



In this Issue

The Mexican Presidential Elections: Too Close to Call

Benito Nacif.....1

Cuba 2006: 'La Revolución Energética' Generates a 'Quick Fix'

Archibald Ritter.....2

Editorial

The OAS General Assembly in Santo Domingo: A Good Crew on the Bridge, but the Ship is Still Taking Water

John W. Graham.....3

Op-Ed

Canadian Engagement in the Hemisphere: Looking Beyond Populism

Eduardo del Buey.....4

News Brief

Peru.....4

Editorial Board

Eduardo del Buey, *Editor-in-Chief*

Olga Abizaid, *Editor*

Caroline Lavoie, *Editor*

Ana J. Faya, *Contributing Editor*

The Mexican Presidential Elections: Too Close to Call

Benito Nacif

The period within which Mexican electoral law allows the publication of voting intentions based on opinion polls finally expired on June 24. Naturally, opinion polls will continue to be conducted until the day of the election, but the information will only circulate amongst those who have the power, the money or the luck to get hold of it. The general public will have to make do with the outdated information that pollsters revealed one week before the elections. Up until the moment the law allows the publication of exit polls (at 8:00 pm on the day of the election), public opinion will be at the mercy of rumours, speculation and veiled propaganda; everything except information collected through a scientific method.

This situation would be less vexing if pollsters had declared one of the presidential candidates as the clear favourite, with a commanding lead over the other contenders. However, one week before the election, most pollsters are still unable to call a winner. All they agree on is that the candidates with real chances of winning the presidency are Andrés Manuel López Obrador from the center-left Party of the Democratic Revolution (PRD) and Felipe Calderón from center-right National Action Party (PAN) the party that won the presidency in 2000. As for Roberto Madrazo, the candidate of the old-hegemonic Party of the Institutional Revolution (PRI), he is lagging in third place at distance large enough to be out of the race.

Some polls give exactly the same share of voting intentions to Calderón and López Obrador. Others grant one of them a small lead over the other small enough to fall within the statistical margin of error of the poll. In the journalistic jargon of Mexico this situation is called a "technical tie," but the probability of a tie in this election is practically nil. In fact, what happens is that the race is still too close to call.

Calling a winner is even more complicated because of the volatility of electoral preferences that marked the campaign, especially among the "independents" those voters who do not identify themselves with any of the political parties. According to some pollsters, the volatility of voting intention has been on the rise since the second presidential debate held on June 6. Even though the polls conducted right after the debate declared Felipe Calderón a relative winner, the accusations of influence peddling against his brother-in-law ventilated by López Obrador had an unsettling effect on public opinion. In the end, most pollsters agree that the deciding factor in the presidential race will be the undecided voters an estimated 12% of the electorate who still have a few days to make up their minds.

With Mexican voters unable to have access to updated information about voting intention and polls showing that, one week before July 2, the election is still too close to call, some analysts argue that the outcome of the race depends on unpredictable events, such as scandalous revelations with the potential to unsettle the electorate's preferences. Although it cannot be dismissed with absolute certainty, the long list of accusations blown over the campaign, especially after the second presidential debate, has rendered the Mexican public somehow immune to scandals.

At the end of the day, the outcome of the presidential election will depend on the position Mexican voters take on the issue that has dominated the campaign: the economic direction of the country. Certainly, there have been other issues. For instance, credibility was very important at the beginning, for it was the one issue that left Roberto Madrazo out of the race. The two leading candidates are the most credible representatives of two distinct visions of the direction the economy should take in the following years.

On the one side, Felipe Calderón represents continuity with the policies followed by the outgoing administration of Vicente Fox and the deepening of the market-oriented reforms introduced in Mexico about 15 years ago. He offers to increase the competitiveness of the Mexican economy to improve its future performance. Calderón presents himself as the "candidate of jobs," arguing that economic stability and structural reforms are the policies that have proved successful in achieving prosperity in other countries. But his ability to convince voters of the connection between private investment and job creation has so far been limited.

On the other, López Obrador represents the populist left and opposition to the market-oriented reforms of the 1990s. He offers a "new economic model," a move away from the neoliberal policies of the past. Although it remains unclear whether he will seek to reverse the market-oriented policies already in place (the radicalism of his political speech has been variable depending on political convenience), López Obrador has publicly dismissed any further structural reforms.

