



## In this Issue

The Mexican Mid-Term Elections: PRI Resurgent and Democracy Strengthened?  
*Pamela K. Starr*..... 1

A North American Beef  
*Robert A. Pastor*..... 3

Seeking Partners: Canada, the Private Sector and Peacebuilding in Colombia  
*Angelika Rettberg*..... 5

Dominican Republic at the Crossroads  
*José Zaragoza*..... 7

Cuba: New Opportunities and Old Proposals  
*Ana J. Faya*..... 9

## News Briefs

Central America - Canada.....	4
Peru.....	5
Colombia.....	6
Brazil.....	7
Guatemala.....	8
Argentina.....	10

## Editorial Board

- Donald R. Mackay  
*Executive Director*
- Sharon O'Regan  
*Deputy Director*
- Paul Haslam  
*Senior Editor*
- Judy Meltzer  
*Co - Editor*
- Claudia Paguaga  
*Co - Editor*
- Eric Verreault  
*Design and Layout*

## The Mexican Mid-Term Elections: PRI Resurgent and Democracy Strengthened?

Pamela K. Starr



In the weeks following Mexico's July 6 mid-term elections, a conventional wisdom has emerged about how to interpret the election outcome: President Fox and his National Action Party (PAN) were the big losers while the PRI (the former ruling party that lost power three years ago – the Institutional Revolutionary Party), the leftist Democratic Revolutionary Party (PRD), and Mexican democracy were the big winners.

Although this analysis contains significant elements of truth, it also embodies striking misconceptions. Clearly, Fox and the PAN lost badly and the PRI made an impressive comeback, but the victories of the PRI and the PRD are less impressive than they seem and the election itself revealed glaring weaknesses in Mexican democracy and confirmed the country's already constrained capacity to implement desperately needed economic reforms.

The ruling National Action Party was trounced on July 6. The party lost 54 seats in the 500-seat Chamber of Deputies, including losses in every state in its northern strongholds with the exception of Baja California, it lost all of its local representation in Mexico City, and lost control of the jewel in its political crown - the politically and economically important northern state of Nuevo Leon (the PAN not only lost the governorship but also lost control of the local legislature and lost virtually all of the important mayoral races, including Monterrey). This humiliating defeat virtually ended the presidential hopes of any PAN candidate in 2006 and has left the party divided, confused, and seemingly rudderless.

The depth of this defeat was equally humiliating and damaging for Vicente Fox. Despite his post-election protestations that the results were not a reflection on his presidency ("I was not in the election" and "it did not evaluate my government"), polls demonstrate that the electorate did indeed castigate the government for having failed to fulfill its promises for change in the country. Fox also formed the centerpiece of the PAN campaign, in an obvious effort to transform the President's personal popularity into votes for the party. The resulting plebiscitary quality of the election was furthered by Fox's active campaigning for the PAN (even after the Federal Electoral Institute requested that he stop doing so). The election results thus undermined Fox's political momentum, transforming him almost instantly into a lame-duck president.

The July elections also evidenced a resurgent PRI. Not only did the party remain united despite sharp internal disputes in the months and weeks leading up to the

election, it was able to exploit the poor record of PAN governance (in Nuevo Leon and nationally) by running a solid campaign reinforced by the still potent PRI political machine. The party gained 15 legislative seats and thereby retained its plurality in the chamber of deputies, and won the majority of the governorships up for grabs, including Nuevo Leon. The PRI achieved this feat, however, with just 37% of the total vote cast, receiving 2 million fewer votes than in 1997 and a whopping 4.5 million fewer votes than in 2000. The PRI won not because Mexicans flocked back to it, but because fewer of its supporters stayed home than did those who had supported Fox in the past. The PRI did not, therefore, re-establish itself as the dominant political force in the country through these elections, as many have mistakenly argued.

The Democratic Revolutionary Party, meanwhile, gained 44 deputies in the mid-term elections, nearly doubling its presence in the lower house. Although stunning on the surface, this victory was less remarkable than it seems. The low number of PRD seats in the previous legislature reflected the party's poorly designed electoral alliance with a series of small parties in 2000, which

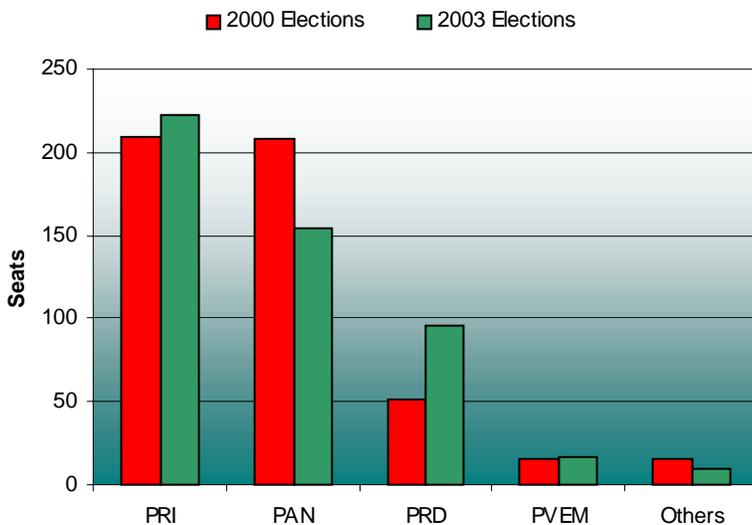
siphoned legislative seats away from the PRD. The percentage of the national vote won by the PRD actually declined in 2003 relative to 2000 (from 19.1 to 18.8%), and the vast majority of these votes were won in just six of Mexico's 32 states (the PRD lacks representation in nearly two-thirds of Mexico's electoral districts). The party's "success" last month thus represents a return to normality rather than any great victory for the PRD.

