



# The Americas Report

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Center for Security Policy

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*The Americas Report is a continuation of the work of Dr. Constantine C. Menges' original America's Report. For almost two years that report chronicled the efforts of the Castro-Chavez axis and their allies in their efforts to undermine free nations and people throughout the Western Hemisphere. These efforts were in keeping with the theme of the July 1993 meeting of the Forum of São Paulo, which was founded in 1990 by Lula da Silva and Fidel Castro, "Our losses in Eastern Europe will be offset by our victories in Latin America."*

**Nancy Menges**

Editor in Chief - "Americas Report"

**Nicole M. Ferrand**

Editor - "Americas Report"

For any questions, comments, or those interested in receiving this report in the future or seeking to have their email removed from our list please contact **Nicole M. Ferrand** at our **new e-mail address: [mengesproject@centerforsecuritypolicy.org](mailto:mengesproject@centerforsecuritypolicy.org) or [hemisphericsecurity@gmail.com](mailto:hemisphericsecurity@gmail.com)**. If you have news stories that you think might be useful for future editions of this report please send them, with a link to the original website, to the same e-mail address. If you wish to contribute with an article, please send it to the same address, with your name and place of work or study.

**Highlighted Story** – **[Chavez's Dangerous Intervention in Perú.](#)** By Nicole M. Ferrand.\*

**In recent weeks, there have been massive protests in different regions of Peru that have turned extremely violent due to the infiltration of terrorist groups such as "Shining Path," "Patria Roja" and others.** The protests first began as a national strike by the left-wing Peruvian education workers' union (SUTEP), and soon others from the construction workers' union (CGTP), farmers and miners joined, and the demonstrations grew in size and became more widespread with thousands of participants. The protesting teachers (SUTEP) object to a new law which obliges them to take a proficiency test. The test is part of the government's attempt to reform and improve the standard of Peru's state education. But union leaders say it will mean hundreds of arbitrary sackings, a version that has been vehemently denied by the Peruvian government but that has been carefully used by union leaders to manipulate the teachers to march.

**There have been violent clashes with the police, and the authorities have detained more than 100 union leaders.** In the southern region of Puno, protestors stormed an airport and a railway station, and three people have been killed in different clashes across the country. A tourist train on its way to Machu Picchu was pelted with stones, and in the city of Trujillo, striking teachers tried to throw eggs and tomatoes at President Garcia, clashing with his supporters. Several police officers were held hostage by angry demonstrators in the same city but later released.



Evo Morales, Hugo Chávez and Ollanta Humala. Source: Diario Correo.

**Although some of the demands of the population are legitimate, analysts are convinced that the demonstrations are being promoted by Venezuelan President, Hugo Chávez, with the intent of destabilizing the country.** Peru's Prime minister, Jorge del Castillo, has spoken out against the Union and regional leaders saying that followers of President Chávez, especially in Puno, are internally interfering with Peru's government in an attempt to weaken the Garcia regime. "There is foreign tampering in Peru's internal policies that aim to destabilize the country" declared the Prime Minister. "This comes from the Chávez movement. He is trying to do here what he has done in Nicaragua and other parts of Latin America". Prime minister del Castillo stated that this was his personal opinion and that he would present his ideas to Peruvian President Alan Garcia and his cabinet. He explained that the events were "unacceptable and that the time has come to look more closely into this and decide what action to take."<sup>1</sup>

The relationship between Peru and Venezuela has been tepid since President Hugo Chavez and Peru's President Alan Garcia exchanged insults during the 2006 Peruvian Presidential elections. At that time, **Chavez openly supported Garcia's opponent, Ollanta Humala.** Since then there has been some attempts at improving the relationship between Lima and Caracas.

**On July 20, 2007, the protests seemed to have calmed down. Government officials have decided to start meetings with union leaders to listen to their demands and needs, and the SUTEP and CGTP have accepted the government's offer.** The problem is that huge segments of the population feel abandoned, since efficient conduits of communication between the "campesinos" and the government were stopped during the government of Alejandro Toledo. This method was first implemented during President Alberto Fujimori's regime, and proved to be extremely efficient. Some small groups remain hostile but the government's attitude has been well received by the majority of the demonstrators.