His proposal for a new economic model is vague and unarticulated, including in various cases the reintroduction of long-abandoned policies, such as generalized subsidies to energy prices and government guaranteed-prices for agricultural products. But the electoral appeal of López Obrador is that he offers immediate benefits to the low-income population. What remains in the air is whether there is a hidden price to pay for these immediate benefits in the future financial instability, an unattractive business environment, and the deterioration of the economic prospects of the country as his opponent argues.

The outcome of the presidential race hinges on the answer that undecided voters give to this question. ■

Benito Nacif is Research Professor at the Division of Political Studies of the Centro de Investigación y Docencia Económica (CIDE) in Mexico City.

Cuba 2006: 'La Revolución Energética' Generates a 'Quick Fix'

Archibald Ritter

On January 17 2006, President Fidel Castro presented the main elements of his energy master plan to the nation and stated: "Pinar del Río will no longer suffer blackouts. Who could have possibly imagined that?" A few days later a major blackout plunged Western Cuba into darkness, Havana for a day and Pinar del Río Province for about two

Cuba has launched a major restructuring and reinvestment program in the energy and especially in the electricity sector, long overdue in view of Cuba's continuing energy crisis. Castro's grand design for the sector is ambitious and innovative, and contains some valuable components. However, there are questionable elements that are more in the tradition of Castro's flamboyant economic disasters such as the instant industrialization strategy of 1961-1963 and the ten million ton sugar production strategy of 1964-1970.

The main symptom of Cuba's energy crisis has been the innumerable blackouts, some resulting from hurricanes but many from equipment failures and still more from supply rationing when demand exceeds generation capacity. Regardless of the causes, the results include shutdowns of economic activity, the loss of food in people's refrigerators and discomfort in the heat of summer.

In 1961-1992, Cuba's energy came mainly from petroleum imported from the Soviet Union at heavily subsidized prices after 1973. Low prices produced a culture of wasteful consumption in residential, transportation and industrial usage. The 75% reduction of foreign exchange earnings when the Soviet Union stopped subsidizing the Cuban economy then led to an approximate 50% cut in oil imports and to further contraction of reinvestment and maintenance. Unfortunately the \$US 2 to 3 billion investment in the thermo-nuclear electrical plant in the province of Cienfuegos in the 1980s was a total waste of resources. Although it is 80% complete, it will probably never be finished due to the deterioration of the mothballed facility over the last two decades, the obsolescence and dubiousness of the old Soviet technology, and the high and escalating cost of completion, estimated at around \$US 700 million in 2001.

Perhaps worst of all, the sector was not allocated the foreign exchange it needed to purchase the imports required for reinvestment and maintenance in generation and transmission capacity, so that the whole system deteriorated seriously.

President Castro's Master Plan

President Castro approached the energy situation with a micro-managed, quasi-military campaign worked out in 2005. The advantage of the campaign approach is the advantage of the command economy, namely rapid, large-scale though simple actions. However, the weaknesses of the campaign approach are also those of the command economy, notably aborted gradualist learning-by-doing, the amplification of errors and the over-riding of people's individual decision-making on the basis of their own perceived best interests, by central edict.

The basic policy measures are as follows:

1. Conservation

- * Replacement of energy-inefficient light bulbs fans, refrigerators etc. in peoples homes;
- * Provision of lower-cost pressure-cookers and electric rice cookers ultimately for every home;

- *Price increases for electrical use.

2. Increased Investment in Repair and Maintenance

3. New Generating Capacity

- *Replacement of older thermal electric generating plants with hundreds of small generators spread around the Island;
- *Some increased gas-fired generating capacity;
- *Installation of 4,900 emergency generators at polyclinics, hospitals, schools, tourist centres, food storage depots, etc;
- *A break up of the national electrical grid into provincial components;
- *Research and investment in alternate energy sources including wind, solar and tides.

4. Exclusions from the Plan

- *Completion of the *Cienfuegos* nuclear generating plant;
- *Co-ordination of the sugar and energy sectors, that is, development of ethanol production from sugar as an energy source.

Some of the components of the program, such as the gas-fired electrical generation and reduction of leakages from the system make obvious sense. The household conservation measures may be reasonable despite their mass imposition.

