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Guatemala after the Peace Agreements: External Pressures and Internal Challenges

Marco Fonseca

The Guatemalan Government and the guerrillas of the Guatemalan National Revolutionary Unity (URNG) signed the peace agreements on December 29, 1996, after five years of difficult negotiations. The agreements followed more than 36 years of armed conflict that resulted in 200,000 people dead or "disappeared," 650 massacres, 440 destroyed villages and over 400,000 internally displaced or exiled people. In total, the parties signed 13 separate agreements (on human and indigenous rights, socio-economic issues, democratization, etc.) comprising more than 400 concrete projects to be implemented over the course of 4 years.

External Pressures

As called for by the agreements, in 1997 various actors including the UN, EU, OAS, international financial institutions and 12 donor countries including Canada came together to form the Consultative Group for Guatemala. During the group's February 2002 meeting in Washington, D.C., with Canada's participation the actors agreed on a number of policy targets. As a condition of releasing international resources committed to the peace process in 1997, amounting to US\$1.7 billion, the parties agreed to limiting military spending to levels no higher than 0.66% of GDP, prioritizing social spending at no less than 5% of GDP and raising taxation levels to 12.1% of GDP for the year 2002.

After more than two years of being in government, however, the administration of President Alfonso Portillo has very little to show by way of peace-related legislation. Instead, the government is more committed to implementing an IMF-inspired agenda of reforming the financial sector, liberalizing trade and exchange systems and modernizing the public sector through privatization. This was confirmed when the government signed a Stand-by Agreement with the IMF in April 2002. In exchange for US\$105 million, the government committed itself to reducing the deficit to 1.5% of GDP and maintaining social spending at no more than 5% of GDP. In order to reach the taxation level of 12% of GDP by 2002, the IMF recommended increasing the value-added or sales tax (IVA) rate. In fact, the government had already raised the IVA from 12% to 15% in July 2001.

IMF pressures seriously undermine the implementation of the peace agreements. The already meagre 5% rate of social spending constitutes a serious limitation on the investments required by the peace agreements such as literacy and education in rural areas, legal aid for indigenous groups, resettlement, compensation for victims of violence and health-care reform. Other components of the IMF agenda,

particularly privatization and indirect taxation, reduce even more the significance of social spending. The government's decision to participate in the Plan Puebla Panama and in negotiations around a Free Trade Area of the Americas, without significant debate in the public sphere, threatens to undermine the legitimacy and distort the implementation of the peace agreements further.

Internal Challenges

The victory of the "No" forces during the referendum on constitutional reforms in May 1999 was a serious challenge to the peace process. If passed, these reforms promised to democratize the State, recognize and support indigenous demands, strengthen the judicial system and redefine the role of the army in post-war Guatemala. Other things considered the "No" victory also demonstrated that three years after the signing of the agreements a substantial proportion of the population had not yet developed a sense of ownership and loyalty around the agreements. The

Nicaragua

The Nicaraguan Executive reached an impasse with the Congress this month as a result of the ongoing corruption case against former President Arnoldo Alemán. This situation has prevented the 92 members of Parliament from discussing a list of projects proposed by President Bolaños to improve the social, economic and political development of the country.

The corruption case against Alemán has been going on for approximately eleven months. Ever since President Bolaños proclaimed his fight against corruption the political climate in Nicaragua has been divided into two groups: those who protect former president Alemán and those who want his *desafuero* (removal of legislative immunity) for allegedly using public funds for personal gain during his term as president (1997-2002).

National and international analysts argue that in order for the Nicaraguan Parliament to move beyond its impasse, Alemán's *desafuero* needs to be resolved as soon as possible. However, the government does not currently have the 47 votes that are needed to strip Alemán of his legislative immunity. The government can count on 46 votes and is awaiting the return of Fernando Avellán, a Liberal legislator, who left the country for medical reasons and is not expected to return until next year. As a result, it is unclear when the parliament will be able to vote on the issue and move beyond its deadlock. In the meantime, former president Alemán continues to deny all allegations of corruption.

Fiscal Pact of June 2000 and various proposals recently tabled by *Foro Guatemala* (a pressure group made up of the heads of major universities and others), including the October 2002 proposal for a rural development strategy, have attempted to correct this situation. However, the validity of the agreements remains in serious question among ordinary Guatemalans and their implementation remains trapped by the government's lack of political will.

