of 1.2% in 2002, rising to 2.2% in 2003. As a result of stronger commodity prices and the weakening of the *real* before the October election, export earnings have jumped, and the current-account deficit has shrunk from \$US 20 b. in 2001 to around \$US 11 b. in 2002.

Despite high domestic interest rates of up to 23%, fears of debt default have subsided, although the debt/GDP ratio is painfully high at 62%. But local economists argue that Brazil's reserves can cover all its financial obligations, especially with the recent IMF loan. Inflation, on the other hand, is a concern at around 10%, well above the target for this year.

Lula has pledged to follow a high-growth, job-creating economic policy aimed at national development, while exercising fiscal prudence. He says he will achieve this difficult feat by making government spending more efficient and giving the state a more active role. He has also pledged to continue with his predecessor's reform agenda, particularly in the areas of

taxation, public pensions and labour. Greater autonomy for the Central Bank is another issue that ranks high in the new government's agenda.

It is in social policy, however, where Lula plans to make a difference, and is prepared to spend significant political capital and resources. The Workers' Party has an excellent track record at the local and state levels at improving education and health care, while promoting private sector growth. Around R\$ 8 billion (just over US\$2 billion) has already been allocated towards Lula's main campaign promises of ending hunger in Brazil, raising the minimum salary, and extending agrarian reform and school lunch programs.

On foreign policy, the appointment of Celso Amorim to lead Brazil's external relations confirmed expectations of continuity. As former representative to Brazilian missions at the United Nations and World Trade Organization, and a former minister of foreign affairs under President Franco, he represents Brazil's diplomatic establishment. Echoing president-elect da Silva, Amorim has indicated that South America, and particularly Mercosul (the South American Common Market), will be the foreign policy priority of the new administration. Da Silva plans for Mercosul include strengthening participation of parliamentarians, business and labour, and endowing the arrangement with a higher level of institutionalization, rather than relying on presidential diplomacy. Lula is especially interested in forging stronger regional cooperation in production and technology, with the ultimate goal of raising all of Mercosul on a new wave of economic development. As Amorim told *Folha de Sao Paulo* on December 18, "it is difficult to imagine a strong Brazil in a weak South America."

With just ten days remaining as president-elect, Lula has at last finished naming his cabinet (see box). He has left himself a short time to work out how this government will implement his new vision of Brazil before his inauguration on January 1, 2003.

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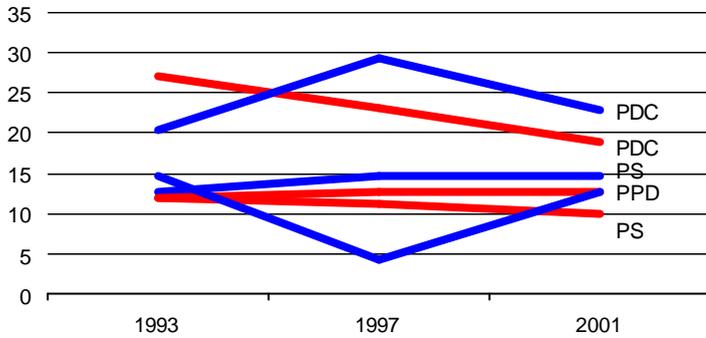
Caribbean

Crime has a tremendous impact on the Caribbean economies, affecting both tourism and trade. Tourism, which is the Caribbean's biggest money-maker, is seriously struggling and the finance ministers of many countries are now expecting an important reduction in their revenues from this industry. Beyond the September 11 impact, the Caribbean Tourism Organization (CTO) is now pointing at structural problems in the Caribbean tourism industry, such as uncompetitive pricing. However, it is also clear that tourism requires stability and that the current increase in criminality represents a real problem.