The most questionable feature of the plan is the replacement of large-scale thermal-electric plants with numerous small generators dispersed around the island. The rationale for this approach is to accelerate capacity increases rather than wait for the six years required for a large plant. But the use of the small-scale generators is also questionable, and may constitute a colossal error for the following reasons:

- *The economies of large scale electricity generation will be lost;
- *Synchronizing the supply of electricity generated from numerous locations to meet the minute-by-minute changes in electricity demand will be complicated and costly;
- *Problems and costs of maintaining the numerous dispersed generators will be high;
- *Logistical control and management costs will escalate as the national grid is replaced with regional systems;
- *Expensive diesel fuel will be used rather than heavy oil;
- *Diesel fuel will have to be transported to the generators around the island at substantial cost;
- *Significant investments for the storage of diesel fuel in numerous supply depots will be necessary;

- *Problems of pilferage of diesel fuel may be significant, and costs of security and protection may be high;

- *No other country in the world has adopted this method of generating electricity, suggesting that it does not make sense economically.

The energy master plan also ignores a possible role of the sugar sector in producing ethanol and contributing to energy supplies.

The experience of Brazil indicates that at higher petroleum prices, ethanol from sugar cane becomes economically viable. The shut down of some 70 out of Cuba's 156 sugar mills in 2003, the mothballing of another 40 and the contraction of the whole sugar agro-industrial service cluster is also a major loss for electricity generation.

In summary, it is unclear as to whether "*La Revolución Energética*" will be a positive or negative element of Castro's legacy to Cuba. The benefits of the conservation measures are clear. However, the small-generator option may be a wasteful and problematic "quick fix" to the energy problem, and the failure to link the energy sector with sugar production could well turn out to be a colossal blunder. ■

Archibald Ritter is a Professor of Economics at Carleton University, Ottawa.

The OAS General Assembly in Santo Domingo:

A Good Crew on the Bridge, but the Ship is Still Taking Water

John W. Graham

Over the past several years, the Organization of American States (OAS) has become increasingly open to dialogue with civil society. However, the difficulties experienced in finding time for civil society at the 36th General Assembly underscore the need for improved planning and time allocation. The meeting originally scheduled between civil society organizations and foreign ministers was cut short as a result of the spillover from sessions held earlier that day. Fortunately, the Secretary General and his colleagues reconvened the meeting and representatives of civil society had an opportunity to express their views. However, there remains a need for real dialogue and responses that directly address civil society interventions from ministers and heads of delegations not just set pieces. On this occasion the only response to civil society concerns came from the Secretary General.

On issues of substance, a number of fundamental proposals have been adopted by the Friends of the Inter-American Charter (a non-governmental group of former Presidents, Prime Ministers and ministers and distinguished democrats of the Americas who promote respect for, the utilization and improvement of the Charter). These were addressed to the General Assembly in Santo Domingo.

One proposal is intended to remove the sacred cow that has long stood in the way of realistic recognition and action about the appalling

gulf between wealth and poverty in this hemisphere. Its purpose is also to draw attention and action to the critically serious decline in public education in the hemisphere.

Another is to build modern and independent justice systems in which the stain of continuing impunity can be removed. In other areas change is underway, but efforts are incomplete. Access to information legislation is a vitally important instrument in the fight with endemic corruption. So far there has been only sporadic progress among member states.

Finally, an old refrain of mine, made at previous General Assemblies and at the last Summit of the Americas in Mar del Plata. The OAS is absurdly and at times paralytically underfunded. The Special General Assembly held earlier this year in Washington to deal with this crisis applied only a band-aid, not a solution.

The OAS needs agreement from its member states that annual quotas be automatically adjusted by a formula that would link salaries to cost of living increments. It is this formula that allows the United Nations to survive and it is without this formula that the OAS hovers at the edge of insolvency. (The noise of anguish and parsimony from member states suggest that the OAS regular budget must be in the billions. Far from it. At about USD \$79 million, it is at the level of a very small university. The absence of this formula prevents the OAS from accomplishing a number of its basic responsibilities including many things it should do if it is to serve its evolving mandate as the hemispheric damage control agency.

In spite of these constraints, the OAS often manages to surprise its critics by playing an effective role in key areas. On this positive note, FOCAL would like to commend the Secretary General for the work the OAS and the secretariat for political affairs and its new tripartite Secretariat for Political Affairs (composed of the Department for the Promotion of Democracy, the Department for the Promotion of Governance and the Department of Crisis Prevention and Special Missions) have accomplished over the past year in Nicaragua, Ecuador, Bolivia and Haiti. The quiet but impressive role of the OAS in challenging situations and its hugely important work with Inter-American Drug Abuse Control Commission (CICAD) have been inadequately recognized.