Many Guatemalans remain fundamentally alienated from the peace process. Widespread popular lynchings, thefts of religious images, rising crime and the proliferation of youth gangs are all signs of a society in which traditional forms of social integration and coordination are in deep crisis. The Pan-Mayan movement, civil groups and parties of the left have attempted to provide channels for the democratic reconstruction of community and political contestation but without much success on the ground. Ordinary Guatemalans continue to feel that they are passive targets in an implementation process controlled from above and abroad. This lack of legitimacy of the process of implementation is at the heart of the so-called "crisis of governability." Lack of economic opportunities worsens this situation.

The electoral campaign that started in October 2002, leading to general elections in late 2003, poses further challenges. The Constitution prevents him from running, but current President of Congress Efraín Ríos Montt wants to run for President nevertheless. Ríos Montt's record is quite troubling. Head of State by coup and responsible for the worst violence during the armed confrontation between 1982 and 1983, illegal presidential candidate twice, nearly impeached in 2001 for signing into law unauthorized legislation in Congress and currently the object of legal proceedings in Spain on charges of crimes against humanity. His candidacy thus represents a direct threat to Guatemala's precarious constitutional regime, his political methods lend legitimacy to the old clientelistic forms of politics and his political party, the Guatemalan Republican Front (FRG), is widely believed to be behind the recent

reactivation of the former Civil Defence Patrols (PAC).

Recent increases in military spending, currently exceeding more than 0.68% of GDP, coupled with taxation levels below the targets of the agreements undermine the credibility of the authorities. Although the deadline for the implementation of the peace agreements has been extended to 2004, military, electoral and transnational concerns are taking priority over the peace agenda and there are no signs that this trend will be reversed in the near future.

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Peru

The Peruvian institutional and political landscape was altered on November 17, 2002, with the election of 25 new regional government bodies. This move to decentralize the Andean country was a result of President Alejandro Toledo's promise to boost the strength of the provinces vis-à-vis the traditionally powerful central government. With official election results still not announced, it was predicted that Toledo's party, *Perú Posible*, won only 1 of the 25 provinces, while former President Alan García's leftist American Popular Revolutionary Alliance (APRA) party captured 12 regions and 50% of the total vote. Smaller parties and a host of independents captured the remaining seats. (Washington Post, 18/11/02; RPP Noticias, 21/11/02) Many of the independents are former leftist militants who have emerged from the various social protests that have taken place over the past 18 months.

The election results, touted as a referendum on Toledo's performance during his first 16 months in office, represent a vote of non-confidence in his government despite Peru's relatively strong economic performance. Alan García, who was defeated by Toledo in the 2000 presidential elections, has emerged as the clear winner in this race. This victory has provided him with momentum and influence leading up to a probable bid for the presidency in 2006.

With only 1 of the 25 provinces under "friendly" rule, many predict that Toledo's future ability to govern will be severely limited. Analysts point out that with a new regional power structure governed almost wholly by rivals, it is imperative that Toledo unifies his party and work to build functioning relationships with these emerging political actors in order to successfully complete the remainder of his five-year term.

Venezuela: In Search of a Dialogue for Peace

Margarita López Maya

Since the failed coup d'état on April 11, 2002, Venezuelan society has suffered the rigours of a severe political crisis. Extreme polarization resulting from a combination of factors including prolonged economic recession, worsening poverty, the collapse of the old political party system and governing style have thus far made a negotiated political solution impossible and have increased the likelihood of a violent denouement to the crisis. On November 11, with the support of the Carter Center, the UNDP and the Secretary General of the OAS, César Gaviria, a roundtable for dialogue between the government and the opposition was initiated. The creation of the roundtable was itself an important achievement as the various sectors of the opposition had previously refused all initiatives involving negotiation with the government and had instead only demanded the President's resignation.

Despite the roundtable for dialogue mediated by Gaviria (involving six government officials and six representatives of the opposition), the political climate in Caracas remains tense. Even prior to the failed coup d'état, social and political actors had concentrated most of their efforts on political mobilizations and demonstrations in the streets. Since the failed coup, these actions have intensified, interrupting the daily life of thousands of people and increasing the threat of violence. Mass marches by the opposition are followed by mass marches of presidential supporters. On the eleventh of each month, with the aim of ousting the President, the opposition attempts to revive the fateful April march. In response, on the thirteenth of each month, government supporters enthusiastically demonstrate their force and creativity in an attempt to silence their adversaries. Every day there are pots-and-pans protests, vigils, rallies, displays of flags, marches and even violent confrontations between polarized political factions. As an indication of their willingness to dialogue, the two sides

should reduce the number and frequency of their frenzied street protests. Up to the present, neither group has made any such effort.

