



HEMISPHERE HIGHLIGHTS

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Upcoming Events

- May 11 Discussion with Argentine economic analyst Dagnino Pastore
- May 19 Statesman Forum with Vice President of Panama
- May 24 Conference: Influenza Preparedness in the Americas

Headlines

Thirty-six entities in the Americas participate in the fourth "Vaccine Week in the Americas." Canada and the United States agree to a deal on softwood lumber. Hundreds of thousands of immigrants participate in the "Great American Boycott" on May 1. The latest U.S. estimate of coca production shows a significant rise in Colombian cultivation. Bolivia crosses swords with Brazilian steelmaker. Thousands of opponents of the Chávez government protest rampant violence in Venezuela. A series of high-level meetings between Canadian and U.S. officials gives the bilateral relationship a new impulse.

South America

Argentina

Argentina moves forward with nuclear energy plant. Pressed by the need to meet increasing energy demands, the government has pledged to finish the construction of the Atucha II plant by 2009. This facility will use natural uranium as fuel and heavy water as a moderator. Argentina is self-sufficient in the provision of both inputs. The completion of Atucha II will force the restart of the heavy-water producing facility at Arroyito and assure the full use of its capacity for several years. But perhaps the most important decision in the medium term is the support for the CAREM program, involving the construction of small to medium-size power plants (in the 25 to 300 megawatt range). These reactors can satisfy the energy needs of isolated communities as well as be incorporated into small energy-distribution networks. The reduced investments involved may compensate any lesser efficiency they may show in the fuel-energy ratio vis-à-vis larger facilities. *Rising oil and gas prices, concerns about its future supply, and concerns about the environmental impact of burning hydrocarbons are bringing new attention to Argentina's investment in nuclear energy.* Carlos Regunaga

Recent Events

- April 13 Closed discussion on Peruvian Elections with U.S. Ambassador to Peru, J. Curtis Struble
- April 26 Reflections on Immigration and Mexico's July Elections with Mexico's former secretary of foreign affairs, Jorge Castañeda

Bolivia

Bolivia crosses swords with Brazilian steelmaker. The Bolivian government has decided to expel a Brazilian steel company, EBX, from Bolivia, thereby preventing it from constructing a pig-iron plant in Puerto Suarez, near the Brazilian border. The Bolivian government justified this action by stating that EBX did not obtain an environmental license to build the plant and violated rules prohibiting foreign companies from operating within 30 miles of the Bolivian border. EBX has refuted claims that it violated Bolivian law, affirming that the plant was to be constructed in a tax-free zone set up near the border for exporting companies. The decision has sparked protests among local residents who want the company to move forward with the construction of the plant, which would create jobs and bring economic growth to the region. The plant would employ over 1,500 people, and EBX was also planning on building a steel plant if the first project was successful. The protests led to the planning, economic development, and mining ministers

being held captive by protesters on the night of April 18, as they were in Puerto Suarez explaining to local leaders that the project violated rules on foreign ownership. The government reacted by sending military and police forces to free the ministers the following morning. Protestors have called for a general strike until the government grants authorization for the construction of the plant. These demonstrations occurred soon after the government was forced to call in the military to end a strike by workers of the country's main airline, who were demanding its nationalization. *The expulsion of EBX has exacerbated tensions between Brazil and Bolivia, as the Brazilian government had already reportedly been frustrated with the Morales government over its position in the negotiations on the presence in Bolivia of Brazilian oil company Petrobrás, one of the primary investors in Bolivia's hydrocarbons sector. The decision by Evo Morales to nationalize the natural gas industry has added further fuel to the conflict.* Nelson Olhero