#### Chavez's strategy

**In recent elections in Latin America, especially in Bolivia, Ecuador, Peru and Nicaragua, there have been allegations that the Chavez regime was directly intervening in the internal affairs of the above mentioned countries by allegedly**

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<sup>1</sup> Jorge del Castillo dice que hay injerencia de Hugo Chávez en las protestas en Puno. June 30th, 2007. Diario "El Comercio", Perú.

**financing and supporting candidates that would help him promote his Bolivarian Revolution, a plan of action that was concocted together with Fidel Castro.** Chavez takes advantage of any social unrest in any Latin American country, and then steps in to promote them even more and win sympathizers for his “Bolivarian Revolution.” This strategy worked in Bolivia, Nicaragua and Ecuador but backfired in Peru when Alan Garcia defeated Ollanta Humala. The Venezuelan President’s strategy is to create social unrest and promote massive protests to topple an incumbent of his disliking in order to replace him with one of his own followers.

#### Evidence of Chavez’s intervention in Peruvian protests

Why many analysts believe Mr. Hugo Chavez is behind Peru’s social convulsion? There are many indications. **First, when the protests began, Ollanta Humala reappeared as a prominent figure saying that Peru was undergoing a deep political crisis and that Alan Garcia should end his term in office soon.**<sup>2</sup> In TV news programs, there were images of Humala being shielded from the protesting masses by bodyguards and heavy sticks. People around him were chanting his name and he was encouraging the demonstrators to continue marching. When he was candidate for the Presidency of Peru, there were allegations that cash was being sent through the Venezuelan consulate to Mr. Humala’s campaign management. Now, **according to the newspaper “Expreso” from Peru, it is said that Humala receives \$600,000 dollars from Hugo Chavez to finance demonstrations and promote social unrest to destabilize the country.**<sup>3</sup>

Secondly, **Prime Minister Jorge del Castillo has said that Chavez is trying to pressure Peru into joining an alliance with Venezuela, Cuba and Bolivia called the Bolivarian Alternative for the Americas (ALBA), which Chavez bills as an alternative to U.S. free trade agreements.** ALBA, which is named after the 19th century independence leader Simon Bolivar, is opening an office in the southeast Peruvian city of Puno. “ALBA is an organization made up of four countries (Venezuela, Cuba, Nicaragua and Bolivia). I don’t think they can make an NGO work here nor do I think that it’s ethical for them to just come in here and tomorrow say we are going to open an office in Peru,” del Castillo said.<sup>4</sup>

**Regarding this point, the Regional President of Puno, Hernán Fuentes, has been harshly criticized for making the decision to establish the ALBA office given that Peru has nothing to do with this trade agreement.** In spite of the government’s concern and rejection of the presence of ALBA offices, **Mr. Fuentes has announced that another ALBA office will be established in Juliaca.** Fuentes has explained that the presence of the offices will aid in health services and assist in education. He has expressed his plans to place more ALBA offices in different parts of the province when possible. **Fuentes has even said that President Alan Garcia and Prime Minister Jorge del Castillo “are not welcome” in Puno but rather that President Garcia should leave the country and establish himself in the United States.**<sup>5</sup>

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<sup>2</sup> Injerencia chavista denuncian en Perú. July 6, 2007. El Universal, Venezuela.

<sup>3</sup> “Humala recibe US\$ 600,000 mensuales” July 24, 2007. Diario Expreso, Perú.

<sup>4</sup> Del Castillo: El chavismo pretende desestabilizar el país. July 5, 2007. Diario Expreso, Perú.

<sup>5</sup> Fuentes falta el respeto a García y lo declara "persona no grata." July 10, 2007. Diario Correo, Perú.



Alan Garcia and Prime Minister Jorge del Castillo. Source: BBC.