Progress was made in Santo Domingo. Despite a dust-up over Peruvian accusations of Venezuelan interference in the recent general elections, the atmosphere was better tempered than the previous meeting in Fort Lauderdale.

Under its present leadership the OAS is an organization with the backbone and potential to play a stabilizing role in a troubled hemisphere, but it is not well served by some members of its directing political bodies the General Assembly and the Permanent Council. Sound intentions are too often frustrated by the tradition of absolute consensus. ■

John W. Graham is Chair of the Board of FOCAL and is a signatory to the Friends of the Inter-American Democratic Charter. This article is based on a statement he made to the civil society meeting with OAS foreign ministers on June 4, 2006.

PERU

Alan García Pérez of the Aprista Party (APRA) was elected the next President of Peru in the second round of the presidential elections held on June 4. The social-democrat candidate won 52.62% of the vote against Ollanta Humala, leader of the nationalist wing of the Union for Peru (UPP) coalition, after coming second in the first round behind Humala and ahead of centre-right National Unity (UN) coalition candidate Lourdes Flores Nano (<http://www.elecciones2006.onpe.gob.pe/segundavuelta/index.onpe>). García's basis of support was concentrated in Lima following the elimination of Lourdes Flores, while Humala was the favoured candidate in the Amazon and Andes regions.

This will be García's second time in office, having held the presidency between 1985-1990. His previous administration has been criticized for poor economic management and heavy-handed military action against the terrorist activities of the Shining Path. Following his defeat by Alberto Fujimori, García was accused of illicit enrichment in 1991, though the case was subsequently dropped.

García will begin his mandate on July 28. APRA won 36 of the 120 congressional seats in the legislative election of April 9, while the UPP garnered 45 seats in the new congress.

Op-Ed

Canadian Engagement in the Hemisphere: Looking Beyond Populism

Eduardo del Buey

Populism...neopopulism...these words seem to be in vogue when we talk about Latin America these days. Attention has been devoted to understanding the nature of the political changes in the Hemisphere. Yet much of the analysis has focused on the existence of populist tendencies without exploring the conditions driving this phenomenon.

Populism, a style of politics based on appeal to the masses and functioning with a reduced focus on existing institutions, has become synonymous with "fiscally irresponsibility," "demagoguery," and even, "mass manipulation." As such this label is charged with political opinion. If used indiscriminately, it can prevent us from going to the heart of the real challenges facing the region, and can separate us from those leaders who, while looking for more redistributive policies, are committed to macroeconomic stability; leaders that support a

change in the relationship between state and citizens to foster a more just society founded in strong democratic institutions.

Despite the differences in intensity among countries, what underpins political change is a cry for equity, justice, respect and inclusion. It is a cry for the reconciliation of macroeconomic performance with microeconomic realities to achieve economic improvement and well being for all and not just for a privileged few. In other words, it is the demand for the inclusion of a social agenda. And all of these are areas where Canada could make a difference.

After a decade of neoliberal reforms in Latin America, the countries of the region have managed to move away from chronic fiscal crises and toward greater macroeconomic stability. However, economic growth in the region has been insufficient to reduce poverty and inequality. In fact, there is growing consensus between international donors and national actors on the disconnect between macroeconomic stability and real improvement in people's living conditions, and on the need to reduce poverty in order to promote economic growth (World Bank, *Poverty Reduction and Growth: Virtuous and Vicious Circles*, 2006).

Latin America thus remains the most unequal region in the world and its inhabitants have expressed their disillusionment with the capacity of their democracies to improve economic performance and, most of all, their living conditions (Latinobarómetro, 2005.) Democratic institutions also remain weak in most of the region. Political parties are by and large not responding to the needs of the electorate, judiciaries are in many cases ineffective or simply overwhelmed, corruption is rampant, and the effects of transnational crime are visible to all. At times institutions seem powerless to address even the most basic needs of society. In spite of these challenges, the majority of Latin Americans still consider democracy to be the best form of government, which speaks of a favourable climate for Canadian input and expertise in institution building.

A Role for Canada

How can the experience of federalism be used in contexts where it is not being effectively utilized to better respond to situations at the local and national level? How can indigenous peoples be brought into the mainstream economy and politics without losing their identity or inherent rights? How can one ensure the rights of the many without sacrificing individual rights? How can resources best be managed to enhance the quality of life of increasing numbers over the course of time?