There was one big winner within the PRD, however, the mayor of Mexico City, Andrés Manuel López Obrador. The PRD nearly swept the Federal District winning an absolute majority in the local legislature and 14 of 16 city government delegations. The Federal District was the only state in which the PRD registered such a stunning victory, a reflection of the sky-high local popularity of López Obrador and a clear push for his presidential candidacy in 2006.

The other two losers in the July mid-term election seem to be democracy and governability in Mexico. The elections were indeed largely free, fair, and transparent, violence was rare and claims of fraud limited, and preliminary results were announced within hours of the polls closing. As such, they were the first "normal" elections in modern Mexican history and indicate that Mexico is well on the way toward consolidating its electoral democracy. But there is more to democracy than free and fair elections. Democracy also requires political parties that reflect the interests of the people, and a society in which citizens feel they can make demands of their elected leaders. Sunday's elections vividly demonstrated the virtual absence of these two conditions for effective democracy in Mexico.

The elections were marred by a stunningly high rate of abstention—58% of the electorate did not bother to vote, a rate never before seen in Mexico (abstention in Mexican mid-term elections was just 32% in 1991 and 42% in 1997) and very uncommon for new democracies. This abstention is due to a broad-based belief in the nation that democracy has not changed much of anything in Mexico and a consequent disenchantment with the Fox government (albeit not with Fox personally).

**Mexican Chamber of Deputies, 2000-2003**



	<b>2000 Elections</b>	<b>2003 Elections</b>
Partido Revolucionario Institucional (PRI)	209	223
Partido Acción Nacional (PAN)	208	154
Partido de la Revolución Democrática (PRD)	52	96
Partido Verde Ecologista de México (PVEM)	15	17
Others	16	10
<b>TOTAL</b>	<b>500</b>	<b>500</b>

Source: Latin News Daily, 10/07/03.

## A North American Beef

Robert A. Pastor

Mexicans did not expect their world to change quickly and dramatically in the wake of Fox's election, but they did believe that the advent of democracy would produce some signs of tangible change in their daily lives. On the issues that matter most to them, education, jobs, poverty, public security and corruption, however, there has been either no change or change for the worse. A stumbling economy has increased unemployment and financial insecurity, crime remains pervasive, education reform has been orphaned, and corruption has not declined tangibly. As a consequence, Mexicans no longer have much confidence in the ability of democracy to make their lives better. Polls show that a majority of Mexicans not only are dissatisfied with Mexico's democracy, they have no confidence that their vote will effect change, or in political parties which they see as putting party interests above the national interest. For the first time in recent Mexican history, no political entity seems to offer any hope of delivering positive change in the country. These public attitudes are very disconcerting in an emerging democracy and raise serious questions about the future development of Mexican democracy.

A final loser in the July elections was governability, defined here as the ability to carry out essential economic reforms. The legislative veto power that greeted virtually all presidential policy initiatives during the first three years of the Fox administration was reinforced by the election outcome. Still lacking political operators capable of negotiating effectively with the Congress, and now deprived of a popular mandate and a strong PAN legislative contingent to push reform through an opposition-dominated congress, Fox will find it impossible to advance his policy initiatives.

This does not necessarily mean that gridlock will continue to characterize the Mexican legislature, however. The PRI fully recognizes that the road back to the presidency in 2006 depends on its ability to prove to the electorate that it is indeed capable of getting things done. Therefore, assuming that the PRI can maintain party unity despite growing internal tensions surrounding the choice of the party's presidential candidate for 2006, legislative approval of energy and even possibly fiscal reform (alongside a series of social and educational programs), could emerge during the coming legislative session. Unfortunately, the bills will be politically expedient, watered down versions of the original Fox proposals and thus unable to resolve the structural deficiencies that threaten Mexico's economic health.

The July 2003 mid-term elections in Mexico laid bare the weaknesses in Mexican democracy while undermining the already weak governing capacity of the Fox administration. Nor did the elections anoint a clear political successor to Fox who might take up the reigns of desperately needed reform. As a consequence, Mexico can be expected to muddle along for the next three years, virtually immobile and unable to resolve the political and economic time bombs that threaten its democratic and economic stability. ■

---

Pamela K. Starr is professor in the Department of International Studies, Instituto Tecnológico Autónomo de México (ITAM)

On May 20, 2003, the U.S. Department of Agriculture closed its northern border to Canadian beef after learning that a cow in Alberta had Mad Cow Disease. Canada quickly found and quarantined the herd and asked the U.S. to lift the ban, but it remains, while Canada loses about \$US 75 million of beef exports each week. Some Canadians believe that the U.S. is protecting its cattle – not from disease, but from competition.

The ban on beef is just one of a long string of tests faced by the leaders of North America. Unfortunately, they keep failing the tests. Instead of trying to forge a modern North American partnership, based on rules-based institutions, like a North American Court on Trade and Investment, for example, the three governments let old problems fester. It is time for our three countries to stretch their imaginations to encompass the entire continent and fashion creative solutions.