In addition, **Fuentes said that he didn't need an authorization from the government to open an ALBA branch in his jurisdiction, which is not true since he needs governmental consent.** Even more, in his office in Puno, there is a picture of Hugo Chavez instead of a photograph of the President of Peru, Alan Garcia, though the law clearly establishes that in every government office there must be a visible image of the President. After learning this, Prime Minister Jorge del Castillo said that if Mr. Fuentes likes Hugo Chavez so much, he should go and live in Venezuela. He then said that some authorities in Puno want to build a **“Bolivarian Hospital” run by Cuban doctors and paid for by Venezuela** in a site that was destined to be used to erect a public hospital and that “we all know where that money comes from and the price that will be paid for it [by Fuentes and his followers].”<sup>6</sup>

Third, two lawmakers from Humala's **‘Nationalist Party,’ Yaneth Cajahuanca Rosales and Werner Cabrera, mysteriously traveled to Venezuela the last week of May and returned on June 4, just days before a strike broke out in Iquitos, Puno, Casapalca and Ucayali.** They traveled together and returned to Peru together as well. According to immigration officials, Mr. Cabrera had already visited Caracas on February 23, 2007 but his passport was not stamped when he returned to the country, so nobody knows the exact amount of days he spent in Venezuela. It is important to clarify that the congressman **openly declared himself a “Chavista” and follower of Hugo Chavez in a TV program and even recognized that Ollanta Humala was behind the strikes.**<sup>7</sup> Some analysts are speculating that the visit was programmed to arrange last minute details for the demonstrations that would soon plague Peru.

Fourth, the business attaché of the Venezuelan embassy in Lima, Ramon Lopez Martinez, has become very close to the President of the Peruvian National Confederation of Commerce (CONACO), Humberto Sánchez Palacios. Months ago, **Caracas invited 50 businessmen to show them the ‘benefits of ALBA.’ While there, the Peruvian ‘delegation’ was ‘instructed’ on the benefits of the ‘Bolivarian ideals.’ Even more, Sánchez Palacios decided to ‘lend’ the ninth floor of the CONACO building to facilitate the business operations of Lopez Martinez in Peru.**<sup>8</sup>

Fifth, after the marches in Puno, **Venezuelan diplomatic officials now have their eyes set on another city, Loreto.** Virly Torres, commerce manager of the embassy of

<sup>6</sup> Del Castillo arremete contra Merino y Fiscalía por protestas. July 12, 2007. Diario Correo, Perú.

<sup>7</sup> ¿A qué viajaron Cajahuanca y Cabrera a Venezuela? July 5, 2007. Diario Expreso, Perú.

<sup>8</sup> Chavismo busca capturar Conaco. July 14, 2007. Diario Correo, Perú.

Venezuela in Lima, and her colleagues held a meeting with Salomón Abensur Diaz, mayor of that municipality, on May 18, 2007. **The Venezuelan officials spent a few days there and coincidentally, 72 hours after, a massive strike began in Loreto which left millions of dollars in losses.** The coordinator of the meeting between Torres and Abensur was lawmaker Victor Isla from the Nationalist Party of Ollanta Humala. The first accord between the two parties was the realization of “**Misión Milagro**” (**Mission Miracle**), an instrument Hugo Chavez used to attract locals from different areas under the umbrella of a ‘humanitarian program.’ **One hundred and ten people with eye problems were transported to Caracas in an official Venezuelan airplane in order to undergo eye surgeries performed by Cuban doctors. The municipality covered the costs of the passports, which amounted to \$4,400 dollars.**<sup>9</sup>

**Finally, there are claims that “Chavista” agents from Venezuela and Cuba are already in Peru and that they came through Bolivia and then Puno using local hospitals and the offices of ALBA to co-opt sympathizers to destabilize the country.** Analyst Alberto Bolivar says he has evidence regarding the presence of Venezuelan military and civilian personnel and that this situation has been promoted by the existing friendship between Fuentes and Chavez.<sup>10</sup>

#### The bottom line

Battling extreme poverty continues to be a challenge for Peruvian authorities and should be a priority of the current regime. People’s needs must be heard and in order for this to happen, direct channels of communication and dialogue should be re-established between the people, the regions and the Central Government.

