

# INTER-AMERICAN DIALOGUE'S

## LATIN AMERICA ADVISOR

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### Featured Q&A With Our Board of Advisors

**Q** In an apparent message to the United States, Colombian President Alvaro Uribe has made a series of friendly gestures toward his Venezuelan counterpart, Hugo Chavez, suggesting he could strengthen Colombia's ties to leftist governments in the region if the US does not approve a free trade agreement with his country. Does the US risk "losing" Colombia if Congress does not approve the FTA? Will the FTA be approved? When?

**A** **Guest Comment: Sam Farr:** "The relationship between the United States and Colombia is strong and built on a solid foundation. Our enduring cooperation is valuable to both countries and will continue to be mutually rewarding. In concert, we have endeavored to bring security to Colombia and to combat the corrosive transnational drug trade that negatively impacts both our countries. Colombia is a stalwart ally of the United States in Latin America. The United States has invested significant resources in the long-term prosperity of Colombia. I find it very difficult to believe that President Uribe would respond in a retaliatory manner if a free trade agreement cannot be completed in the short term. Uribe and Chavez, while both highly popular in their respective countries, do not appear to me to be moving along the same tracks with respect to social or economic policy. While both have expanded the role of the state to attend to their citi-

zens' needs, Uribe has done so by leveraging market mechanisms. It would come as an utter surprise to me if he were to abandon his free market principles and end his cooperation with the United States based on a trade agreement."

**A** **Guest Comment: Myles Frechette:** "Some in Washington believe cooperation between Colombia and Venezuela taunts Uncle Sam. That is a mistaken and simplistic conclusion. Alvaro Uribe was elected president in 2002 and re-elected in 2006 to better Colombia and the lot of his country-  
*Continued on page 3*

### PHOTO OF THE DAY



Will Colombian President Alvaro Uribe (center) cast his lot with the likes of Venezuela's Hugo Chavez (left) and Ecuador's Rafael Correa (right) if the US does not approve a free trade pact with his country?

*Casa de Nariño file photo.*

### Inside This Issue

<b>FEATURED Q&amp;A:</b> Will the US "Lose" Colombia if Congress Does Not Pass the FTA? .....	<b>1</b>
Mexico to Spend \$7 Billion on Counterdrug Program .....	<b>2</b>
Venezuelan Student Protesters Clash with Chavez Supporters .....	<b>2</b>
Brazil's Anatel Okays Telefonica-Telecom Italia Deal, with Conditions.....	<b>2</b>
News Briefs: Colombian Candidates Killed; Tax Breaks in Brazil; Lockheed Martin Deal .....	<b>2</b>
Ecuador Grants Brazil's Petrobras Permit to Develop Oil Block.....	<b>3</b>

## NEWS BRIEFS

**Two Candidates Shot and Killed by Suspected Rebels in Colombia**

Two Colombian political candidates were shot dead by suspected FARC rebels on Tuesday, bringing to at least 21 the number of candidates killed ahead of nationwide local elections on Sunday, Reuters reported. Gratiniano Murcia and assembly candidate Carmen Liliana Polania were killed as they left a meeting in Caqueta province, where leftist rebels have traditionally had a strong presence.

**Lula Grants Tax Breaks for Exporters Hurt by Real's Gains**

Brazilian President Luiz Inacio Lula da Silva has signed legislation that will grant tax breaks to exporters hurt by the country's strengthening currency, the government said Tuesday, according to Reuters. Companies in industries such as textiles, shoes, and timber will be granted exemptions on social security taxes charged on capital goods purchases and imports to help offset a 19 percent gain the country's real against the US dollar since the beginning of the year, and a 123 percent strengthening since 2002.

**Argentina Signs \$66 Million in Contracts with Lockheed Martin**

Argentina signed a pair of two-year contracts worth \$66.3 million with the US' **Lockheed Martin**, the world's largest defense contractor, to provide equipment and services to the country's Air Force, the defense ministry announced Tuesday in a statement. Under one of the contracts, the local unit of Lockheed Martin will provide engineering, maintenance, and other services to the Air Force at a cost of \$49.9 million. The other contract, worth \$16.4 million, is for the construction of 10 aircraft fuselages.

## Political News

**Mexico to Spend \$7 Billion on Counterdrug Program**

Mexico confirmed Tuesday it will spend \$7 billion to fight powerful drug cartels, a day after US President George W. Bush asked lawmakers to grant \$1.4 billion in counterdrug aid to its southern neighbor. Mexico's ambassador to the US, Arturo Sarukhan, said Mexico plans to spend the money over the course of three years to combat the lucrative drug trade, local daily *El Universal* reported. It amounts to a 24 percent increase over the figure budgeted last year. The plan, which the governments have dubbed the "Merida Initiative" after the city where Bush and Mexican President Felipe Calderon first discussed it, has generated heat on both sides of the border, with Mexican and US

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*The plan has generated heat on both sides of the border, with Mexican and US lawmakers complaining they weren't consulted on its details.*

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lawmakers complaining they weren't consulted on its details. Some Mexican lawmakers have said the US funding will limit the country's sovereignty, but analysts point out they may have little say in how the money is spent, according to Reuters. In a statement, Mexico's foreign relations secretariat responded by saying the new budget figure will allow the country to carry out the counterdrug effort Mexico launched on its own and that "the agreements made by both governments in the Merida Initiative will complement that effort."