On beef, there may not be a simple answer to the disease, bovine spongiform encephalopathy (BSE), but there is a simple way to remove Canadian suspicions that the ban is economically motivated. Why not assemble a team of U.S., Canadian, and Mexican scientists to judge whether the threat of BSE has ended as a result of the quarantine of the herd? Why not combine officials of the food regulatory agencies of the three countries to assess threats to the food supply? With the increasing economic integration of North America, isn't it time to build some North American institutions and negotiate rules to deal with transnational problems?

Some oppose transnational solutions because they undermine national sovereignty, but this fear is based on a flawed premise. "Sovereignty" is not a fixed or immutable concept. Three decades ago, Canada interpreted sovereignty as barring U.S. oil companies. Mexico declared that sovereignty meant banning international election monitors, and the United States used the same defense to insist on "states' rights" over human rights. In each case, sovereignty was used to

defend bad policies, and yet changing these policies enhanced the prestige and prosperity – and thus in one sense, the sovereignty – of each country. Sovereignty, in brief, is a misleading if not a mistaken defence in an increasingly open and integrated world.

Since the North American Free Trade Agreement (NAFTA) came into effect in January 1994, trade and investment among the three countries have nearly tripled, creating the largest free trade area in the world in terms of gross product and population. Economic and social integration in North America has accelerated, but the freer market has also spawned transnational problems beyond the capacity of any single nation to solve. The leaders have turned to old bilateral talks to address these problems instead of considering new trilateral forms of policy coordination or new institutions. The political and policy dimensions of integration have not kept pace with social and economic integration.

NAFTA's promise of a "North American partnership" has not been realized for many reasons, but one is that some Canadians believe that they can deal more successfully with the United States in a bilateral fashion than if Mexico is included in the discussion. History suggests that bilateralism has not been very productive. Other Canadians think that its border problems are so different from Mexico's that it should pursue its interests separately, but there is little difference between the "smart border" agreement reached between Canada and the United States in December 2001 and the one between Mexico and Washington in March 2002.

### Central America and Canada

On June 30, 2003, the Central-American Four (CA-4), which includes Guatemala, El Salvador, Honduras and Nicaragua, launched in Ottawa what they hoped to be the final round of the free trade negotiations with Canada. The most important issues on the agenda in this round included textiles, particularly those manufactured in export-processing zones (EPZs), rules of origin and labour.

The issue of subsidies, which are granted to textiles manufactured in EPZs, was the key stumbling block during the negotiations. Canada's position is that these subsidies must be eliminated within a period of three years in order to guarantee zero tariffs for textiles produced in the zones. Central American negotiators, in contrast, argued that EPZs are the basis of their economies, which would be harmed if subsidies were eliminated. Under World Trade Organization (WTO) rules, the Central American governments are authorized to use subsidies until 2010 ([www.czfa.org/noticias.asp](http://www.czfa.org/noticias.asp) 03/07/03).

After a week of negotiating in early July, the ninth round concluded without consensus. Two more rounds of negotiations are expected in the fall, but until a compromise is forged on these issues, a free trade agreement between Canada and the CA-4 will not be concluded.

Mexico has much to contribute to a dialogue, not least because more than 20 million of its descendants reside in the United States. A three-sided negotiation is more likely to gain Washington's attention and produce a rule-based, even-handed outcome than an imbalanced bilateral talk. Canada's greatest asset has been its leadership in rule-based multilateral organizations; it's time for Canadians to use that skill in its most important relationship. The George W. Bush Administration might not be enamoured with such an approach, but in the long-term, the United States will be responsive.

The tragedy of September 11 offers a compelling reason for re-thinking North America. Trade has been harmed by security fears, and next time, it could be worse. The new U.S. Department of Homeland Security constitutes a potential threat to integration unless and until the three governments of North America find new ways to relate to each other. Governmental consultations are inadequate. Only a revolutionary approach – like personnel exchanges or a North American service - will permit a cooperative rather than a unilateral response to future crises.

North America is different from Europe and should not replicate its supra-national institutions, but it should consider continental solutions to shared problems and opportunities. It's time to change the way we handle softwood lumber disputes and address the central challenge of the development gap separating Mexico and its northern neighbours. It's time to construct a North American transportation and infrastructure strategy. And it's time for Canada to take the lead to propose rule-based institutions that permit cows to roam across borders and people to declare: "I am not just a Canadian, a Mexican, or a U.S. citizen. I am also a North American." ■

Robert A. Pastor is Vice President of International Affairs, Professor, and Director of the Center for North American Studies at American University in Washington, D.C. His recent book, *Toward a North American Community: Lessons from the Old World for the New* (Institute for International Economics, 2001), offers a continental vision and practical proposals for addressing North American problems and opportunities.

## Seeking Partners: Canada, the Private Sector and Peacebuilding in Colombia

Angelika Rettberg

Traditionally, Canada and Colombia have maintained a cordial but distant relationship. This has changed in recent years, due to an increasing concern in Canada about the deepening of the Colombian armed conflict and a growing willingness to contribute to a peaceful resolution. Canadian institutions responsible for formulating foreign policy towards Colombia, namely the Department of Foreign Affairs and International Trade (DFAIT) and the Canadian International Development Agency (CIDA), have promoted

a more active role in Colombia through support for official peace negotiations and the distribution of development aid for peacebuilding. In the diplomatic arena, a former Canadian Ambassador to Colombia became an active member of the Facilitating Group (*Grupo Facilitador*), which supported peace negotiations (that ultimately failed) between the Pastrana government (1998-2002) and the largest guerrilla group - the Revolutionary Armed Forces of Colombia (FARC). In its development cooperation, Canada has sought to counter the United States' emphasis on military aid to Colombia, through a focus on human security issues such as education, health, development and trade.