It would be wise for President Alan Garcia to consider breaking off diplomatic relations with Venezuela for interfering in the internal affairs of Peru. In addition, the Peruvian authorities should close down any existing Alba office in the nation and should bring charges against Fuentes for breaking the law and for behaving as if Puno was separate from the rest of the country. In this regard, Fuentes’s activities and links to the “chavismo” movement should be a deeply investigated. The sovereignty of the nation is being threatened by Chavez and, unless Garcia takes direct action to thwart him, Peru might fall just in the same way as Bolivia.

“The Americas Report” has shown in several articles Chavez’s eagerness to extend his tentacles all over Latin America. He takes advantage of marginal sectors of the population to co-opt potential followers and destabilize a country to place one of his cronies in power and has been trying to increase Venezuela’s political influence by offering favorable credit deals and swapping oil for agricultural exporters to poor countries. Leaders in the region must be aware of the potentially dangerous scenario of the Venezuelan President’s meddling in the internal affairs and politics of any nation. Just as he did in Bolivia and Ecuador, he will create, promote and possibly finance social unrest in different countries of Latin America to finally realize his dream of the “Bolivarian Revolution of the XXI Century.”

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<sup>9</sup> Loreto, el próximo blanco político del chavismo. July 17, 2007 Diario Correo, Perú.

<sup>10</sup> Agentes chavistas captan a peruanos en el altiplano. July 2, 2007. Diario Expreso, Perú.

\***Nicole M. Ferrand** is a research analyst and editor of "The Americas Report" of the Menges Hemispheric Security Project at the Center for Security Policy in Washington DC. ([www.centerforsecuritypolicy.org](http://www.centerforsecuritypolicy.org)). She is a graduate of Columbia University in Economics and Political Science with a background in Law from Peruvian University, UNIFE and in Corporate Finance from Georgetown University.

**News Stories** –The following are a summary of several news stories found in different media outlets. To access the information, we have provided the hyperlink below each news story.

**[Cuba: Castro says 2 Cuban boxers defected from Pan Am games are traitors – Infobae.](#)**

**Fidel Castro said Monday that Cuba's two-time Olympic boxing champion Guillermo Rigondeaux and a teammate who went missing at the Pan American Games in Brazil had defected, saying they were "paid up with U.S. bills."** Rigondeaux failed to make the weigh-in Sunday for his quarterfinal bout in Rio de Janeiro against Mexico's Carlos Cuadras in the bantamweight division. Cuban teammate Erislandy Lara did not show for his fight against Jamaica's Ricardo Smith in the welterweight division. In an essay distributed by e-mail, Castro said that: "Treason for money is one the favorite arms of the United States to destroy Cuba's resistance."

<http://www.infobae.com/contenidos/328388-100891-0-Fidel-acusó-traidores-los-deportistas-que-huyeron-su-regimen>

**[Chavez sets unlimited terms for President – Infobae, Argentina.](#)**

**Venezuelan President Hugo Chavez will soon submit a draft law abolishing presidential term limits to the parliament.** "The bill will help make amendments to the country's constitution to lift restrictions on the number of presidential terms," said Cilia Flores, the speaker of the Venezuelan parliament. "The president should have the right to nominate himself an unlimited number of times, since the nation has the last say anyway," she said. The Venezuelan president is elected by direct vote and functions as both the head of state and head of government. The term of office is for six years and a president may be re-elected to a single consecutive term. Flores said Chavez could submit the bill before late next week. "If a Venezuelan president is a wise ruler of his country, he can be re-elected as long as the people of Venezuela grant him confidence," Flores said.

<http://www.infobae.com/notas/nota.php>

**[Chavez threatens to throw out foreigners who criticize him – Correo, Perú.](#)**

**Hugo Chavez has announced that foreign dignitaries visiting Venezuela will be deported if they presume publicly to criticize him as he attempts to transform the country into a single-party state dedicated to his vision of "21st century socialism".** "How long are we going to allow a person from any country in the world to come to our own house to say there's a dictatorship here, that the President is a tyrant, and nobody does anything about it?" Mr. Chavez asked during his weekly television and radio program, Aló Presidente, on Sunday. Chavez, who is preparing to submit next month to the Venezuelan Congress a radical overhaul of the country's constitution, did not name names. But the outburst was widely thought to have been prompted by critical comments by Manuel Espino, the president of Mexico's ruling, centre-right National Action Party, recently in Caracas.



