

Inter-American Dialogue

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Featured Q&A With Our Board of Advisors

Q US President George W. Bush meets with Mexican President Vicente Fox and Canadian Prime Minister Stephen Harper today in Cancun. What are the major issues on the agenda for the meeting? Will the gathering be overshadowed by the immigration debate in Washington?

A Board Comment: George W. Grayson: "This will be the US chief executive's first visit to Mexico since he attended the Summit of the Americas in mid-January 2004. Then, Fox and Bush highlighted immigration reform after the American leader proposed legal status for millions of illegal aliens residing north of the Rio Grande. Just before the trip south, a CNN/USA Today/Gallup Poll found that 60 percent of respondents gave him a positive job rating; only 35 percent disapproved. Even with favorable numbers, Bush could not deliver on his promise to reform his country's immigration laws. At the Cancun parleys, he will once again mouth clichés about his support for a 'program to match willing foreign workers with willing US employers when no Americans can be found to fill the jobs.' He will also seek to resolve with Harper the \$5 billion in import duties imposed on Canadian softwood lumber. These levies, deemed illegal by various tribunals, remain in place because the producers allegedly enjoy government subsidies. It's doubtful that the once seemingly invincible Bush will be able

to match rhetoric with performance. Only 34 percent of Americans now approve of his performance, and a recent *Newsweek* poll found that 42 percent of respondents supported censure. Bush is a badly wounded lame duck. Fox and Harper should not hold their breaths that he can fulfill any promises made about immigration and lumber in Cancun. In fact, the immigration issue provides House Republicans—a majority of whom disdain expanding the number of guest workers and legalizing lawbreakers—a way to distance themselves from the chief executive and still look patriotic to the voters on November 7."

Continued on page 4

PHOTO OF THE DAY



Portia Simpson Miller, left, took over as Jamaica's first female prime minister on Wednesday, replacing P.J. Patterson, right, who stepped down after 14 years in office.

Photo: Jamaica Information Service.

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NEWS BRIEFS

Brazil Puts First Astronaut into Space on Russian Spacecraft

Brazil this morning put its first person into space with the launch of a spacecraft in Kazakhstan bound for the orbiting International Space Station. Marcos Pontes, a 43-year-old Brazilian Air Force pilot, accompanied Russian cosmonaut Pavel Vinogradov and US astronaut Jeffrey Williams. "We are very glad to see the first Brazilian cosmonaut in space," said Sergio Gaudenzi, president of the Brazilian Space Agency. "It's a very happy day for us and for everyone in Brazil."

Source: Reuters.

US Ambassador Defends Caribbean Naval Exercise

The planned deployment of a US aircraft carrier for naval exercises in the Caribbean should not be cause for concern, US Ambassador to Venezuela William Brownfield said Tuesday. The statement comes amid charges by Venezuelan President Hugo Chavez, that the US is preparing to invade the country. The US Southern Command this week announced that the USS George Washington would conduct military exercises from early April to late May with other Caribbean countries to enhance maritime security.

Source: Associated Press.

CTC Sells \$100 Million in Bonds

Telefonica CTC Chile on Wednesday sold approximately \$100 million in 2012 bonds. CTC, Chile's largest telephone company with control of about three-quarters of the country's residential phone market, said earlier this week it would use the proceeds from the new issue to pay off \$50 million in Yankee bonds and other short-term debt.

Source: Reuters.

Political News

Congressional Panel Absolves Lula from Any Wrongdoing in Scandal

A Brazilian congressional panel cleared President Luiz Inacio Lula da Silva of any wrongdoing in a nine-month scandal that has rocked his administration, the Associated Press reported. Deputy Osmar Serraglio said Lula did not know about the alleged bribery of lawmakers or illegal financing of campaigns and was not to blame. "Responsibility cannot lie with the president simply for occupying the top of the power structure of the executive branch," Serraglio said, reading from the 2,000-page report. However, while Lula

which would decide whether to open an investigation, according to the AP.

Uribe Proposes Extension of Special Tax to Fund Defense Spending

Colombian President Alvaro Uribe on Wednesday proposed extending a tax on assets to finance his government's military campaign against rebels, Reuters reported. "We have to consider making the richest sectors (of society) make a one-off contribution to provide money for [military] technology and transport," Uribe was quoted as saying during a seminar in Bogota. A current temporary tax on assets implemented by Uribe in 2002 to help boost defense spending is set to expire this year. The tax applied to persons whose

“Responsibility cannot lie with the president simply for occupying the top of the power structure of the executive branch.”