A further obstacle to a peaceful and democratic resolution to the crisis is the attitude maintained by the country's most important media outlets. From their promotion of the coup d'état to their reproachable silence following the return to the constitutional order on April 13, the private television networks and two of the three most important national newspapers have not ceased in manipulating and altering information to suit their private political interests. The coverage of the marches and "counter-marches" made it clear that the media do not treat the actions of opposition and government equally. On October 11, for example, the private television channels dedicated between five and six hours of televised coverage to the opposition's protest out of a total nine hours of programming. On the thirteenth, the pro-government march received

Chile

A bribery scandal that rocked the government of Ricardo Lagos in November is widely considered to be the worst crisis for the *Concertación* coalition in its 12 years in power. On October 18, the scandal exploded when 2 Christian Democrat (PDC) deputies accused Patricio Tombolini Véliz, former deputy minister of Transport and then president of the *Partido Radical Social Demócrata* (PRSD), 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 web of accusations expanded to include 3 former bureaucrats, 6 *Concertación* deputies (including those who had leaked the story) and 3 businessmen. On November 26, the Appeals Court stripped 5 of the 6 *Concertación* members accused of involvement in the bribery scandal of their parliamentary immunity. The decision indicates that the Court has sufficient evidence to proceed to a criminal investigation. (El Mercurio, 27/11/02)

This scandal has resulted in the effective breakdown of the governing *Concertación* coalition. Tensions had been growing over the last several months as the Christian Democrat leadership had begun to distance itself from its coalition partners. The role played by 2 PDC deputies in breaking the story has fuelled suspicions that the Christian Democrats are trying to profit politically at the expense of their coalition partners. Furthermore, the court ruling reduces the *Concertación*'s majority in the Chamber of Deputies to a single vote. Lagos' strategy in the face of the crisis has been to overcome the crisis by concentrating on passing important social legislation. This strategy may be frustrated by both intra-*Concertación* divisions and the razor slim majority of one vote held by the government.

between six minutes to one hour of coverage, out of a total of nine hours. According to witnesses and foreign reporters, both marches were similar in size. On the other hand, public radio and television stations also manipulate information to their own advantage. Without access to truthful information, citizens will not be able to make just and democratic decisions that could prevent violence.

Rendering the road to a democratic resolution of the crisis even more difficult are the developments in the Plaza Altamira, in the municipality of Chacao east of Caracas. An opposition stronghold, this municipality is home to mostly middle and high-income individuals. Since October 22, a uniformed military group has occupied the Plaza. Based on their interpretation of article 350 of the National Constitution, they have rejected the legitimacy of the Chávez government. From this base, they have been calling for civil disobedience and have received the support of radical sectors of the opposition. In the four weeks since they initiated their action, approximately 100 officials have gathered in the Plaza stating that they will withdraw only after the fall of the President. This spectacle, combined with the facts that no opposition organization has openly rejected their stance and that the government has been unable to stop it, does not provide much basis for optimism.

The situation in Venezuela is unpredictable. Between radicalized poles exist less visible groups promoting initiatives to 'depolarize' politics. They argue that some kind of referendum could gage existing support for these antagonistic forces and possibly open up a space for peaceful resolution of the crisis. The agenda of the roundtable for dialogue includes discussing possible just, correct and constitutional electoral procedures suitable for resolving the crisis. The majority of Venezuelans, despite everything, demand and hope that an agreement between the parties can be achieved.

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Disponible en español en el sitio web de FOCAL.