Canada is a good example of a system where social justice, inclusion and the market coexist. A multiethnic, multicultural and multilingual amalgam that works. A society where wealth is distributed effectively and efficiently by transparent institutions accountable to citizens. A system that has responded to the needs of the many despite geographical, cultural, ethnic and linguistic barriers. A country where the public sector and civil society work together to develop and implement sound policies that benefit all. This is the experience Canada brings to the table.

Sharing best practices is often the most effective way to encourage change. Canada can and should engage leaders in Latin America,

working with them to help meld their desire for action with institutions that will allow for such action to be sustainable and sustained. Canada has a wealth of practitioners (former diplomats, other civil servants and political figures) with vast experience in the areas of governance, social policy and trade capacity.

Canadian engagement in the strengthening of democratic institutions has paid dividends in many parts of the world. For instance, Elections Canada has played an effective role in transforming electoral processes in a number of countries from exercises in futility to solid expressions of democracy. Our access to information and privacy laws have served as models to other countries seeking similar regimes for their people. Canadian officials have advised their counterparts in other countries on how to design legislation to foster greater transparency.

Canada can thus become the bridge between the neoliberal model of the 1990s and the emphasis on the social agenda so critical in the agenda of the countries in the Hemisphere. This will require a concerted effort on the part of Canadian political leaders, academics, civil society organizations, officials, and media.

Constructive engagement close to home should be a major pillar of the government because aside from the domestic priorities established in our agenda, the stability and prosperity of the region are also important to own future and prosperity. Our hemisphere is where Canada can make a difference in terms of foreign policy. We are well positioned to do so and have the resources to make it happen. Let us seize this opportunity! ■

Eduardo del Buey is Executive Director of FOCAL

You may access FOCAL's reports, articles
and publications at:
[Http://www.focal.ca](http://www.focal.ca)

Founded in 1990, the Canadian Foundation for the Americas (FOCAL) is an independent policy institute based in Ottawa that fosters informed analysis, 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.. The Board of Directors provides strategic guidance to the organization and its activities.

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

To subscribe or unsubscribe to this publication please send an email to: focal@focal.ca.



FOCAL

1, rue Nicholas Street,
Suite/Bureau 720
Ottawa, Ontario
K1N 7B7 Canada

Canadian Foundation for the Americas Tel/Tél : (613) 562-0005
Fondation canadienne pour les Amériques Fax/Télé : (613) 562-2525
Fundación Canadiense para las Américas E-mail/Courriel : focal@focal.ca
Fundação Canadense para as Américas www.focal.ca

Copyright © FOCAL 2006

Who is FOCAL?

Board of Directors

Chair

John Graham, *Consultant*

Vice-Chair

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

Secretary

Michael Bell, *Consultant, Justice Solutions Inc.*

Treasurer

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

Executive Director

Eduardo del Buey, *FOCAL (ex-officio)*

Directors of the Board

Bob Anderson, *former Vice-President Americas, CIDA*

Charles P. Bassett, *Canadian Executive Director to the Inter-American Development Bank (IDB)*

Carmelita Boivin-Cole, *Consultant*

Rt. Hon. Joe Clark, *former Canadian Prime Minister*

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

Jean Daudelin, *Assistant Professor, Carleton University*

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

Kenneth N. Frankel, *Hodgson Russ LLP*

Jennifer L. McCoy, *Associate Professor of Political Science at Georgia State University, and Director of the Americas Program at The Carter Center*

Beatrice Rangel, *President and CEO, AMLA Consulting*

Elizabeth Spehar, *Washington, D.C.*

Brian J.R. Stevenson, *Executive Secretary for Integral Development, SEDI-OAS*

Alan J. Stoga, *President, Zemi Communications*

FOCAL Staff

Eduardo del Buey, *Executive Director*

Olga Abizaid, *Senior Analyst*

Laurie Cole, *Senior Analyst*

Carlo Dade, *Senior Advisor*

Ana Julia Faya, *Senior Analyst*

Miguel Guardado, *Financial Manager*

José Hernández, *Publications Manager/Webmaster*

Florencia Jubany, *Senior Analyst (On maternity Leave)*

Diane Larabie, *Office Manager*

Caroline Lavoie, *Programme Associate*

Omaira Mindiola, *Visiting Researcher*

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