### Peru

President Alejandro Toledo made significant changes to his cabinet in July indicating a possible policy shift for the embattled leader. Changes in the cabinet include the appointment of Beatriz Merino Lucero, former head of Peru's tax inspectorate, as Prime Minister; and the appointment of Jaime Quijandria, former Minister of Energy and Mines as Finance Minister, replacing Javier Silva Ruete. Silva Ruete in turn will become head of the Central Bank. Fernando Rospigliosi replaces Alberto Sanabria to return as Minister of the Interior, a position that he resigned from in 2002 due to violent protests against the privatization of electric companies in the department of Arequipa (Latinnews Daily 24/07/03). Other appointments include Ana Elena Townsend Diez Canseco as Minister for Women and Social Development, and Jesús Alvarado for employment and job creation. Allan Wagner's replacement as Foreign Minister remains to be confirmed.

The new cabinet is an attempt by President Toledo to balance two political needs: signaling a renovation in government in response to popular dissatisfaction with his performance thus far; and demonstrating continuity in economic policy in order to maintain the country's good standing with the international financial community. Although the new cabinet will likely be more responsive to the demands of the electorate, significant shifts in policy direction are unlikely (Latinnews Daily 24/07/03).

However, in his annual address to the nation on July 28, Toledo identified important new reforms including: a 12% increase in minimum wage to US\$133 / month (Latinnews Daily 29/07/03); a reversal of the unpopular sales tax increase; a forthcoming free trade agreement with Brazil; and a new anti-terrorism strategy to deal with a resurgent *Sendero Luminoso* (El Comercio 29/07/03). Reforms to Peru's judicial system, which is plagued by inefficiency and corruption, were identified as a priority and will be enacted within 90 days. Still awaiting congressional approval are new anti-corruption policies and reforms to the penal system (La Republica 30/07/03).

One of the characteristics that defines Canadian development policy is a preference for projects that generate and contribute to the consolidation of civil society initiatives. A 2002 CIDA publication, entitled *Canada Making a Difference in the World: A Policy Statement on Strengthening Aid Effectiveness*, recognizes the "important role of non-state actors as providers and generators of development assistance, advocates of social and political change within the developing world and vehicles for raising awareness about the importance of international cooperation" (p.1). At the same time, a growing interest can be perceived in linking development and peacebuilding initiatives in countries affected by conflict.

This article seeks to draw attention to an important but until now under-valued partner in Canadian efforts to support peacebuilding in Colombia: the Colombian private sector. This sector has been generating innovative peacebuilding initiatives at the local and regional level, which, though few in number, point to a significant transformation in the relations between the private sector and Colombian conflict. Starting on a small scale, diverse types of businesses and business groups have begun to invest resources, capacity and time in development and peacebuilding projects with the objective of ending the conflict. These initiatives are based upon the premises that: the economic costs of the conflict are too high; enduring peace goes hand-in-hand with development; the preservation of business interests in the long term depends upon the resolution of the conflict; and

that the viability of alternatives, such as leaving the county or remaining passive, are limited and undesirable. These motives suggest that, in contrast to the perspective that the private sector contributes to the deepening of the armed conflict, the private sector's own interests are vested in ending the conflict, making it a potentially powerful ally in peacebuilding.

These business initiatives vary greatly and respond to different local contexts, using distinct strategies. Some operate in conflict zones and have promoted

## Colombia

On July 15, the Colombian government signed an unprecedented agreement with three right-wing paramilitary organizations to begin formal negotiations for their demobilization and reintegration. The process includes designating an area of the country where paramilitary forces can freely congregate, and impunity or "alternatives to prison," even for those found guilty of "atrocious crimes." The agreement, which includes the largest paramilitary organization, the *Autodefensas Unidas de Colombia* (AUC), and two smaller groups, the *Bloque Central Bolivar* and *Alianza Oriente*, aims to demobilize approximately 13,000 paramilitary forces by 2005.

According to President Uribe, the accord represents an important step towards ending the longstanding conflict, opening the door to negotiations with guerrillas, who have consistently set paramilitary demobilization as a prerequisite. However the agreement is extremely controversial. The paramilitary forces, which emerged in the 1980s with funding from wealthy landowners to fight the guerrillas, are responsible for the worst human rights atrocities in the conflict. It is unlikely that impunity for these crimes would be tolerated, not only by the millions of Colombians affected by them, but also by the international community. Moreover, the paramilitaries are considered to be terrorist organizations, presently financed largely through narco-trafficking, and unlike the guerrillas, without political status – which previously, had been considered a prerequisite for the government to partake in any negotiations. In fact there is concern that this agreement will be exploited by the paramilitaries to legalize and deepen their hold on the drug industry. Critics also point to the danger that the "reintegrated" paramilitary will be quietly absorbed by the Colombian military, which continues to confront charges of collusion.