Enabling the Voluntary Sector in Mexico? The Fox Administration and Civil Society

John Foster and Laura Macdonald

One of the most important tests of the status of democracy in Mexico is the state of relations between the state and the voluntary sector. President Vicente Fox of the *Partido de Acción Nacional* (PAN) was elected in August 2000, dislodging the seven-decade long rule of the *Partido Revolucionario Institucional* (PRI). Fox's election signaled that Mexicans were tired of the corrupt and anti-democratic practices of the PRI regime and wanted democracy. The language of Fox's electoral campaign was marked by appeals for citizenship and popular participation, echoing in many respects the discourses of the hundreds of civil society organizations (CSOs) that had pushed for democratic, transparent and accountable modes of governance. This marked a real shift from the attitude of the PRI regime, which had traditionally tried to co-opt and control civil society or had viewed more independent organizations that refused to play this game with considerable suspicion or even hostility. What has Fox's election meant for relations between the voluntary sector and the new government?

PRI rule was based on a complex set of relationships that tied groups and individuals to the state guaranteeing political stability, but undermining the autonomy of civil society. For many decades the state managed to diffuse and co-opt challenges to its power through corporatist relations with most members of Mexican society. Participation in corporatist bodies like the *Confederación de Trabajadores de México* (CTM) became the main way in which people outside the country's small economic elite could advance themselves socially and economically. The government could count on the votes of peasants, workers, and the "popular sector" in return for some consideration of their interests in state policy. As well, more informal clientelist relations pervaded Mexican society. Mexicans lacked a sense of political efficacy and citizenship.

Untangling all of these relationships, even assuming good will on the part of the government, is an enormous task. Fox developed a campaign arm specifically to engage non-party and civil society support; "Amigos de Fox". This signaled some attempts at establishing a new, more respectful and productive relationship between the state and civil society. Since his election, some progress has been made on several fronts. Fox himself created a presidential body, the *Coordinación Presidencial para la Alianza Ciudadana de México* to promote initiatives for greater citizen participation and coordinate cross-ministerial approaches. A number of government ministries have initiated new consultative practices and advisory bodies to institutionalize their relationship with civil society organizations. In addition, the Congress has re-mandated a *Comisión de Participación Ciudadana* in the Chamber of Deputies, headed by Deputy Miguel Gutierrez Hernandez, a PAN Congressman from Guanajuato. The

Comisión has undertaken consideration of ideas and proposals to create a more participatory democracy, such as plebiscites, referenda, recall and others. As well, the *Comisión* is engaged in a process of reform of the legislative and regulatory framework that governs the voluntary sector.

The idea of such reform is not new. A group of Mexican non-profit organizations has been working for a new federal law that would encourage the development of non-profit civil organizations since early in the 1994-97 legislative term. During that session, the PRI initiated a wide-ranging project of investigation and legal reform that was truncated without legislative result just before the mid-term elections of 1997. This process remained stalled through the late 1990s, but has been revived under the new government. The *Comisión de Participación Ciudadana* has taken on with minor revisions the legal project proposed by the CSOs involved. The proposed law includes a series of sections:

- Basic definitions and types of activities to be encouraged;
- The promotion of participation of organizations in the design, execution, follow-up and evaluation of social development policies;
- The creation of a national registry of organizations and a system of reporting on the beneficiaries of the activities of registered organizations;
- Outlines the rights and obligations of religious groups, as well as possible infractions and sanctions should organizations not meet the conditions outlined.

The legal project is now ready for consideration by the Congress, but it is not clear that the Chamber of Deputies, pre-occupied as it is with inter-party negotiation on the budget and the energy bill, is ready for the project. Will the initiative fail to exit a third congress? While the

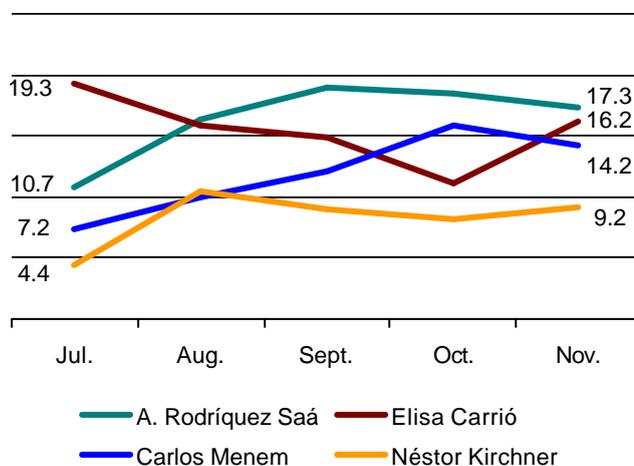
Argentina

In November, the Peronist party (PJ) was on the edge of a formal rupture into two rival camps due to the battle for its control waged between interim President Eduardo Duhalde and former president Carlos Menem. The key issue was the dates of the PJ primaries and presidential elections. Since July, Duhalde has attempted to structure the electoral rules and timetable in such a way as to reduce the likelihood of a Menem victory. Menem hopes that by winning the PJ primary, he will be able to use the party's capacity to mobilize the vote to triumph in the presidential elections.