Colombia

Alvaro Uribe still seems on track to win reelection in the first round of presidential balloting on May 28. But with less than a month of campaigning left, his support has dropped as the messages of other candidates begin to be heard and the public is distracted by a number of recent scandals. Uribe has maintained popularity ratings of above 70 percent for much of the last four years, but polls now show him having the support of just 55 percent of those intending to vote. If he can hold onto the support of more than 50 percent of the voters, he will still be able to avoid having to face a second-round runoff later in June with his closest competitor. The most interesting question at the moment is who that first runner-up will be. The most likely candidates are Horacio Serpa, now running for the presidency for the third time as the representative of the traditionally majority Liberal Party, or Carlos Gaviria, the choice of the emerging *Polo Alternativo*. Serpa seeks to lure liberals who have strayed to Uribe's banner back to his party; Gaviria is leading an effort to confirm *Polo* as the first effective leftist party in Colombian history. *Voters are attracted to Uribe for his vigorous leadership, an economy on the rise, and a significant overall decrease in violence. Yet, in recent weeks, the major press stories have not been about Uribe's successes but about three ongoing investigations of paramilitary influence in the country's security departments. Moreover, former president César Gaviria (no relation to Carlos), who is now the head of the Liberal Party organization, has been reminding the public that coercion and violence remain important aspects of Colombian daily life. In a shocking and tragic confirmation of his point, his sister was gunned down on April 28 on the streets of their hometown, Pereira.* Phillip McLean

The latest U.S. estimate of coca production shows a significant rise in Colombian cultivation. This latest annual survey is a disappointment. The hope was that five years of intensive herbicide spraying would begin to discourage producers. According to past surveys, the total area devoted to coca production hit a record high (169,000 hectares) in 2001 and then—seemingly in response to the spraying—declined in steps to 113,850 in 2003. Last year, when the cultivation showed no further decrease, the U.S. government argued that the actual amount of coca paste produced had to be lower because farmers were having to replant, following the herbicide applications and the lower output of the new plants. This year, the argument is that total cultivation may not, in fact, have increased, despite the jump in the number of hectares identified. This year's survey was of a much larger area and is likely to have picked up on cultivation that went undetected in earlier years. *Clearly, policymakers are struggling with a narcotics challenge that is hard to measure and control. Demand for cocaine remains high in the United States and seems to be growing in Europe. For the last several years, the United Nations, which does its own survey based on a different methodology, has been reporting steep declines in Colombian production (e.g., just 80,000 hectares in 2004). Ultimately, the true measure of the effectiveness of U.S.-Colombian cooperation lies in whether it is resulting in better security for Colombia (and that seems probable) and a higher price and lower purity for the drug abroad (still possible, though it is not shown by these numbers).*

Phillip McLean

Venezuela

Late last month, thousands of opponents of the Chávez government, mostly from wealthier neighborhoods in eastern Caracas, lay down on a main avenue within chalk outlines resembling those drawn by police at crime scenes, to protest rampant violence in Venezuela. At the same time, thousands of others, many of them pro-Chávez students, marched to the Justice Ministry holding "For Peace" signs and accusing the opposition of manipulating the crime issue for political gain. *In 2005, Venezuela recorded 9,402 homicides, down slightly from 2004, according to government statistics. In a recent report from the Pan American Health Organization (PAHO), Venezu-*

ela had the third-highest murder rate in Latin America, behind Colombia and El Salvador. The government says it is making progress on the issue of crime and insecurity, but a series of high-profile murders, especially those of three young brothers, brought protesters into the streets on several occasions. Some police officers have been among those arrested recently for various crimes, and the government has promised sweeping police reforms. The Chávez government's response to the crime wave, a response considered tepid by many, is likely to be a prominent issue in the December presidential elections. Lowell Fleischer

Teodoro Petkoff, a 74-year-old newspaper editor and former leftist rebel and cabinet minister, declared last month that he would run against President Chávez in December's presidential elections. *Petkoff, seen by many of Chávez's opponents as the best hope for defeating him, is the fourth candidate from the country's still weak and fragmented opposition to enter the race. A consistently vocal critic of Chávez, Petkoff lacks a party base and will have to broaden his support beyond the middle class and intellectual elite who have been touting his qualifications for the job. Some opposition groups are reportedly contemplating holding a primary to pick a single candidate to oppose Chávez. At this early stage, Chávez still has the upper hand but is worried about the low turnout in last year's congressional elections, which were boycotted by the opposition. The Chávista election machinery, with plenty of money to spend, is beginning to ramp up its efforts to get the pro-Chávez vote out so that the president will not be embarrassed by a competitive election.* Lowell Fleischer