On the commercial front, the eventual expiration of preferential tariffs agreements (Europe and US) for Caribbean exports will negatively affect these economies. The criminal industry thrives where the economic opportunities are lacking - as it is often said in the Caribbean, "where bananas grow, so does marijuana." (Economist, 21/11/02) Drug trafficking in the region is growing rapidly. According to the US ambassador to Haiti, that country alone is the transit point for 15% of the cocaine entering the US. (LA Newsletters, Caribbean & Central America Report, 3/12/02) At the regional level, the net income of the Caribbean drug industry is estimated at \$US 3.3 billion, or nearly half the GDP of Jamaica. (Economist, 21/11/02)

The vicious cycle of poverty and criminality and its impact on key sectors of the Caribbean economy is an explosive combination. Addressing the growth of criminal activities in the Caribbean must become a regional priority.

Proportion of National Vote Captured by Main *Concertación* Parties, 1993-2001
(Senate and Chamber of Deputies)



Source: Chile, Ministry of the Interior, www.elecciones.gov.cl.

FTAA

Eight years after the three NAFTA leaders met in Miami and invited Chile to join that trade arrangement, the US and Chile have finally concluded a bilateral agreement. The conclusion of negotiations was announced in Washington on Wednesday, December 11 by United States Trade Representative (USTR) Robert Zoellick and Chilean Foreign Minister Soledad Alvear.

According to preliminary information released by USTR, the Agreement (when it enters into force) will provide for duty free access for more than 85% of bilateral trade with the remaining tariffs being eliminated within 4 years. The bilateral agreement follows in the philosophical footsteps of NAFTA by including provisions on trade in services, foreign investment, financial services and telecommunications. The agreement also contains provisions on government procurement and areas that few Latin American countries (other than Mexico) have been eager to negotiate. The agreement also incorporates commitments in the environmental and labour sectors with an emphasis on cooperative endeavours.

The US views the US-Chile agreement as part of its strategy to put pressure on Brazil and other countries with a lukewarm attitude to the ongoing FTAA negotiations. Those countries in the hemisphere that have negotiated a bilateral trade deal with the US will have an economic advantage over those without one, thus creating an incentive to complete the FTAA. In addition to arrangements with the European Union and South Korea, Chile has now concluded a liberalized trade arrangement with most of the major countries of the Americas. Canada and Chile concluded a bilateral arrangement in 1997.

Concertación Coming Apart in Chile

Paul Haslam

Since late October the *Concertación* government of Ricardo Lagos has been enveloped in a corruption scandal that has threatened to tear the governing alliance apart and deprive the president of his legislative majority.

The bribery scandal exploded when two Christian Democratic Deputies mounted their own sting operation and accused then president of the Radical Party (PRSD), Patricio Tombolini Véliz of accepting a \$US 21,000 bribe from a businessman who hoped to obtain a contract to operate a vehicle testing centre in Rancagua. The scandal has widened to implicate a number of other *Concertación* politicians including those who originally broke the story. Currently five *Concertación* Deputies have been stripped of their parliamentary immunity and are being investigated by Judge Carlos Aránguiz. Aránguiz's expanding investigation into the use of ministers' discretionary funds for illegal political ends, and questionable procurement contracts with shady businesses could prompt more resignations and embarrassment for the *Concertación*.

The scandal has raised questions about the solicitation of bribes by public officials, and the use of public money for patronage and political activities in what has long been considered Latin America's least corrupt country. However, its most lasting impact may be on the coherence of the governing *Concertación* alliance.

Fear and Loathing in the Coalition

The *Concertación de Partidos por la Democracia* is an alliance of centre-left parties involving the Christian Democrats (PDC), Socialist Party (PS), Radicals (PRSD), and Party for Democracy (PPD). It was born out of the democratic opposition to the Pinochet dictatorship and the referendum campaign on the continuation of his rule held in 1988. Until

now, the unity of the *Concertación* has been reinforced by the political-economic strength of the right, which has been maintained since 1990 by the "institutional safeguards" established by the dictatorship. (See FP September 2002)

However the relative importance of the four parties has changed considerably since 1988. The Christian Democrats were originally the axis of the alliance, illustrated by the fact that the first two *Concertación* presidents Patricio Aylwin and Eduardo Frei were both members of this party. The current president Ricardo Lagos is from the PS-PPD bloc. However, since 1997, the PPD has increased its electoral strength at the expense of the PDC, while PS support has remained stable. For the PDC, the result has been a loss of its historic prominence within the *Concertación*.