As part of a federal-provincial agreement signed on November 18 principally intended to assuage IMF concerns regarding the lack of political consensus in the country, a new electoral timetable was defined which favours the Duhalde faction by suspending the open primaries and delaying the election. The new timetable sets the presidential election for April 27, 2003 with a second round on May 18, followed by the transfer of executive power on May 25.

Recent accounts suggest that Duhalde may be leaning towards more changes that avoid primaries altogether. In this scenario, the Peronist pre-candidates would compete against each other and the candidates from other parties. If successful, this idea would deprive Menem of the ability to use the national PJ machine, while allowing Duhalde to use his control of the Buenos Aires provincial PJ to support the candidate of his choice. The power struggle within the PJ has also contributed to the rise in the polls of Elisa Carrió leader of the anti-corruption and anti-politician party *Alternativa por una República de Iguales* (ARI).

Voting Intentions
(national survey)



Congress has another six months, many observers feel that that period will not be a productive one, as parties prepare and posture for mid-term elections and are not in a productive mode. On the other hand, the current *Comisión* and its leadership – reasonably close to the President – have put a great deal of energy and political capital into the effort.

Whatever the intentions and commitments of the President and the Office of the Presidency, it is clear that the complexity of the Federal administration itself, the divisions within the government, ministerial ambitions and the minority position of the PAN in Congress all contribute to a very uneven and at times hesitant progress to the development of a comprehensive approach to organized civil society. Further, there is a central contradiction at the heart of the relationship of government with civil society in the process of democratization. On the one hand the PAN and the Fox Administration are clearly committed to the development of the "third sector" as a means of service delivery. It is also helpful in public strategies for reduction of civic and domestic violence and corruption. At the same time, a number of the organizations favouring the legal project are not service-deliverers and do not necessarily support a weakening of the state. To what extent the Fox Administration will give space and respond with respect to challenges from these elements in the sector remains to be seen, and may be a key element in the implementation and working out of the law if passed by Congress.

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Gutiérrez Wins, But Can He Last?

Bill Warden

On November 24, Ecuadorians went to the polls to elect a new President. Their choice was Lucio Gutiérrez, a retired military officer and one of the leaders of the coup that ousted former President Jamil Mahuad in 2000.

The rejection of the traditional parties and the election of Gutiérrez, following that of Luiz Inacio "Lula" da Silva in Brazil, was yet another symptom of the malaise that is affecting much of Latin America: a fundamental lack of confidence in the political system. One cannot speak of a tidal wave. Yet anger and frustration are making themselves felt across the continent.

Haiti

On October 30, 2002, U.S. Permanent Representative to the Organization of American States (OAS), Roger F. Noriega, stated that the efforts of the government of Haiti to comply with Resolution 822 are, on virtually all fronts, lacking commitment or effectiveness. The following week, while addressing the OAS Permanent Council, Noriega underlined the U.S. government's disappointment in Haiti's failure to create the Provisional Electoral Council (CEP) on schedule. Although the US considered President Aristide to be part of the Haitian solution in the early-1990s, today he is considered part of the problem.

OAS Resolution 822 calls for the international community to resume foreign aid flows if the Aristide government complies with a list of "basic requirements", such as the creation of a functional CEP and the implementation of a disarmament programme, which would restore a climate of security. It seems, however, that Aristide is unable to comply for a number of reasons. On the political front, the government has lacked legitimacy since the May 2000 election and has had difficulty working with the opposition. On the social front, violence associated with Lavalas gangs, widespread criminality and impunity are undermining the possibility that free and fair elections will be held in 2003.

Despite the declarations by Luigi Einaudi, Assistant Secretary General of the OAS, that "the best thing Haiti could do over the coming months is to fully implement resolution 822", it is highly unlikely that the Aristide government will be able to fulfill its obligations to the satisfaction of the international community, particularly the current US Republican administration.