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North America

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Hundreds of thousands of immigrants participated in the "Great American Boycott" on May 1. Numerous immigrant groups asked members of the immigrant community to leave school and work and to not purchase U.S. products on May 1, in an effort to demonstrate the economic power of the illegal immigrant community. According to police reports, more than 1 million immigrants took to the streets nationwide and about 400,000 people protested in both Los Angeles and Chicago. The protestors were mostly Hispanic, even though a large number of undocumented immigrants of other ethnicities joined or endorsed the protestors, as the largest protests took place in areas with significant Hispanic populations. The organizers viewed the protests as a success because they were generally jubilant and peaceful, with few arrests. The protesters waved U.S. flags and wore white to signify peace and solidarity. School districts reported lower than average attendance, and businesses around the country closed because employees left work to participate in the protests. The effects of the boycott were felt in areas with large Latino populations and in the trucking and construction sectors. Dubbing it "a day without gringos," within Mexico, some groups also supported the boycott by refusing to buy U.S. prod-

ucts or shop at U.S.-owned businesses as a sign of solidarity. Traditionally, on May 1, International Worker's Day, thousands protest on the streets of Mexico City. This year, however, many dedicated the protests to immigrants in the United States. *The effects of the boycott were not as strong as intended. The boycott did not bring the nation to a halt as planners expected; it merely caused minor economic disruption. Unlike the previous demonstrations, immigrant rights groups were conflicted about supporting the boycott. Some groups insisted that the boycott was necessary, while others asserted that skipping work and possibly losing their jobs was not beneficial to the immigrant community. The boycott was not as effective in Mexico either. Although around a half-dozen state governors endorsed the boycott, some felt it necessary to purchase goods from U.S. stores due to their low prices. Additionally, because May 1 is a holiday in Mexico and business is generally slower, the effects were difficult to gauge. Though some business owners were supportive of employee participation in protests, the boycott alienated other members of the business lobby and many ordinary citizens. By alienating constituencies and voter blocs from their cause, the boycott may have produced adverse results.* **Emily Goldberg**

Canada

The meeting between Public Safety Minister of Canada and Homeland Security Secretary Chertoff brought hope that a satisfactory compromise between border security and economic repercussions could be reached.

Only a few months after the recent election of Harper's conservative government in Canada, a series of high-level meetings between Canadian and U.S. officials have given the bilateral relationship a new impulse. On April 13, Canada's Foreign Affairs Minister Peter MacKay met with the United States' Secretary of State Condoleezza Rice for the first time since he took office. More recently, on April 18, the dialogue continued with a meeting between Canada's Public Safety Minister Stockwell Day and his U.S. counterpart, Homeland Security Secretary Michael Chertoff. *Both meetings allowed for progress to be made on the issue of passport requirements at the borders. While the meeting between Foreign Affairs Minister MacKay of Canada and Secretary of State Rice allowed Canada to acknowledge the irrevocability of the U.S. administration's new identification requirements, the meeting between Public Safety Minister Day of Canada and Homeland Security Secretary Chertoff brought hope that a satisfactory compromise between border security and economic repercussions could be reached. The preference for passports would be reaffirmed by facilitating border crossing for passport-holding travelers, while other alternative means of identification meeting the security standards and providing proof of citizenship could be accepted after approval by U.S. legislative bodies. Furthermore, in order to minimize the negative impacts that the new identification requirements may have on bilateral trade and on the economy, Canada is now considering extending the validity period of its own passports from 5 to 10 years. This series of meetings between Canadian and U.S. officials embodies a new political leadership at play in the relationship. They represent a chance for both leaders to encourage a more constructive tone in the negotiations, which will help in reinforcing the bilateral relationship.* **Benoit Cyr**