Regardless of how these negotiations proceed, they will likely set a precedent for future negotiations with other insurgent actors in the conflict. President Uribe has asked the international community for support towards paramilitary reintegration, which could cost an estimated US\$90 million per year (*Revista Cambio* 23/07/03). Despite their refusal to lift existing extradition requests for AUC leaders, the U.S. has expressed support for the negotiations. Although the international community remains supportive of Uribe, the Declaration from the recent London Donors' meeting expressed concern for impunity with regard to the paramilitary.

worked with local communities through the training of workers, the formation of cooperatives and community projects. Others have sought to stimulate investment through credit and loan programs as well as through the distribution of agricultural products cultivated by communities trapped within the conflict. Other initiatives have sought to support institutional reconstruction processes with the purpose of seizing political spaces from armed actors. Finally, some business initiatives have promoted models of preventative peacebuilding in urban areas, looking to integrate principles and techniques for conflict resolution in educational curricula.

In many instances these initiatives involve public-private alliances whereby the private sector, with support from external resources, contributes time, knowledge, capacity and know-how, but little capital. These pioneering initiatives face the challenges of being effective in the medium or long term and of achieving positive results. Only in this way can they acquire the scale and sustainability necessary to maintain the interest and momentum of those participating and be able to attract new participants. The impact of these initiatives has yet to be systematically evaluated.

One particularly relevant aspect of these initiatives is that they indicate the existence of a threshold at which the associated risks and costs related to peacebuilding are outweighed by the incentives for private sector participation. In identifying this threshold and the necessary incentives to overcome it, international organizations and "friendly" countries interested in supporting these initiatives could facilitate peacebuilding in Colombia, assuming part of the costs and attracting more businesses to initiate sustainable projects in conflict zones.

This latter point emphasizes the important role that Canadian aid might play in promoting these innovative peacebuilding initiatives in Colombia, as there exists a significant convergence between Canadian policy and the potential that these various private sector initiatives offer. As noted, these private initiatives seek to promote peace through development, offer the possibility of effective use of aid and constitute the efforts of and for civil society, involving the private sector as a protagonist.

This article concludes with an invitation to action. In a context where international development resources are scarce, the identification of promising partners is a key condition for optimal results. As outlined above, the Colombian private sector can act as a partner in the construction of elusive peace in Colombia. ■

*\*This article is based on the research project "Canada and Peacebuilding in Colombia: Canada's Potential Role in Supporting Business-Led Peace Initiatives at the Local Level in Colombia," financed under the framework of the Faculty Research Program by the Canadian Department of Foreign Affairs and International Trade (DFAIT).*

Angelika Rettberg is assistant professor of Political Science at the Universidad de los Andes, Bogotá, Colombia.

## Brazil

Political analysts have declared President Lula's six-month long honeymoon over. While still highly popular, enjoying a 77.6% rate of approval (CNT/Sensus Poll, 15/07/03), this month the government's reform efforts met with the strongest opposition yet causing Lula his first legislative defeat.

After months of complex negotiations on the social security bill in Congress, Lula's government was forced to give in on two key reforms in order to save the bill: removal of "retirement at full salary" and "wage parity" (any salary raise given to state employees must be also transferred to retirees). The watered-down reform will not achieve the ambitious levels of cost cutting envisaged. Opposition to the government's proposed reform came from public service unions, within the ranks of Lula's Labour Party, judges, prosecutors and tax collectors. All major political parties also presented amendments.

Another serious challenge to Lula's authority came from the Landless Movement (Movimento Sim Terra - MST). Land invasions continue to rise, particularly in the tense Pontal de Paranapanema region in the western corner of São Paulo state, where 21 mayors have formally requested emergency intervention by the state government to deal with 8,500 families of squatters. Lula is caught in the middle between the MST - for which he has long had sympathies - and the large-scale farmers, who are vital to the country's productivity and also an influential bloc in congress. Political observers believe that the 154 - deputy "rural bloc" has the potential to derail consideration of the social security and tax reforms (also a reform priority for Lula) by threatening to block passage of reforms if Lula does not rein in the MST invasions.

## Dominican Republic at the Crossroads

José Zaragoza

Throughout the 1990s, the Dominican Republic has benefited from perhaps the most enviable economic growth in the Caribbean. This growth, at around 8% per year, can be explained by the establishment of free trade zones, which favoured the intensification of commercial activities, by the success of the tourism industry, and by remittances from the Dominican diaspora located principally in the United States. However, the Dominican Republic's political and economic climate has recently become less favourable.

The economic slowdown was exacerbated by the terrorist attacks of September 11, 2001, as the decline in U.S. travel abroad had a particularly negative impact in the Caribbean. However, the economic troubles in the Dominican Republic took a turn for the worse following the banking scandal involving *Banco Intercontinental* (Baninter), the second most important bank in the country. These events have caused significant problems for the government of Hipólito Mejía, President since 2000.

On 13 May 2003, José Lois Malkun, Secretary of Finance, announced the discovery of a fraud totalling 55 billion Dominican Pesos, (US\$2.2 billion), a sum representing 13% of GNP. Ramon Báez Figueroa, President of the Baninter Group, was arrested by Dominican authorities the following day on charges of fraud. At the same time, the Mejía administration seized control of the media empire which had been owned by Baninter, including the well-respected daily paper *Listín Diario*, four television stations and more than 75 radio stations.