– Osmar Serraglio

was absolved from any wrongdoing, the panel's report calls for the indictment of some 100 other individuals, according to Reuters. The scandal erupted last June when a Lula ally revealed a scheme by the ruling Workers' Party in which lawmakers were paid up to \$13,730 a month in exchange for legislative support. Three lawmakers were expelled from Congress while Lula's chief of staff, Jose Dirceu, was forced to resign, as a result of the allegations. In addition, the PT treasurer admitted to using illicit funds to pay for election campaigns of the party and allied legislators. The release of the congressional panel's report came just two days after Finance Minister Antonio Palocci stepped down amid charges he frequented a house in Brasilia where lobbyists threw parties with prostitutes and paid out bribes. Palocci is also being investigated for violating banking secrecy laws after the personal financial information of a witness who testified against Palocci was made public in an apparent attempt to discredit him. The congressional panel will vote next week on whether or not to send the report to the public prosecutor's office,

assets exceeded 169.5 million pesos (\$US \$74,000), according to local daily *El Tiempo*. Finance Minister Alberto Carrasquilla said the amount of money the government seeks to raise through an extension of the tax will be known once the defense ministry completes an analysis of what is needed to modernize military equipment, *El Tiempo* reported. The proposal to extend the tax will be submitted for congressional approval separately from a tax reform package, Carrasquilla said. Colombia spends about 4 percent of its gross domestic product on its military and police, which is low by the standards of nations in conflict, according to Reuters.

Company News

Minister: Panama Likes Refinery Proposal, But Cannot Finance it

Panama is interested in a proposal by the US' **Occidental Petroleum** to build a \$6 billion refinery on the Central American country's Pacific coast, but cannot help finance the project, Trade and Industry

Minister Alejandro Ferrer said Wednesday, according to Reuters. "We are ready to participate in the project but not to take on any financial responsibility because it's entirely private," Ferrer was quoted as saying. "It will be Occidental that assumes responsibility for seeking financing and not the government." The minister said Panama did not want to add to its \$10 billion public debt. This week, Occidental this week presented the results of a feasibility study for the refinery, which would process some 400,000 barrels per day of crude oil, according to Reuters. Occidental, which plans to finance the refinery with private capital, bank loans, and on international markets, said the project could be profitable. Occidental's representative in Panama, Jorge Lechin, said locating the refinery in the country would provide for easy shipping access to international markets. Mexico would have been a possible location for the refinery if it were not a "closed market," he said. Occidental hopes to start construction of the Panama refinery in 2008 and have it operational in 2011.

Calpine Sells 45 Percent Stake in Mexican Power Plant Project

Bankrupt US power company **Calpine** announced Wednesday it was selling its 45 percent stake in a Mexican power plant under construction to its two partners in the project for \$43 million. In a press release, Calpine CEO Robert May said the sale of the stake in the Valladolid III plant to its partners in the project—**Mitsui & Co., Ltd.** and **Chubu Electric Power Co.**—would provide the company "with additional liquidity and is consistent with our strategy of focusing on our core business, power generation in key power markets in the United States." Calpine said it obtained the 45 percent stake in the Valladolid plant, located on the Yucatan Peninsula, in exchange for the supply of two combustion gas turbines. It also provided engineering, construction and commissioning services for the construction subcontractor. Construction of the plant, which will provide up to 525 megawatts of power through a 25-year agreement with Mexico's Federal Electricity Commission, is expected to be completed in June.

Capitol Hill Watch

A weekly look at US congressional activity on Latin America

Senate Begins Debate on Immigration Reform

The Senate on Wednesday began debate on the controversial issue of immigration reform. While most Democrats support a bill by the Senate Judiciary Committee that would put the country's estimated 11 million illegal immigrants on a path to citizenship and create a guest-worker program, Republicans are split on the issue, with many opposed to anything that resembles "amnesty" and calling instead for stricter legal controls and tighter border security, in line with the House bill on immigration reform. However, in a possibly key development on Wednesday, House Speaker Dennis Hastert (R-IL) suggested the House could accept a guest worker program. "Our first priority is to protect the border," Hastert said. "We also know that there's a need in some sectors of the economy for a guest workers' program."

Source: Reuters.