The issues before the electorate were much the same as in the past: poverty, corruption, a grossly inequitable distribution of wealth, unemployment and the disappearance and reduction of already minimal social services. In addition, there was a desperation born of the feeling that the international community and the IMF in particular have little to offer other than additional harsh prescriptions.

On the surface, the electoral process appeared relatively smooth. Yet, beneath the surface, technical problems abounded relating to the voters' lists, the inadequate training of polling officials, the failure of many of these officials to show on election day and a similar absence on a massive scale of party poll-watchers and national observers. Vote buying, manipulation by party bosses and caciques, intimidation, cronyism, etc. were also a feature of the electoral process, even though much of this took place beyond the scrutiny of international observers. Nor was the process helped by the politicization of the electoral machinery.

Moreover, in a trend that was disturbing to some, the military played a much more substantive role in the voting process than had been the case previously. Virtually all polling booths had been assigned a member of the armed forces, who did not hesitate to intervene in disputes between polling officials or whenever there was confusion during the count.

Yet, the outcome clearly reflected the will of those who had voted. Moreover, the results, in spite of the traditional party bosses' best efforts, reaffirmed the ability of the people to produce a sharp change in government.

The challenges facing Lucio Gutiérrez are enormous, even leaving aside his lack of experience in government and a proven network of capable associates. His interest in tackling corruption and providing good government seem genuine enough - as did that of Hugo Chávez at the same stage in 1998. However, he starts his tenure caught between the "rock" of promises that cannot be fulfilled,

and the "hard place" of economic and international realities. Moreover, he faces a legislature controlled by the same opposition whose act he vowed to clean up.

Relations with the United States are bound to be prickly given Gutiérrez's avowed dislike of Plan Colombia and the American military presence - to say nothing of his view of the Bush free trade proposals as a one-way street.

The question is whether the new President can sustain a moderate course or will be forced towards more radical and polarizing policies. The odds are not in Gutiérrez's favour and the opinion in Ecuador is that he will not last a full term.

Bill Warden, Executive Director of the International Centre at the University of Calgary was a member of the OAS Observer Mission to Ecuador.

An FTA for the Dominican Republic?

José Zaragoza

During the visit of President Hipólito Mejía on November 4, 2002, Canada announced that it would be holding public consultations on a free trade agreement (FTA) with the Dominican Republic. It is clear that Canada aims to solidify its influence in the Caribbean, especially with this country situated at the crossroads between Latin America, the Caribbean and North America.

Along the same lines, Canada is in the process of negotiating a free trade agreement with the Caribbean community (CARICOM) as well as with the Central American Four (CA-4), which includes Guatemala, Honduras, Nicaragua and El Salvador. Moreover, Canada has put into effect a similar agreement with Costa Rica, which includes two side accords on environmental cooperation and labour.

The Dominican Republic (DR) is an interesting case for Canada. Evidence of economic progress over the past decade makes the DR a logical choice as a free trading partner. Both countries have forged important bonds with one another - bilateral trade in 2001 totaled approximately \$CAN 200 million and Canadian investment in the DR continues to grow. Additionally, the Dominican Republic represents the third largest market for Canadian exports to the Caribbean and Central America. (DFAIT/MAECI, 07/02)

Canadians also appreciate the Dominican Republic as a favourite tourist destination. Canadians make up the third largest number of visitors to the island, with an estimated 300,000 Canadians per year. (Office for the

Promotion of Investments-DR, 11/02) The importance of the tourism industry for the Dominican economy is characteristic of the Caribbean as a whole and given that tourism depends on the quality of the environment of these destinations, Canada could potentially provide a considerable amount of assistance if it includes a side agreement on environmental cooperation in the FTA.

In terms of the political context, the Dominican government has also demonstrated considerable political maturity vis-à-vis its next-door neighbour, Haiti. Despite a historically tumultuous relationship between these two countries, the Dominican Republic seems to have understood that its future is intrinsically linked to Haiti's. Under the Mejía government, the Dominican Republic is adopting a policy of reconciliation with its neighbour and is trying to take economic advantage of the Dominican-Haitian frontier, which, in the recent past, has been a significant source of tension.

From a Canadian perspective, the political rapprochement between the DR and Haiti is extremely encouraging. Canada is increasingly concerned about the Haitian political situation and reinforcing its relationship with the DR may permit an improved and concerted approach to the most under-developed country in the Americas.