The Central Bank (*Banco Central de la República Dominicana*) had discovered that the Baninter had been practicing "double bookkeeping." One of their books informed the Bank's auditors, including those of the Central Bank and, at the international level, Price Waterhouse Cooper, about the legal transactions of Baninter. The second book, reserved for top-level directors of Baninter, informed them how the funds were

really disbursed (LAN, *Caribbean and Central America Report*, 07/03).

As the trial proceeds, further details have been reported by the media. The fraudulent activities of Báez Figueroa appear to date as far back as 1989 (*Miami Herald*, 09/03/03). The scandal came to light when a revelation was made in September 2002 alleging the fraudulent spending of approximately US\$2 million, by an influential member of President Mejía's cabinet on a credit card provided by Baninter. According to Báez himself, these expenditures included: armoured vehicles offered to President Mejía and former-president Leonel Fernández of the *Partido de Liberación Dominicana* (PLD); disbursements regularly granted to several generals in the Dominican army; and topping up the salaries of certain Supreme Court judges (LAN, *Caribbean and Central America Report*, 07/03). It became apparent that the

## Guatemala

Former dictator Efraín Ríos Montt's legal battle to compete in the upcoming presidential elections in Guatemala made headlines throughout July. On July 14 the *Constitutional Court* (CC), Guatemala's highest court, ruled 4-3 in favour of Ríos Montt's candidacy despite the 1990 and 1995 rulings that banned the former coup leader from running. For this reason, questions of legitimacy, impartiality and transparency surrounded the court's decision. Local and international human rights organizations, opposition leaders, civil society groups, the private sector and the US government protested the Court's decision.

Two opposition parties, the *Unidad Nacional de la Esperanza* (UNE) and the *Movimiento Reformador* (MR), led an appeal against the CC's decision before the second-highest court, the Supreme Court of Justice (SCJ) on the basis of Article 156 of the constitution, which states that no public official is obliged to accept illegal orders (Latin American Newsletter 21/07/03). The legal team of UNE argued that the electoral tribunal would be violating Article 156 by registering Ríos Montt as the official presidential candidate for the ruling *Frente Republicano Guatemalteco* (FRG) as the constitution states that no one who has participated in a coup can run for the presidency (Article 186) (*FOCAL POINT*, June 2003). On July 21, the SCJ accepted the parties' appeal and suspended the official registration of Ríos Montt until the legal dispute is resolved.

The SCJ must now decide whether to make Ríos Montt's presidential ban permanent. If it does, Ríos Montt has the option of appealing that decision before the CC. Demonstrations by FRG sympathizers, namely former members of the *Patrullas de Autodefensa Civil* (PAC) and various national youth movements, which began on July 24<sup>th</sup> in the streets of Guatemala City, apparently organized by high-level Ríos Montt supporters, seem to indicate that the former dictator is prepared to use social conflict in order to realize his presidential aspirations.

financial scandal was not limited to the upper management of the bank, but involved a large number of the Dominican Republic's ruling class.

To protect the Dominican economy, the government found itself obliged to disburse more than 40 billion Dominican pesos (US\$1.6 billion) in order to guarantee the assets of Baninter's clients. (LAN, *People Profile*, 2003) The Mejía administration is also preparing to liquidate the assets of Baninter. As part of this process, the Bank of Nova Scotia acquired 25 bank branches previously owned by Baninter for the sum of \$25 million. In addition, in the coming weeks it is predicted that the IMF will provide US\$1 billion to the Dominican Republic (PymesDominicanas.com, *Cautious forecast for D.R. from Economist Unit*, 24/07/03). If this agreement transpires, it is likely that Mejía and his government will be forced to adopt unpopular austerity measures.

Considering the current political situation, the last thing that Hipólito Mejía wants to undertake is the implementation of unpopular policies. Ever since he announced his intention on April 27, 2003, to run in the next presidential elections, expected to be held in May 2004, his popularity has fallen in the polls. Apart from the economic problems and the Baninter scandal, Mejía is also facing attack internally from within his own party, the *Partido Revolucionario Dominicano* (PRD).

Although changes to the constitution in June 2002 allowed him to run in the next presidential elections, his decision to do so remains very controversial. The PRD is philosophically opposed to presidential re-election, and considers it to be a cause of government corruption. Elected under the PRD banner, Mejía also held this point of view. PRD President Hatuey de Camps and Vice President Milagros Ortiz Bosch, two influential members who will vie for party leadership in the primaries next September 14, 2003, have expressed their opposition to Mejía's re-election plan.

Although Mejía possesses the support of an important PRD faction - the *Proyecto Presidencial Hipólito* (PPH), serious internal tensions menace party unity. With a significant majority of the public opposing his re-election, up to 81% in a recent Gallup poll (LAN, *Caribbean and Central*

America Report, 07/03), the candidate and former president of the *Partido de Liberación Dominicana* (PLD), Leonel Fernández, is clearly profiting from the PRD's problems and has a commanding lead in the polls. However it also appears that Fernández himself may have profited from the generosity of the now defunct Baninter.

The mismanagement of government affairs in large part explains the significant depreciation of the Dominican peso, by 30 percent since the start of the year. Similarly it explains the drop in the Dominican Republic's credit rating by Standard & Poor from a B+ to a BB-, announced in mid-May. The result has been a severe crisis in confidence in the country's regulatory institutions. Given this, it is surprising that the themes of transparency and anti-corruption measures, two important aspects in restoring much sought after market confidence, are not high on the agenda of the Dominican political class. Considering recent events, the Dominican Republic above all needs new blood to lead the government and to repair the credibility of public institutions. ■

José Zaragoza is Caribbean analyst at FOCAL.



