



Latin America Advisor

The Interactive Forum for the Region's Leaders

Thursday, May 2, 2002

Board of Advisors



Bernard Aronson
Managing Partner,
ACON
Investments LLC



Diego Arria
Director,
Columbus Group



Genaro Arriagada
Board Member,
Banco del
Estado de Chile



Joyce Chang
Managing Director
Emerging Markets
Research,
J.P. Morgan
Chase & Co.



Richard Chidester
Vice President,
Business
Development,
Electronic Data
Systems



W. Bowman Cutter
Managing
Director,
E.M. Warburg
Pincus



Ken Frankel
Head, Latin
America
Practice Group,
Torys



Wallace Gardner
Vice President,
Worldwide Sales,
Chubb & Son



Michael Gavin
Head of Latin
America Econ.
Research,
UBS Warburg



Peter Gruber
President,
Globalvest
Management



Peter Hakim
President,
Inter-American
Dialogue

Today's Top News

- | | |
|---|---|
| Featured Q&A: How Badly Damaged are Mexico-Cuba Relations? | 1 |
| Pro-, Anti-Chávez Groups Stage First Marches in Venezuela Since April 11 | 2 |
| U.S. Certification of Colombian Military on Human Rights Clears Way for Aid | 2 |
| Spotlight: Mexican Congress Approves Freedom of Information Law | 3 |
| Lavagna Fills Economic Posts; Devoto Named Vice-Minister | 3 |
| Brazil Oil Workers to Stage One-Day Strike Against Profit-Sharing Plan | 4 |

Advisor ANALYSIS

Q

Last week, Cuban President Fidel Castro elicited a lot of attention (as he always does) with the release of a taped March 20 telephone conversation with Mexican President Vicente Fox that shows Fox, con-

trary to his previous denials, urging Castro to cut short his participation in last month's United Nations development conference in Monterrey. How badly are Mexico-Cuba relations damaged by the episode? Will pressure from the opposition PRI party force Fox to mend Mexico's relations with Cuba? Will Castro seek reconciliation with a historic friend in the Hemisphere?

A

Guest Commentary: Robert Pastor: "In the old days, Mexico habitually defended the Castro government against U.S. and other forms of interference. Mexican President Jose Lopez Portillo even went to Cuba during the Mariel boatlift in 1980, when Castro was sending criminals on boats to Florida, to defend Fidel from U.S. intervention! Now Castro and Mexico are trying to interfere in each other's affairs -- Castro by using private conversations to de-stabilize the Mexican government, while Mexico defends the human rights of persecuted Cubans. As before, Mexico has international law on its side. I don't expect that Mexico-Cuba relations will return to normal for a long time even if the two governments could agree on what 'normal' means in the post-Cold War era."

Board Commentary: James R. Jones: "Mexico-Cuba relations, compared to the blind mutual support of the past, have been significantly changed. Whether those relations will be further torn will depend more on Castro than anything else. I don't see the Fox Administration backtracking on a commitment to human rights and an open democracy even if that means sometimes critical statements about Mexico's perception of the situation in Cuba. Further, I would doubt that the PRI would back itself into the political corner of being perceived as 'soft on human rights' or opposed to free elections."

"Castro has fewer and fewer friends in the Hemisphere ..."

-- Riordan Roett

Guest Commentary: Terry McCoy: "Since the collapse of the Soviet Union and the end of the Cold War, Fidel Castro has carefully and skillfully pursued a pragmatic foreign policy based on a realistic assessment of Cuba's position in an unipolar international system

see Q&A, page 2 ...

Board of Advisors



Robert C. Helander
Managing Partner,
InterConsult LLP



James R. Jones
Co-chair
Manatt Jones
Global Strategies
LLC



David Malpass
Chief
International
Economist
Bear Stearns



Thomas F. McLarty III
Vice Chairman,
Kissinger
McLarty Assoc.



Geoffrey Milton
General Manager,
New York Branch,
Arab Banking
Corporation



Jorge Pinto
Director,
Center for Global
Finance,
Pace University



Beatrice Rangel
Senior Advisor to
the Chairman,
Cisneros Group
of Companies



Efrain Rivera
President,
Latin America &
Canada,
Bausch & Lomb



Everett Santos
CEO,
Emerging
Markets
Partnership



Roger Scher
Head of Latin
American Sovereign
Ratings, Fitch, Inc.



Bill Simon
EVP,
International
KPMG
Consulting



Tony Smith
Partner,
Schmeltzer,
Aptaker &
Shepard.

... Q&A, from page 1

dominated by the U.S. Cultivating friendly relations with Latin America has been a core component of Castro's survival strategy, and friendly relations with Mexico, a long-term defender of Cuba, have been a foreign policy priority. Castro's recent attempts to publicly humiliate Mexico and Uruguay may very well undermine a policy that has been successful in generating international support for Cuba and isolating Washington. Continued hostility toward Latin American governments that dare to criticize Cuba's human rights record could nudge them toward support of the Bush Administration's hard line on Cuba just as Castro is making headway in undermining support for the embargo in the U.S."