Mr. Chavez said public criticism by foreigners would not be tolerated. Source: AFP.

[http://www.correoperu.com.pe/paginas\\_notas.php?nota\\_id=52266&seccion\\_notas=9](http://www.correoperu.com.pe/paginas_notas.php?nota_id=52266&seccion_notas=9)

### [Chavez visits Nicaragua – El Universal.](#)

Venezuelan President Hugo Chavez paid a visit to Managua. He went there to celebrate the 28th anniversary of the 1979 Sandinista Revolution. At the celebrations were Both Presidents of Panama and Honduras, Martín Torrijos and Manuel Zelaya. During a public speech, Chavez invited Central America countries to join the Bolivarian Alternative for the Americas ALBA and promote Direct Democracy. He also explained Venezuelan ideas behind XXI socialism project. On July 20, 2007, Presidents of Venezuela and Nicaragua, Hugo Chavez and Daniel Ortega, placed the founding stone of an oil refinery. By refining Venezuelan oil, Nicaragua would earn 700 million dollars per year. Bilateral cooperation is now worth 430 million dollars. Venezuela will also help Nicaragua build 200 schools. Nevertheless, President Chavez accused Nicaraguan opposition of trying to diminish the bilateral relation with Venezuela. He called them parrots that repeat Washington's words.



Hugo Chavez and Daniel Ortega. Source: Soberania.org.

[http://www.eluniversal.com/2007/07/20/pol\\_ava\\_chavez-llama-lacayo\\_20A902609.shtml](http://www.eluniversal.com/2007/07/20/pol_ava_chavez-llama-lacayo_20A902609.shtml)

### [Chávez inaugurates refinery in Nicaragua – Terra. España](#)

Venezuelan President Hugo Chavez on Friday inaugurated a 150,000-barrel-a-day refinery the nation is building in Nicaragua as part of the leftist leader's oil-funded battle against U.S. influence in the region. Chavez said the \$2.5 billion refinery will allow Nicaragua—the second poorest nation in the Western Hemisphere—to earn \$700 million annually. "I have come to deepen ties with the Nicaraguan people through their government," said Chavez, who a day earlier celebrated the 28th anniversary of the Sandinista revolution with his ally, President Daniel Ortega. Later Friday, Chavez called himself and Ortega the region's "anti-imperialist vaccine." Ortega vowed during his campaign to have changed from his revolutionary days and said he would work with the United States, once his arch enemy. But since taking office, he has increasingly attacked the U.S. and made more radical statements. On Friday, Ortega called President Bush a "world tyrant" who came to power "through fraud." Venezuela is building new refineries in politically aligned countries such as Nicaragua, Cuba and Brazil to ease the country's reliance on the United States—its main market for oil.

[http://actualidad.terra.es/internacional/articulo/hugo\\_chavez\\_nicaragua\\_1728323.htm](http://actualidad.terra.es/internacional/articulo/hugo_chavez_nicaragua_1728323.htm)

### [Venezuela: a hub for cocaine smuggling – Infobae.](#)

Venezuela has become the key link in the new drug smuggling route from South America to Europe. Its increasingly corrupt security forces are accused of turning a blind eye to the activities of smugglers - and possibly shielding drugs barons. "We know that

**some people very high in the government and military have their fingers in drug pies," said an official from an international law enforcement agency.** Cocaine grown in Colombia is smuggled into neighboring Venezuela and then sent onwards to West Africa and Europe. There are reports of a new cartel, dubbed the "Cartel of the Suns", after the stars worn by the Venezuelan generals who are thought to be complicit in the trade. The reason that some military men have become involved in drugs trafficking is because they have not succeeded in getting into Chavez's close circle so as to rob the state. They have found their extra money in drugs trafficking. The most senior Colombian drugs baron now in custody, awaiting extradition to America, has told investigators that Venezuela offers smugglers relative immunity. Venezuela is a temple of drugs smuggling," said Hernando Gomez Bustamante, alias "Scratch", who had a \$5 million bounty on his head. British officials believe that Venezuelan air force bases are being used by aircraft carrying drugs. Small planes are typically used to carry consignments on the relatively short journey from Colombia.