The bribery scandal has heightened these tensions as the PDC has struggled to reassert its political prominence and avoid paying the political cost of the scandal at the expense of their coalition partners. The fact that two PDC Deputies brought a scandal involving the PRSD to light has undermined trust between the two parties. At the same time it has been reported in the national press that Senator Adolfo Zaldívar, president of the PDC, had been distancing the Christian Democrats from the other *Concertación* parties in a bid to place the party in a more powerful position within the Lagos cabinet, as a shuffle is expected in the upcoming weeks. (La Tercera Digital, 11/12/02)

These tensions within the *Concertación* have become almost unmanageable. This was underlined by a meeting between the PDC leader Adolfo Zaldívar and PS leader Camilo Escalona on December 4, in which the two men were reported to have discussed an electoral alliance that would have excluded their coalition partner, the PPD. (La Tercera Digital, 9/12/02) The PDC and PS may have viewed this as an opportunity to rebuild their own electoral strength and central place within the *Concertación*. A PDC-PS alliance, facing off against an opposition alliance, would likely decimate their smaller partner, thanks to Chile's binomial electoral system. However, it quickly became apparent that the PDC-PS talks, and Zaldívar's declaration the following weekend that the *Concertación* no longer existed, threatened to deprive Lagos of his legislative majority and potentially deadlock the government. The PS responded by working to bring the PPD back into the fold, and the PDC began to show signs of retreating from its hard line. (La Tercera Digital, 10/12/02)

On the Edge of Losing Legislative Majority

Beyond the increasing difficulties of managing the fractious relationship between the four parties of the *Concertación*, the possibility that five party members may be stripped of their legislative immunity by the Supreme Court has put Lagos' legislative majority in the lower house at risk. The current majority of six in the Chamber of Deputies (63 for the *Concertación* and 57 for the opposition) would be reduced to a single vote if the five *Concertación* Deputies being investigated are permanently stripped of

their immunity. Unless the Deputies are later impeached, they will not be replaced.

In the Senate, an acrimonious dispute between PPD Senator Nelson Ávila and his PDC counterparts Adolfo and Andrés Zaldívar prompted Ávila to resign from his party and the *Concertación* on December fifteenth. Although Ávila is unlikely to vote with the opposition due to his left wing views, his decision officially placed the *Concertación* in a minority position in the Senate (previously evenly matched at 24 seats each for the government and the opposition).

In this respect, the political fallout from the crisis in the *Concertación* has already put Lagos' ability to enact his legislative agenda in serious jeopardy. In the case of difficult reforms such as the Constitutional Reforms, it seems unlikely that the government will be able to have its way – especially since the corruption scandal has weakened the high moral ground claimed by the *Concertación*. (See FP September 2002)

A New Style of Politics

What has emerged is a new kind of high-level politics. Ricardo Lagos has taken a hands-on role in negotiating agreements with the opposition leaders, Sebastián Piñera (RN) and Pablo Longueira (UDI) on specific pieces of legislation. It was this kind of diplomacy that permitted the passage of the Fishing Law last week, one of the policies associated with the strategically important Pro-Growth Agenda advanced by Lagos. Lagos has also appointed some of his most trusted ministers including Interior Minister José Miguel Insulza with the task of coordinating a new kind of concert between La Moneda and the opposition. Even if Lagos succeeds in rebuilding the shaky *Concertación*, this kind of engagement with the opposition will probably become a fact of life in the face of a slim legislative majority. However, the question remains as to how long it will be in the interest of the two opposition parties to advance Lagos' political agenda during a period in which they will need to define themselves for the 2005 presidential contest.

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Behind the Curtains of the Caribbean Summit

Ana J. Faya

Summoned by Fidel Castro to celebrate the thirtieth anniversary of the establishment of diplomatic relations between Cuba and English-speaking Caribbean, the heads of state of the Caribbean Community (CARICOM) gathered in Havana to commemorate this occasion. Cuba's main purpose was not simply to organize a party. The island's aspiration to join the Cotonou Agreement between the Africa, Caribbean, Pacific (ACP) states and the European Union (EU), was made known in Castro's welcome speech. The Cotonou agreement gives the ACP countries access to EU foreign aid. The meeting concluded with a final declaration, in which the Caribbean countries supported Cuba's aspirations.