## New Opportunities and Old Proposals

Ana J. Faya

Cuba does not lack national and international opportunities, assistance and proposals to initiate reforms that could improve and even transform the current situation of its citizens and reverse its increasing international isolation. In a marked difference to the attitude of United States, the European Union (EU), Latin American regional groups and individual countries have attempted a *rapprochement* in order to better encourage debate and consideration of reforms that are taking place around the world. Cubans, holding different points of view and political affiliations, from oppositionists to Cuban Communist Party members, have also raised reform proposals in order to change the current situation.

In its thirteenth evaluation of the situation in Cuba, issued on July 21, the European Union ratified its collective position regarding the island. Taking a critical stance on the violation of human rights, European ministers condemned the repression of dissidents, the recent executions resulting from summary trials, and demanded the immediate release of all political prisoners. The evaluation was also critical of other restrictive aspects of Cuban reality, although it also offered to continue dialogue with the Cuban government.

The opportunity for Cuba to enter the Cotonou cooperation accord between the EU and the ACP (Africa-Caribbean-Pacific) Group was imminent (see FOCAL POINT, December 2002), with a EU office already open in Havana, when the Cuban government decided to arrest internal dissidents and execute three captives. The result was an end to European aid and the efforts made by Caribbean governments to solicit Cuba's entry into the Cotonou agreement. For the European Union, political dialogue is considered necessary to achieve the economic, political and social reforms, which would close the gap between the island and the international community. For Fidel Castro, the conditional (aid for reform) "Common Position" of the EU makes it unacceptable.

At the same time as the European evaluation on Cuba was taking place, the new Brazilian President, Luis Inacio "Lula" da Silva, demonstrated his willingness to facilitate a *rapprochement* between the Cuba and other Latin American countries, in light of the current tensions surrounding the repression of dissidents. For example, Lula proposed that Cuba participate as an observer in the Rio Group. To facilitate this, and in accordance with Brazil's position on regional politics to date, Lula may try to persuade Castro to moderate his approach to human rights and to widen the opening for political and economic reform as gestures of good faith. Without this effort on Castro's part, Lula's effort to help reinsert Cuba in the hemispheric community will be futile. The Brazilian president's official visit to Cuba in September will be an opportune moment to privately discuss these issues with the Cuban government.

Over a decade ago, Cuba also had the opportunity to rejoin hemispheric institutions, as a result of diplomatic initiatives similar to that which Lula is currently proposing, conducted by the governments of Mexico, Brazil and various regional groups (including the positive disposition of César Gaviria, the then-new Secretary General of the OAS). But, at that time, Cuba did not demonstrate a willingness to reintegrate itself into Inter-American institutions. It preferred to participate in regional fora where the US was not present and to which it could be admitted unconditionally. Even in these fora, the Cuban government's refusal to accept civil and political

rights (beyond education, public health and economic development) as human rights, its position that the country's current political structure is the most democratic possible, as well as its tendency to interpret any criticism as unjustifiable interference in domestic affairs, has distanced Cuba from its hemispheric partners.

The Cuban government has also ignored proposals for political and economic reform presented by diverse opposition organizations within Cuba. Nor has the government been willing to start a dialogue with experts from Cuban institutions and research centres that generate ideas for the resolution of the current internal and external political crises.

## Argentina

On July 24, Federal Judge Rodolfo Canicoba Corral executed a request from INTERPOL (originating from Spanish Judge Baltasar Garzón) to detain 45 military personnel and one civilian for alleged human rights violations committed against Spanish citizens during the "dirty war" in Argentina, when an estimated 20,000 Argentines were killed or "disappeared" under the 1976-1983 military dictatorship. The detention request will be followed by a formal extradition request within 30 days (La Nación, 25/07/03).

The Argentine government has been expecting Garzón's request for almost a month—and hours after receiving the detention request, President Néstor Kirchner repealed Decree 1581, signed by former president Fernando de la Rúa in 2001, which prevented the extradition of those accused of human rights violations. Currently the Argentine government is unable to prosecute human rights violations under the dictatorship since the "Full Stop" and "Due Obedience" amnesty laws were passed by the democratic government of Raúl Alfonsín in 1986 and 1987, in an attempt to curb military unrest which at that time seemed to threaten another coup d'état. Although the amnesty laws were eventually repealed, they continue to shelter the accused through the principle of "the most benign law" (La Nación, 28/07/03). Nonetheless, progress has been made on indicting high-ranking officials of the military regime on other crimes not directly covered by the two amnesty laws, in particular the kidnapping of children of the disappeared (many of whom gave birth in detention) and their "re-location" to military families without children.

Despite repealing Decree 1581, it is not expected that Kirchner will extradite accused human rights violators to Spain. Instead, his decision forces those who have used the principle of "territoriality" to protect human rights abusers in Argentina to choose between changing the law in Argentina or having the accused stand trial abroad. He is currently deciding between two options: asking the Supreme Court to declare the two amnesty laws unconstitutional and void; and pursuing a legislative project in Congress that would permit the prosecution of human rights violators to resume.