<http://www.infobae.com/notas/nota.php>

**Venezuela May Regulate RCTV although signal is transmitted thorough Cable** – *El Universal*.

**Venezuelan Minister of Telecommunications and IT Jesse Chacón claimed the Radio and Television Social Responsibility Law (Resorte) does not need to be reformed to make television channels broadcasting on cable TV and "making productions for the Venezuelan society" to abide by its regulations, such as RCTV Internacional, Canal de Noticias and Zulia Urbe TV.** "The truth is a (radio and television) responsibility law is in force since 2004 and we have to enforce it. This law is supposed to govern anyone making productions for the Venezuelan society directly, either on cable television or open signal," Chacón told local Unión Radio station. **He clarified that amending the law to make cable television channels broadcast the Venezuelan anthem and President Hugo Chávez' speeches is merely a proposal made by Minister of Communication and Information William Lara.** Regarding the situation of RCTV, which is broadcasting on paid television as of July 16, following President Hugo Chávez' decision not to renew its broadcast license to transmit on open signal, Chacón said: "They (RCTV) are broadcasting on cable television, and the cable company has an obligation to meet the law. In the event that any channel is found to break the law, and considering that the broadcasting company is a subscription system operating in Venezuela, then the relevant notice of non-compliance shall be delivered and the relevant moves shall be made."

[http://english.eluniversal.com/2007/07/20/en\\_pol\\_art\\_chacon:-rctv-interna\\_20A902289.shtml](http://english.eluniversal.com/2007/07/20/en_pol_art_chacon:-rctv-interna_20A902289.shtml)

**Peru offers air base access to U.S.** – *Reuters*.

**Peru has offered the United States the use of its air fields for counter-narcotics operations in Latin American after Ecuador refused to renew Washington's lease on one of its bases, U.S. officials say.** With Colombia's earlier offer to discuss air sites, the U.S. military now has two potential alternatives to Ecuador's Manta base. Negotiations are in early stages, according to the U.S. officials, who stressed that Ecuador was not off the table despite President Rafael Correa's publicly stated opposition. Counter-narcotics operations have become one of the U.S. military's primary missions in Latin America. Colombia and Peru, the world's top cocaine producers, receive the largest amount of U.S. military aid in the region. An agreement with Peru could involve U.S. financial assistance for de-mining efforts and other help with border security programs -- both needs voiced by Lima to Washington.

<http://www.alertnet.org/thenews/newsdesk/N24436427.htm>

**Ecuador: Correa says he fears for his life** – *Infobae*.

**Rafael Correa**, affirmed that his safety is at risk and denounced that "an enemy group has been trying to acquire a rocket" for a possible attack. He admitted that there are great risks but that he will continue governing. Correa abstained from revealing the origin



of those allegations, but added that his government was a threat against “**great interests**” of some powerful people that were plotting against him. Without accusing the banking system directly, Correa mentioned a **financial reform that was rejected by Congress** and that, according to him, many feared was going to reduce utilities of that sector. “If Congress had passed the law of financial justice, the **utilities of the banks** would have been diminished in **200 million dollars**. Imagine how cheap would have been to hire someone to kill me to save that amount or money? ”, Correa added. The Chief of State stated that it would probably be “an **attack rather than a kidnapping**”, but insisted that he will follow ahead with his socialist project, although without wanting to become a “hero or martyr”.

#### [Ecuador Renegotiates Foreign Oil Deals – Prensa Latina.](#)

**Ecuadorian Minister of Oil and Mining Galo Chiriboga said he wants to renegotiate oil contracts with foreign companies to achieve a better distribution of profits.** "We should adjust the agreements from the existing legal distribution bases established by the previous government" to improve them for the benefit of Ecuadorians, he said. Chiriboga defended the steps made in this regard by Alberto Acosta, the previous minister of the sector, and announced he will continue the course taken by his predecessor. Discussing a fall in oil production compared to last year, the minister said that several oil wells have entered a natural declination process, and technological effort is needed to recover the levels previously reached.