After a brief survey of the ties linking Canada and the Dominican Republic, it is clear that a free trade agreement between the two countries is justifiable. Considering the factors outlined above, we might even ask ourselves why Canada has not yet completed such an agreement with one of our most loyal trading partners in the Caribbean region.

José Zaragoza is the Caribbean Analyst.

Cet article est également disponible en français sur le site Internet de FOCAL (www.focal.ca).

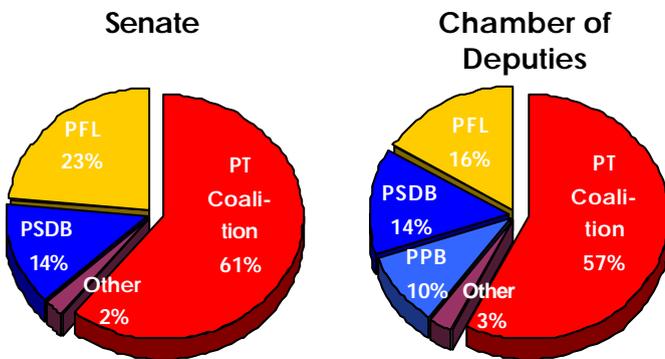
Brazil

Following his sweeping victory in late October, Luiz Inacio Lula da Silva's first steps as Brazil's president-elect were to appoint a transition team and to formalize his governing coalition. Formal cabinet appointments are expected on December 15, only two weeks before Lula takes office. On the international front, Lula is scheduled to visit Argentina, Chile and the United States - in that order - during the first days of December.

Brazil's president-elect signed a power-sharing deal in congress with the *Partido do Movimento Democratico Brasileiro* (PMDB), a broad church party without strong ideological positions, a move which could give his government a majority in both houses. Lula's Worker's Party (PT) already has the support of the rightwing Partido Liberal (PL) and an array of leftwing parties (PTB/PDT-PPS-PSB-PV-PCdoB and PMN).

Lula will need as much support as he can muster in order to pass much delayed tax and public sector pension reforms, as well as various spending-cuts, all of which are necessary to fulfill his chief campaign promise of ending hunger in Brazil. The creation of an economic and social development council is seen as instrumental in accomplishing this goal embodied in Lula's project "Zero Hunger".

In the short term, however, Lula must face a growing challenge: rising inflation. Inflationary expectations triggered by electoral uncertainty have now become self-fulfilling and the number one concern of many Brazilians. Failure to control inflation could not only prevent Lula from meeting IMF-set economic targets, but could also undermine his efforts to improve the lives of the fifty million Brazilians who live below the poverty line.



Canada Resumes Cabinet-Level Visits with Cuba

Cristina Warren

Denis Paradis, Secretary of State for Latin America, Africa and La Francophonie, led a delegation of parliamentarians and business representatives to Cuba from November 2 to 6, 2002. This visit signals a thaw in Canada's diplomatic relations with the island which have cooled since Prime Minister Chrétien ordered a review of its bilateral activities with Cuba in March 1999 to protest the jailing of the four leaders of the Internal Dissidence Working Group (also known as the "Group of Four").

Mr. Paradis attended the Twentieth Havana International Trade Fair (FIHAV), at which more than 65 Canadian companies and two provinces (Québec and Manitoba) were represented. Paradis participated in the official opening of the Canadian pavilion. He also took part in the inauguration of a cultural exhibit celebrating Pierre Trudeau (who as prime minister oversaw a period of warm relations between Canada and Cuba), a meeting with students at the University of Havana and meetings with senior Cuban government officials including Vice-President Carlos Lage and the President of the National Assembly, Ricardo Alarcón. While not part of the official agenda, his visit also included discussions with a number of dissidents and other representatives of Cuba's emerging civil society.

The visit by Mr. Paradis to Cuba is the first by a Canadian cabinet member since the review ordered by Prime Minister Chrétien in 1999, which resulted in a number of adjustments to Canada's policy of constructive engagement. Cabinet-level visits were suspended. Although existing programs at the time of the review continued as planned, new or expanded Canadian initiatives were examined on a case-by-case basis to ensure that they supported current policy objectives and priority

programming areas such as economic policy reform, civil society, social and economic development, and direct humanitarian assistance. Also, Canada terminated most human rights programs that deal directly with the

FTAA Ministerial

Trade Ministers representing 34 countries of the Americas met in Quito, Ecuador on November 1, 2002 to review progress on the negotiation of a Free Trade Agreement of the Americas (FTAA). The meeting was significant for a number of reasons. The Ministers again released the latest draft negotiating text of the FTAA, this time without the four-month delay that accompanied the same decision in Buenos Aires 18 months ago. The text itself remains heavily bracketed, but its release further strengthens transparency in the FTAA process.