Cuban economists have recently highlighted that there are now fewer opportunities to stimulate economic growth than were available in earlier years (such as developing the tourist industry), thus underlining the gravity of the present situation in Cuba, and the urgency of reform. As a result, they have suggested that current limitations must be overcome and even recommended establishing cooperative property and reinvigorating the limited private sector (EFE, 5/06/03). Various experts from the island consider the celebration of the Cuban Communist Party Congress – delayed and as of yet unannounced – as an opportunity to push for these and other reforms (IPS, July 03). A similar opportunity presented itself at the IV Congress in 1991, when Cuban society engaged in a spirited and open debate about the state of socialism in Cuba, in the context of the impending collapse of the Soviet Union and the changes then taking place throughout Eastern Europe. However, reforms proposed then, which were similar to those currently being advanced, were not implemented.

To initiate a process of reform in the midst of growing political dissent would imply, for Castro, a transformation of his political paradigm. He would have to acknowledge that Cuban society - and the world - has changed during the last four decades; and that Cuba's socialism may need to recover some of the initial ideas of its political vanguard - like that of a collegiate government, the rule of law and private enterprise. It also would mean a break down of the political basis upon which he maintains power today - the absence of political debate, censure of information, the restriction of legally recognized civil society activity, the repression of illegal civil society, and the restrictions on movement and private initiatives.

Even in the face of the government's apparent intransigence, the political class should approach the upcoming Party Congress with the aim of bringing about economic and political reforms that would improve the current situation without external pressure. It could also prepare the Cuban population for the moment when Castro departs the scene - indeed, some dissident leaders have expressed their support for a transition under Castro's leadership, in order to avoid the possible chaos that could follow an

unplanned regime change. The VI Congress would be a major opportunity for Cubans to sketch out the economic and political transformations that could improve people's lives and guide the island in the future. The question is whether the government and the political class will take advantage of these opportunities, or not. ■

Ana J. Faya is a Researcher with the Research Forum on Cuba.

FOCAL publications available online at:

<http://www.focal.ca>



The Canadian Foundation for the Americas (FOCAL) is an independent policy institute based in Ottawa that fosters informed analysis and debate and dialogue on social political and economic issues facing the Americas. We support a greater understanding of these issues in Canada and throughout the region. FOCAL was founded in 1990 and has a full time staff of 15 people. The Board of Directors provides a strategic guidance to the organization and its activities.

The ideas and opinions expressed in this electronic newsletter are those of the authors and do not necessarily reflect those of the Canadian Foundation for the Americas (FOCAL).

To subscribe or unsubscribe to this publication please send an email to: [focal@focal.ca](mailto:focal@focal.ca).



# FOCAL

Canadian Foundation for the Americas  
Fondation canadienne pour les Amériques  
Fundación Canadiense para las Américas  
Fundação Canadense para as Américas

1, Nicholas Street  
Suite 720  
Ottawa, Ontario  
K1K 7B7 Canada  
Tel: (613) 562-0005  
Fax: (613) 562-2525  
E-mail: [focal@focal.ca](mailto:focal@focal.ca)  
Website:  
<http://www.focal.ca>

Copyright © FOCAL 2003

## Who is FOCAL?

### Chair of the Board of Directors

John Graham, *Consultant*

### Vice-Chair

Maureen Appel Molot, *Professor, The Norman Paterson School of International Affairs, Carleton University*

### Secretary

Michael Bell, *Consultant, Justice Solutions Inc.*

### Treasurer

Anthony M.P. Tattersfield, *Partner, Raymond Chabot Grant Thornton*

### Executive Director

Donald R. Mackay, *FOCAL (ex-officio)*

### Directors of the Board

Carmelita Boivin-Cole, *Consultant*

Winston Cox, *Deputy Secretary-General, Development Co-operation, Commonwealth Secretariat*

Jean Daudelin, *Assistant Professor, the Norman Paterson School of International Affairs, Carleton University*

Paul Durand, *Ambassador & Permanent Representative of Canada to the OAS (ex-officio)*

Kenneth N. Frankel, *Partner, Torys*

Monica Gruder Drake, *President, MGDrake Consulting*

The Honourable Mitchell Sharp, P.C., C.C., *Personal Advisor to the PM, Office of the Prime Minister*

Beatrice Rangel, *Senior Advisor to the Chairman, Cisneros Group Of Companies*

Elizabeth Spehar, *Executive Coordinator, Unit for the Promotion of Democracy, OAS*

Brian J.R. Stevenson, *Vice President International, University of Alberta*

Alan J. Stoga, *President, Zemi Communications*

### FOCAL Staff

Donald R. Mackay, *Executive Director*

Sharon O'Regan, *Deputy Director*

Laurie Cole, *Inter-American Analyst*

Ana Julia Faya, *Cuba Researcher*

Paul Haslam, *Senior Analyst*

Florencia Jubany, *Senior Analyst*

Judy Meltzer, *Senior Analyst*

Claudia Paguaga, *Central America Analyst*

Cristina Warren, *Program Director, Research Forum on Cuba*

José Zaragoza, *Caribbean Analyst*

Miguel Guardado, *Financial Manager*

José Hernández, *Publication Manager / Webmaster*

Diane Larabie, *Office Manager*

Dana Emily Vaughan, *Events Coordinator*

Eric Verreault, *Intern Coordinator / Analyst*