Subcommittee to Hold Hearing on US Counterdrug Efforts in Region

The House International Relations Subcommittee on the Western Hemisphere will hold a hearing this morning to assess US counternarcotics efforts in Latin America. The hearing will focus on the State Department's most recent annual International Narcotics Control Strategy Report, published earlier this month. "As the terrorists adapt, we need to update our strategy to improve intra-governmental and inter-governmental cooperation and fully fund and equip our joint counternarcotics efforts, especially the Andean Counterdrug Initiative, which supports Plan Colombia," Subcommittee Chairman Dan Burton (R-IN) said in a press release. Officials scheduled to testify before the Subcommittee include Anne Patterson, assistant secretary of state for international narcotics and law enforcement affairs; Michael Braun, chief of operations at the US Drug Enforcement Administration; and James Mack, executive secretary of the Inter-American Drug Abuse Control Commission at the Organization of American States. The hearing will take place at 10:30 am in Room 2172 of the Rayburn House office building.

Source: Office of Rep. Dan Burton.

Meeks Pulls Amendments on Greater Aid to Afro-Descendants in Americas

Rep. Gregory Meeks (D-NY) withdrew two amendments urging greater attention to African descendants in US economic aid to Latin America, a spokesperson for Meeks said Tuesday. Meeks dropped the amendments, originally proposed March 16 as part of a House bill authorizing appropriations for the United States' contribution to an Inter-American Development Bank (IDB) fund, in favor of a direct petition to IDB President Luis Alberto Moreno. According to Meeks' spokesperson, Ian Campbell, members of the House Republican majority said they would support an initiative in writing sent to Moreno to admit the measures but would not want to attach it to the legislation. Meeks proposed the creation of a unit within the IDB that would work specifically on Afro-descendant issues in Latin America, and to "ensure that African descendants are counted and drawn into the democratic processes of the country" upon disbursement of IDB funds to governments in the region. Campbell said the letter has been drafted and distributed this week for signatures, comments and revisions.

Source: Office of Rep. Gregory Meeks.

Featured Q&A*Continued from page 1*

A Board Comment: Andrés Rozental: "The meetings are meant to do two things: offer an opportunity to Presidents Fox and Bush to meet with the new prime minister of Canada, Stephen Harper, and to have sessions to discuss bilateral issues. This will be Vicente Fox's last formal North American summit. At the trilateral meetings, the three North American leaders will evaluate the latest Security and Prosperity Partnership reports and set the working agenda for the next six months. In addition, there will be an opportunity to discuss hemispheric issues and recent developments on the global scene. However, the issue that currently dominates the US-Mexico agenda remains the immigration reform discussion currently underway in the US Congress and the likelihood of a major overhaul to US immigration law. It is difficult at this stage to predict the outcome of these deliberations and what an eventual House-Senate compromise, that might end up with a bill on President Bush's desk, would look like, but the summit in Cancun will give both Presidents Fox and Bush an opportunity to discuss this and other outstanding issues and, hopefully together with Canada's premier, continue the work already started on the building of a North American Community. It is very satisfactory to see the North American summit become an annual event, which was one of the recommendations of the trinational Task Force Report under the joint auspices of the Mexican Council on Foreign Relations and its US and Canadian counterpart organizations last year."

A Guest Comment: Barbara McDougall: "'Setting a positive tone at the top' with President Bush is Prime Minister Harper's primary objective at today's North American summit in Cancun, and with President Fox, although from Canada's point of view the Mexican relationship is secondary. In this bilateral political objective, the needs of Canada and the US for once overlap. Prime

Minister Harper wants a positive relationship to contrast his government with his predecessor's. President Bush, on the other hand, isolated from many traditional allies and from more and more of his own people by the war in Iraq, badly needs a friend. This does not mean matters of substance will not be on the table. The North American Security and Prosperity Agenda, signed with a flourish at the last summit, will be explored and its purpose renewed: Prime Minister Harper wants to explore within it a more focused set of 'deliverables.' Softwood lumber and trade-inhibiting border issues will definitely be under the microscope. There are indications that, in the interest of friendship if nothing else, President Bush will look for ways to be helpful. Hopefully, the meeting will look at a broader range of hemispheric issues: the need to stabilize democracy in Haiti, the political mood throughout Latin America, the hemispheric competitive position *vis-a-vis* the rapidly growing economies of China and India."

George W. Grayson is a member of the Advisor board and a Professor of Government at the College of William & Mary.

Andrés Rozental is a member of the Advisor board and President of the Mexican Council on Foreign Relations.

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