Guest Commentary: Riordan Roett: "It was inevitable with the election of Vicente Fox that there would be an 'incident' in the diplomatic ties between Mexico and Cuba. Castro has fewer and fewer friends in the Hemisphere -- with the obvious exception of Hugo Chávez -- and the conservative, pro-U.S. posture of the Fox Administration has to be seen as an historic shift in Mexican foreign policy. With the defeat of the PRI, there is no longer a need to court the Left outside of the country and persecute the Left within the country. I think Jorge Castañeda has made an effort to 'mend fences' with a series of recent statements and 'clarifications.' It does little good for Castro to continue the vendetta and it does not serve the long-term interests of the PRI to be left opposing their own chief executive to side with the aging Comandante in Cuba."

Robert Pastor is Professor of Political Science at Emory University.

Amb. James R. Jones is a member of the ADVISOR board and Co-chair of Manatt Jones Global Strategies LLC.

Terry McCoy is Director of the Latin America Business Environment Program at the University of Florida.

Riordan Roett is Director of Western Hemisphere Programs at the School of Advanced International Studies at Johns Hopkins University.

Political News

Pro-, Anti-Chávez Groups Stage First Marches in Venezuela Since April 11

Hundreds of thousands of opponents and supporters of fiery Venezuelan President Hugo Chávez marched peacefully in Caracas yesterday, the first large demonstrations since similar marches on April 11 sparked street violence that led to Chávez's brief ouster, Reuters reports. No violent incidents were reported, as thousands of riot police were deployed to keep the opposing groups apart. Chávez opponents led chants of "Murderer! Murderer!" and demanded Chávez resign or agree to a referendum on his rule, while supporters brandished signs labeling the opposition "fascist dictators." Elements of the Venezuelan military ousted Chávez on April 12 after bloody street clashes between opposition and pro-Chávez groups left 17 dead. Chávez returned to

power 48 hours later after the new government lost support. The President has pledged to seek reconciliation with his opponents.

U.S. Certification of Colombian Military on Human Rights Clears Way for Aid

Colombia's Armed Forces are meeting human rights criteria necessary for continued U.S. military aid, a U.S. State Department spokesman said Wednesday. Secretary of State Colin Powell's sent certification of the Colombian military's human rights record to the U.S. Congress yesterday, clearing the way for roughly \$60 million in aid to the military in the war against the drug trade. An additional \$40 million would be released following a second certification in June. State Department certification takes into account three conditions: suspension of officers credibly alleged to have violated human rights, or aided or abetted paramilitary groups associated with the Self-Defense Forces of Colombia (AUC);

cooperation with civilian prosecutors and judicial authorities in prosecuting the officers; and the severing of links with paramilitary groups, State Department spokesman Richard Boucher said in a statement. He also noted that despite "real progress," both the U.S. and the Colombian governments recognize that protection of human rights in Colombia needs improvement. President George W. Bush is seeking another \$439 million in military and development aid for Colombia next year, up from \$380 million this year. In related news, the Senate voted 77-21 yesterday to formally begin debate on the renewal and expansion of the Andean Trade Preferences Act (ATPA), which grants duty free access to a host of goods from the four drug-producing countries of Colombia, Ecuador, Bolivia and Peru. Although ATPA expired December 4, President Bush granted a 90-day deferral on tariffs in mid-February. The deferral expires May 16.

Economic News

Lavagna Fills Economic Posts; Devoto Named Vice-Minister

Economy Minister Roberto Lavagna named his new economic team Wednesday, appointing current head of electricity regulator ENTE, Enrique Devoto, as vice minister. Lavagna also named current communications secretary Jorge Sarghini to lead treasury and Guillermo Nielsen to take over as finance secretary. In other Argentina news, the head of the economy ministry's national statistics and census institute (INDEC), Juan Carlos del Bello, said inflation for the first four months of the year was 20 percent, although the official figure has not yet been released. The government's budget projects annual inflation of 15 percent. Finally, President Eduardo Duhalde denied rumors he would resign. "I will put Argentina on firm footing and in peace and turn it over to the next constitutional president next year,"

SPOTLIGHT

Letting in the Sun

Mexican Congress Approves Freedom of Information Law

May 1 - On Tuesday night, the Mexican Senate unanimously approved a federal transparency and access to information law, allowing citizens to obtain documents regarding the function, resources, and accomplishments of the executive branch and other state entities. Last Wednesday, the Chamber of Deputies approved the legislation, considered landmark in a country infamous for government secrecy.

According to one Mexico scholar, Mexico will have to overcome decades of closed government for the legislation to have an impact. "Any freedom of information act is only as good as the willingness of public officials to make documents available and that's something foreign to the Mexican bureaucracy," George Grayson, professor of government at the College of William & Mary, told the *Advisor*. Nevertheless, Grayson said the law is "symbolically very important."