<http://www.plenglish.com/article.asp?ID={429080ED-4E11-4926-B00E-531AC30884C4}&language=EN>



Rafael Correa. Source: Infobae.

<http://www.infobae.com/contenidos/328097-100891-0-El-presidente-Ecuador-dijo-que-teme-su-vida>

#### [Analysis of the inflation problem in Argentina – Standard Chartered Bank.](#)

**This week’s break through 3.11 for USD/ARS, the Jan 2007 high, re-validates the upward channel trend for USD-ARS established since May 2003. Near term we expect some retracement from the 3.1850 high recorded on 25 Jul. Daily momentum indicators have risen sharply and signal consolidation/profit taking phase before the next upmove.** The lack of clear support levels until 3.11 makes it more difficult to pick appropriate entry levels for short term trading, hence we’d rather wait until 3.11-3.12 levels as a good area to (re)build long USD positions for another test of 3.22 in coming weeks. The government has actively kept the ARS at a competitive level by intervening regularly to buy USD. On the positive side, that has allowed the central bank to build USD reserves. The less good news is that by preventing ARS appreciation, the central bank is preventing an important source of deflationary pressure. The inflation problem in Argentina is serious with consumer price inflation in the 9-10% range. That is due to a highly stimulative fiscal and monetary (and exchange rate) policy. The government has responded to rising inflation by negotiating price freezes on key consumer goods instead of dealing with the root of the problem which is very stimulative policy. The government’s approach has been successful in keeping President Kirchner’s popularity high. **That is important to keep in mind ahead of the October presidential elections, where Kirchner’s wife Christina will be the**

**government's candidate. She is widely expected to maintain similar policies to the current government.** The significant medium term problem facing Argentina is lack of infrastructure investment, particularly in the energy sector, and that risks energy shortages before too long if the current pace of growth continues. The medium term outlook suggests USD-ARS will maintain the current gradual uptrend, in line with the government's desire for a mildly weakening currency to protect external competitiveness. As mentioned earlier, inflation is the ultimate price for such a policy. With global risk appetite also taking a more cautious turn, foreign investors will become more selective the EM asset class and, when compared with neighbors Brazil, Chile and Colombia, Argentina looks more vulnerable to macro shocks, either domestic or external. We forecast USD-ARS to reach 3.20 by end '07 and 3.26 end '08.

Doug Smith  
Chief Economist, the Americas  
Standard Chartered Bank

**[Argentina: Presidential Candidate Cristina Kirchner Visits Spain – Prensa Latina.](#)**

**President of the Spanish Government Jose Luis Rodriguez Zapatero received Argentinean Senator and presidential candidate Cristina Fernandez de Kirchner at the Moncloa Palace on Tuesday.** During their meeting the visiting official briefed Zapatero about her program for change with continuity in Argentina, aimed at improving institutional and civic quality in her country. An official note says that Zapatero and Fernandez also spoke about Argentina's economic achievements and the presence of Spanish firms, which did not leave the South American country in its worst time of crisis. The text adds that with this meeting, the president of the Spanish Government wants to highlight the excellent bilateral relations and long standing, solid historic links, as well as support and solidarity of Spain towards Argentina's full recovery.

<http://www.plenglish.com/Article.asp?ID=%7B3CB4BD8C-965C-43B7-B03F-B6BEE09CA53C%7D&language=EN>