In 1998, the Caribbean nations had proposed the island be an observer of ACP, and in 2000, was accepted as a full member state. In this latter year, the EU agreed on a common policy towards Cuba and supported a UN resolution that condemned the human rights situation in the communist country. In response, Cuba considered the EU position as an "intrusion in internal matters", and withdrew its request for full membership in the Cotonou Agreement, becoming the only ACP member state that was ineligible for European assistance. Recently, in June 2002 after the meeting of the ACP Group concluded in the Dominican Republic, the Cuban representative declared that his country's political, economic and social system was not negotiable.

However, surprisingly, Fidel Castro affirmed to the Caribbean heads of state in Havana that EU had "tempered" its position towards the island. This was an unexpected assertion, especially as the European Union had maintained its original stance. The EU insists on good governance by recipient states as a precondition for European aid programs. The requirement of good governance varies from country to country, but implies a number of basic requirements including a transparent and efficient legal system, the rule of law with an independent judiciary, the building of efficient, accountable, and transparent institutions, and a decision making process that allows participation by all segments of the population. Cuba's political and economic order does not meet these parameters.

The EU reiterated both in June and at the last meeting of Foreign Ministers – the day after Castro's speech to the Caribbean summit - the need to "encourage a process of transition to pluralist democracy and respect for human rights and fundamental freedom", as a condition for assistance. They also stated that they did not see reforms happening that could lead to full respect for political and civil freedom in the island, and mentioned the Varela Project in this regard. The Varela Project is a proposal to change the Cuban system through a referendum, and was presented to the National Assembly by a group of dissidents on May 10, 2002. Castro's response to the promoters of the project was to submit a constitutional reform to the National Assembly that declared socialism "irrevocable". The

text of the Varela Project has not been made public in Cuba. Similarly, the proposal for a referendum has yet to be discussed by the National Assembly.

Although Castro's desperate statement during the Caribbean summit seemed to respond to the necessity of receiving European aid in an attempt to cope with the country's problems, it is clear that the Cuban head of state is not willing to allow political changes on the island, as his response to the Varela Project demonstrates.

Cuba is using its good relations with the Caribbean community and the ACP to put pressure on the EU in the hope of moderating the European position. Moreover, members of the European Parliament's Inter Group of Friendship and Solidarity with Cuba (40-50 parliamentarians dedicated to improving EU-Cuba relations) are coordinating different actions with the Cuban authorities to help them obtain millions in foreign assistance. The first step was to convince Castro to join the Cotonou agreement, as a parliamentarian belonging to the EU Inter Group told the press.

The confrontation between the EU and Cuba on this issue is just beginning. Although the Cuban request to join the Cotonou agreement has been officially announced, in Havana the vice-minister of Foreign Affairs harshly criticized the EU's common policy towards Cuba as "a rhetoric wet paper." According to the European Commissioner for Cooperation and Development, an official delegation will be visiting the island in February 2003, for what seems to be the beginning of a complicated negotiation between Cuba and the European Union.

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FOCAL's Research Forum on Cuba fosters informed discussion on the immediate and long-term challenges facing Cuba and Canadian policy towards the island. www.cubasource.org

FOCAL Abstracts

FOCAL POINT Special Edition: State of the Hemisphere 2002

At year end FOCAL takes stock of some of the defining challenges for the Hemisphere in 2002 through the eyes of the leading thinkers and experts on hemispheric issues who gathered in Ottawa at the third annual *FOCAL Forum of Hemispheric Experts*. The theme of *Post-Monterrey* was adopted as the guiding concept behind the Forum.

The insights and policy recommendations from this meeting have been published electronically in a Special Edition of *FOCAL POINT: Spotlight on the Americas*. This document can be downloaded from the FOCAL website at

http://www.focal.ca/fpoint/special_edition02.pdf

Errata: In the November 2002 edition, the source of the polling numbers quoted in the Argentina newsbrief (p.6) was *La Nación*, 24/11/02. The poll was conducted by IPSOS-Mora y Araujo.

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