On April 27, Canada and the United States agreed to a deal on softwood lumber, putting an end to a costly trade war that has strained relations between the two countries. The deal is effective over the next seven years and leaves open the option of being renewed for two more years, essentially buying peace on this contentious issue for the next decade. The agreement gives Canada free access to the U.S. market, provided that lumber prices remain at their current high level (of about \$370 per thousand board feet). If the price falls below \$355, however, the different regions can either pay a sliding export tax (as high as 15 percent) or pay a smaller charge but face a regional quota. The United States also agreed to return \$4 billion of the \$5.3 billion in countervailing duties collected by U.S. Customs since May 2002, and both parties have agreed to drop all trade litigation in the matter, including a U.S. industry challenge of the dispute-settlement regime of the North American Free Trade Agreement (NAFTA). *U.S. president George W. Bush and Canadian prime minister Stephen Harper met for the first time in Cancún in late March, and the new Canadian leader has been credited for his initiative during that encounter in pushing forward with the negotiations and fulfilling his electoral pledge of closer ties with Washington. One can, however, also make the point that reasons behind the new framework agreement on softwood are more economic than political. First, earlier this month, International Paper announced that it was selling off its softwood acreage, essentially getting out of softwood production. Being the largest firm within the Coalition for Fair Lumber Imports, they will likely leave the coalition with no major financial backing (and thus in a mood to settle). Second, the mountain pine beetle is a major blight in British Columbia (BC), forcing BC softwood firms to harvest the infested trees as fast as possible, creating a flood of production that BC firms are eager to unload in the U.S. market. Third, Canadian acquisitions of small lumber companies in the United States are growing. (For instance, New South Lumber was bought out by Canadian lumber giant Canfor.) This not only lowers the number of U.S. firms claiming injury, it also gives Canadian firms an incentive to look at the U.S. complaint differently. Finally, exchange rates are a factor. The high oil price has been pushing the value of the Canadian dollar up and the U.S. dollar down. One result is that Canadian lumber is becoming more expensive to U.S. buyers, and with U.S. interest rates rising and new home sales cooling off, there is a reduction in demand for lumber and greater pressure for the cheap kind. Another more pernicious result is that the value of the \$5.3 billion in countervailing duties held by the United States in escrow is getting lower, day by day, so a deal at least now minimizes further losses that could occur if the Canadian dollar keeps rising or the U.S. dollar keeps falling relative to one another. Whatever the reasons for the breakthrough, however, the agreement puts an end to a bitter dispute that threatened to sour bilateral relations and brings welcome stability to the market, if not satisfaction for all the parties involved. Tanya Primiani*

The Canadian leader has been credited for his initiative during the Cancún meeting in pushing forward with the softwood lumber negotiations and fulfilling his electoral pledge of closer ties with Washington.

Troubling health indicators magnify Latin America's vulnerability to potentially pathogenic pandemics like the avian flu.

Hemisphere

Thirty-six countries in the Americas participated in the fourth "Vaccine Week in the Americas," sponsored by the Pan American Health Organization (PAHO) in conjunction with local and state health ministries from the region. The weeklong initiative from April 22 to April 29 vaccinated a population well over 38 million and particularly focused on at-risk groups such as children under the age of 5 and adults over 60, indigenous and minority communities, and rural populations and border communities. Participating countries selected the vaccines administered and the population targets on the basis of their respective needs. Bolivia, for instance, focused particularly on eliminating rubella in the 15 to 39 age group, while Peru's campaign centered on the prevention of yellow fever among ages 2 and older, and the Dominican Republic focused on polio vaccination to children under 3. *PAHO's vaccination and social awareness campaign represents an important concerted effort by Latin American governments to advance immunization and disease prevention in a region that has long mismanaged its resources and that has often lacked access to medical care and health education. National public health expenditures (as a percentage of GDP) were as low as 1.4 and 2 percent in Central America in 2002, with alarming rates of 0.5 and 0.9 hospital beds per 1,000 population in two countries. A significant challenge will be to improve the immunization coverage for all children and for infants under the age of 1, with greater access to vaccines like the oral polio OPV3, the measles/MMR, and the antituberculosis BCG (among others). Greater investment in human resources will also be significant, with the rates of physicians and nurses at 2.5 and 1.1, respectively, per 10,000 people, in parts of the region. Troubling health indicators magnify Latin America's vulnerability to potentially pathogenic pandemics like the avian flu. Communicable diseases such as tuberculosis, malaria, dengue, and HIV/AIDS continue to have a major presence in the region, which will need to carry out further efforts, such as "Vaccine Week," to prepare for future threats.* Danilo A. Contreras

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