**[Argentina: 13<sup>th</sup> anniversary of the AMIA bombing – Diario Co Latino.](#)**

**Thirteen years ago, 18 July, at 9 A.M., a huge explosion rocked the city of Buenos Aires - the second murderous attack against Israeli and Jewish targets in Argentina. The attack was launched against the AMIA Jewish community center (Asociación Mutual Israelita Argentina). The target of the previous attack, two years earlier, was the Israeli embassy. In the attack 13 years ago, the Jewish community center was completely destroyed. A total of 85 people lost their lives, and hundreds more were injured. On November 2006 Argentine officials issued arrest warrants to former Iranian government officials and a leader of Hezbollah, but the arrests were never carried out. The resolution urges Interpol to finalize its March 2007 decision to issue capture notices for the alleged perpetrators.** Argentinean President Nestor Kirchner attended as a private citizen at the commemoration of the attack. **AMIA President Luis Grynwald declared those responsible were Iran, as intellectual author, Hezbollah as executor and ex President Carlos Menem as protector and demanded Argentina break off diplomatic relations with Iran.** Grynwald also exhorted Kirchner to label Hezbollah as a terrorist organization and urged the Argentinean government to support international actions to eradicate this and other international terrorist institutions. Sergio Burstein, of the Families of the AMIA Victims, said that what was needed was an investigation into identifying the local accomplices of the attack, which is fundamental to establish truth and justice.

<http://www.diariocolatino.com/internacionales/detalles.asp?NewsID=12432>

**Kirchner approval drops to less than half** – *Prensa.com*.

President Néstor Kirchner has dropped another three points this month in his approval rating, standing at 49 percent according to the polling firm Poliarquía. The number of those who claimed to have a negative opinion of the President rose from 14 to 18 percent in July. Poliarquía said it consulted 800 people and put the error margin at 3,5 percent.



Nestor Kirchner. Source: AP.

<http://www.prensa.com/hoy/mundo/1058398.html>

**Bolivia: Morales says New Economic Model in Progress** – *Prensa Latina*.

Bolivian president Evo Morales arrives this Sunday to the first 18 months in power with a new economic model in progress, based on the recovery of natural resources and industrialization as the next stage. "We have a new economic model, a new economic system that means the beginning of a process of industrialization of the country, it is a democratic way of changing Bolivia after recovering its natural resources," asserted the dignitary. Morales assumed power on January 22, 2006 after winning 54 percent of the votes, a historical victory in over two decades in which any candidate won elections directly. Eighteen months after, Morales told Prensa Latina that the national economy is sound and investments prioritize production. Nothing has been historically prioritized in this country which for more than a century and a half has remained an exporter of raw materials but without benefiting from it. Industrialization is the next priority. "We need partners, the economic situation is changing," he congratulated himself assuring that "macro economic stability is now having its repercussion in the micro economy." In addition, Morales explained there are other achievements like the agrarian revolution, the social programs and the establishment of the Constituent Assembly that will write a new Constitution to re-found the country, as a sample of a real democracy. **He also praised the health and education plans supported by Cuba and Venezuela.** "The most important thing is that we have fulfilled what political science means to us: serve the people," added the Bolivian president.



Bolivian president Evo Morales. Source: Prensa Latina.

<http://www.plenglish.com/Article.asp?ID=%7B0C6D4B79-692A-4A10-B1D6-5C6E1890DAEC%7D&language=EN>

**Morales seeks indefinite re-election terms** – *Infobae, Argentina*.

President Evo Morales' backers in an assembly rewriting Bolivia's constitution have proposed allowing the populist leader to seek re-election for an unlimited number of

**consecutive terms.** Bolivian law limits presidents to two nonconsecutive five-year terms. But delegates are debating a change to the rule in the Constituent Assembly, convened by Morales last year to write a new framework giving greater political voice to Bolivia's long-suffering indigenous majority. Delegates from Morales' Movement Toward Socialism party, or MAS, on Friday presented a proposal that would allow Bolivia's president and vice president to be "re-elected consecutively by the will of the people." Local media first reported the proposal Wednesday. MAS delegate Eduardo Garcia said term limits amount to "the revocation of the presidential mandate." Morales was elected in 2005, but has said he will call new presidential elections once the new constitution is complete. Opposition leaders called the proposal an attempt to extend Morales' rule indefinitely.

<http://www.infobae.com/notas/nota.php>

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Menges Hemispheric Project • Email: [mengesproject@centerforsecuritypolicy.org](mailto:mengesproject@centerforsecuritypolicy.org). • Direct: 914-325-9504. 1901 Pennsylvania Avenue, NW, Suite 201. Washington, D.C. 20006 • (202) 835-9077 • Fax (202) 835-9066 [www.CenterforSecurityPolicy.org](http://www.CenterforSecurityPolicy.org)