"I wouldn't look for sunshine to blaze immediately into the bowels of the ministries once the measure is implemented. Nonetheless it's a step in the right direction," he stated.

President Vicente Fox came to power in December 2000 after over 70 years of single-party rule by the Institutional Revolutionary Party (PRI) with promises to make the government more transparent. The Federal Transparency and Accesses to Public Government Information Law establishes the following:

"Any freedom of information act is only as good as the willingness of public officials to make documents available."

-- George Grayson

- The right for citizens to know the activities, functioning, results, structure, and resources of the government. The law states that access to public information is "a necessary condition for open democratic development of the State" and mandates that "public powers are held accountable for their performance."
- The judicial branches and constitutionally autonomous state bodies will have one year to design their own regulations regarding freedom of information.
- Judicial matters or administrative procedures will be exempt in cases of public or national security, when public information could affect the administration of justice, or when the information could morally or psychology affect those involved due to family reasons or in cases dealing with minors.

THE DIALOGUE CONTINUES

Q

Argentine President Eduardo Duhalde on Friday named "pragmatist" Roberto Lavagna economy minister after Jorge Remes Lenicov resigned the post early last week. What are Lavagna's credentials? Can he help Duhalde break the political resistance to badly needed economic reform that has kept the country teetering on the brink of collapse for the past four months?

A

Guest Commentary: Gustavo Casir: "Despite Mr. Lavagna's credentials, it appears that his appointment as economy minister is a victory of rationality against those seeking a 180-degree turn in the country's economic policy. Besides that, he seems to be among the few willing to accept the appointment. In any event, Mr. Lavagna has expressed publicly his willingness to let the markets operate (more or less) freely, take immediate actions to cease the drain of the financial system, reach an agreement with the IMF, and follow the path of other developed nations. What is curious is that, at least according to different sources, Mr. Lavagna was not President Duhalde's choice. These sources indicated last week that the President's choice was Mr. Alieto Guadagni, an economist alleged to be in favor of strong government intervention in the markets and in not pursuing an agreement with the IMF. The same sources indicated that Mr. Guadagni's appointment was vetoed by the governors -- the true source of power in the country that sustains the President. If this is true, it seems that political resistance for reforms will have to be broken, at least partially, not by the President but by the governors against him."

Gustavo Casir is a Partner at Munoz de Toro & Munoz de Toro.

Editor's Note: see original Q&A in April 30, 2002 issue of the *Latin America Advisor*.

Duhalde said, according to Argentine daily *Clarín*.

Brazil Oil Workers to Stage One-Day Strike Against Profit-Sharing Plan

Workers at Brazil's state-owned oil company **Petrobras** are expected to begin a 24-hour strike today in protest of what they say is a failure of Petrobras management to share growing profits, Reuters reports. About 34,000 workers belonging to the Unique Federation of Oil Workers (FUP) will participate in the nationwide strike, with the greatest impact being felt at the Campos Basin oil field off the coast of Rio de Janeiro. Eighty percent of Brazilian oil is produced at the Campos Basin field.

FUP coordinator Mauricio Franca Rubem said the strike should cost Brazil 400,000 barrels of oil out of one million barrels produced daily. Rubem added, however, that the brief strike would not endanger national supply. The union leader explained that workers are staging the strike to protest a decline in their share of Petrobras' growing profits. "Despite continuing to register record profits, Petrobras wants to pay us less this year than they paid last year of payments to shareholders," Rubem said. In 2001, Petrobras paid its workers 11 percent of the 2.5 billion Reais (\$US 1.1 billion) in dividends distributed to shareholders. This year, the company only plans to pay workers 7 percent of 3.5 billion Reais in dividends.

Latin America Advisor

is published daily by the Inter-American Dialogue, Copyright © 2002

Erik Brand,

General Manager, Publishing
Robert Simpson,
Editor

Janna Sherman,
Reporter

Danielle Jetton,
Computer Services Coordinator
Rachel Mathieu,
Development Associate

Inter-American Dialogue:

Peter Hakim,
President

Katherine Anderson,
Vice President, Finance and Administration
Michael Shifter,
Vice President, Policy

Luiz Barcelos,
Executive Director, Inter-Agency Consultation
on Race in Latin America

Joan Caivano,
Director of Special Projects

Sean Carroll,
Senior Fellow & Director, Legislative Programs

Manuel Orozco,
Director, Central America

Jeffrey M. Puryear,
Program Director and Senior Fellow

Viron Vaky,
Senior Fellow

Subscription Inquiries are welcomed at
freetrial@thedialogue.org

Latin America Advisor is published daily by:
Inter-American Dialogue

1211 Connecticut Avenue, Suite 510
Washington, DC 20036
Phone: 202-822-9002 Fax: 202-822-9553

The opinions expressed by the Advisors do not represent those of the publisher nor do they represent any consensus of belief. The analysis is the sole view of each Advisor and does not represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.

Copyright © 2002 Inter-American Dialogue