Ministers, for the first time, had face-to-face meetings with representatives of civil society. This partly compensates for the more firmly established protocol of meeting with corporate participants from the Americas Business Forum, which is organized to immediately precede the meeting of Ministers. However, frequently heated negotiations by officials on a new set of instructions to the individual negotiating groups failed to achieve consensus, leaving Ministers able to issue updated instructions to only the market access and agriculture negotiating groups.

The Quito Ministerial, the seventh meeting since the process was launched at the Miami Summit in December 1994, also marks the final phase of the FTAA negotiations. Responsibility for co-chairing the process to its conclusion now rests on the combined shoulders of Brazil and the United States. While the venue of FTAA negotiations will shift from Panama to Mexico in February 2003, the US has already announced that the next Ministerial meeting will take place in Miami in the third quarter of 2003 with another Ministerial to be hosted by Brazil in 2004. This means that FTAA negotiators are now working on a 12-month cycle between Ministerial meetings rather than an 18-month cycle.

Another critical decision reached at Quito was the establishment of a Hemispheric Cooperation Program (HCP) designed not only to help smaller economies to participate in the negotiations, but to put in place the structures and programs necessary for domestic adjustment to an environment of liberalized trade and investment. The HCP (for which funding still needs to be secured) will be supervised by the Tripartite Committee (OAS/IDB/ECLAC) with the support of the FTAA Committee on Smaller Economies. In the long-term, this could be the most significant outcome of the FTAA process to date, at least as far as the smaller economies are concerned.

Cuban Government. The profile of Cuba in Canadian foreign policy and public diplomacy was also reduced. At the same time, while making a concerted effort to restrain their responses to bilateral controversies, Canadian officials now publicly express their concern over human rights in Cuba, in contrast to the previous approach of reserving criticism for private dialogues with the Cuban Government and for multilateral meetings on human rights. Finally, as revealed in statements by Canadian Government officials at the time of the April 2001 Summit of the Americas in Quebec City, to which Cuba was not invited, Canada's facilitation of Cuba's reintegration into the Western hemispheric community was made contingent upon a clear display of will by the island to move ahead with political and economic reform.

Canada's review and policy adjustments led to a number of bilateral controversies and to increased verbal attacks from Fidel Castro who, on several occasions, spoke negatively about Canada and Prime Minister Chrétien (for example, Castro referred to Canada as "enemy territory" following the Pan American Games in July 1999).

Rather than signaling a full re-embrace of the régime of Fidel Castro, the attempt to re-energize the relationship with Cuba through renewed high-level contact reflects the Canadian Government's interest in balancing its political agenda with protecting its other interests, dominated by academics and non-governmental organizations, tourists and business. Despite cooled diplomatic relations, official development assistance to Cuba for the fiscal year 2000/01 was CDN \$8.49 million, down from a peak of CDN \$10.97 million for 1997/98, but up from CDN \$7.19 million for 1999/00. In 2001 Cuba received 350,000 Canadian visits, up from 144,000 in 1995. Two-way trade in 2001 totaled CDN \$753.0 million, an increase of CDN \$12.1 million over the previous year but less than the total of CDN \$814.7 million recorded in 1998. Canadian food exporters, in particular, are looking for support from the Canadian Government as they

continue to lose market share to U.S. exporters who have taken advantage of the Trade Sanctions Reform and Export Enhancement Act approved by the U.S. Congress last year. Canadian imports decreased by 19.1% and exports decreased by 40% in the first 8 months of 2002, in comparison with the same period the year before.

The completion of the prison sentence by the last of the "Group of Four" in May helps explain the timing of this recent move by the Canadian Government. Although this release does not represent an improvement in the hardened political atmosphere that led to Canada's policy review, it removes the immediate political hurdle allowing for this diplomatic thaw.

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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

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 approximately 15 people. The Board of Directors provides a strategic guidance to the organization and its activities.

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