**Venezuelan Student Protesters Clash with Chavez Supporters**

Thousands of Venezuelan students clashed with smaller pro-government groups on Tuesday as they marched across police lines to the National Assembly to protest a

constitutional overhaul that would enable President Hugo Chavez to seek indefinite re-election, among other reforms, Reuters reported. Several people were slightly injured as protesting students and pro-Chavez groups threw rocks and bottles at one another while police sprayed tear gas to disperse the crowds, witnesses said. The students, as well as opposition politicians, Roman Catholic Church authorities, and others, say Chavez wants to expand his power through undemocratic means. "The message to the [Assembly] and to the government is that there is ... a part of this country that rejects these reforms and we want to be heard," student leader Stalin Gonzalez said on local television, according to Reuters. Lawmakers are rushing to debate 67 proposed constitutional amendments before they are put to a national referendum on December 2. The reforms would extend presidential terms from six

to seven years and end term limits, give the government more control over the Central Bank, and create new types of cooperative property, among other changes. They are part of Chavez's "Bolivarian Revolution," which aims to create a socialist state to provide the country's poor with more social services.

## Company News

**Brazil's Anatel Okays Telefonica-Telecom Italia Deal, with Conditions**

Brazilian telecom sector regulator Anatel approved the acquisition by Spain's **Telefonica** and its Italian partners of an 18 percent stake in **Telecom Italia**, but on the condition that they keep their operations in Brazil separate. Anatel gave Telefonica and Telecom Italia six months to present a plan on how they would keep their local units separate as part of some 28 conditions imposed on the deal by the regulator, the Associated Press reported. Telefonica, through its **Vivo** joint venture with



Sarukhan  
Photo: Mexican  
Embassy.

**Portugal Telecom**, and Telecom Italia's local unit, **TIM Brasil**, control Brazil's largest and second-largest mobile operators, respectively, with a combined market share of around 50 percent. Analysts had said Telefonica might be forced to divest from TIM Brasil or Vivo or otherwise shed some assets in the country in order to comply with rules that bar the ownership of stakes in companies that compete in the same area. However, Antonio Domingo Teixeira Bedran, one of five Anatel directors, said the regulator was not demanding the sale of any assets in Vivo or TIM Brasil, the AP reported. "Our main condition is that there be a wall between the two companies," Bedran was quoted as telling reporters. "We are not allowing a merger or an economic accord between the companies. That is very clear in our decision." The deal still awaits review by antitrust regulator CADE. Telefonica and Telecom Italia have been awaiting approval of the deal since April, when Italy's Pirelli group agreed to sell its controlling stake in Telecom Italia to a consortium made up of Telefonica and a group of Italian companies for 4.1 billion euros (\$US 5.58 billion) in cash. The deal also needs regulatory approval in Argentina, where the two companies control the country's largest and second-largest telecom service providers.

### Ecuador Grants Brazil's Petrobras Permit to Develop Oil Block

Ecuadorean President Rafael Correa announced Tuesday the government authorized an environmental permit for Brazil's state-controlled oil and gas company **Petrobras** to develop the an oilfield in the Andean nation's Amazon region, Reuters reported. "The environmental license has been given to Petrobras .... It has been signed," Correa was quoted as telling reporters. Obtaining the permit was the final obstacle Petrobras needed to clear in order to go ahead with the project in the Block 31 field, which should start production in 2009. The project, which aims to boost declining output in Ecuador, South America's fifth-largest oil producer, faced opposition from environmental groups worried about damage in the Amazon. The block is located in

### Featured Q&A

*Continued from page 1*

men. Uribe has worked hard to develop close relations with the US. That said, there are many issues Uribe can and should cooperate on with his neighbors, including Chavez. The success of any of these collaborative efforts with Chavez will benefit Colombia even if it also raises Chavez's regional profile. It is unrealistic to expect Uribe to renounce Colombia's interests to curry favor with the US. Chavez is trying to persuade the FARC guerrillas to release its high value prisoners, including three Americans. It is unlikely Chavez will succeed, but Uribe will have demonstrated that he will pursue any reasonable option. Uribe will exchange natural gas with Venezuela and allow Venezuelan oil piped through Colombia. He is prepared to support Chavez's 'Bank of the South' as an additional source of project financing for Colombia. Lastly, Chavez wants to resolve a territorial boundary difference in the Gulf of Venezuela. Settling this historic border dispute would benefit Colombia. This is regional cooperation, not goring Uncle Sam's ox. The fate of the Colombia Trade Promotion Agreement is uncertain, but the US will not 'lose' Colombia if Congress does not approve it. The big loser will be the US by demonstrating to the world that it is not a reliable partner."

**A Board Comment: Beatrice Rangel:** "Failure to pass the FTA with Colombia will send a clear message to the Hemisphere and the world that it is much better to rival than to befriend the United States. Colombia has the longest and most unequivocal track record of support for our country. It is currently waging a war against violence, crime, and despair. To succeed in this fight,

Ecuador's Yasuni national park, home to isolated indigenous groups and rare wildlife. Last week, Oil Minister Galo Chiriboga said the government would not allow oil drilling in an area within the park, which sits on an estimated 1 billion

Colombia needs to enhance trade so as to create more jobs and increase tax receipts to fund social needs. These needs have increasingly become a public policy priority during the Uribe administration, but the glass is still half empty. Without a free trade agreement, progress made in meeting the social agenda could stall and Colombia might fall prey to populism. Such an outcome would entail the loss of a friend and a partner by the US. Even without a rapprochement with

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“ Failure to pass the FTA with Colombia will send a clear message to the Hemisphere and the world that it is much better to rival than to befriend the United States.”

— Myles Frechette

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Venezuela, which I think is by no means in the making, Colombia needs to seek other horizons for trade creation if the US is to slam the trade door shut. In spite of the control that the state exerts over the economy, Venezuela is a significant trading partner. It thus seems absolutely sensible for President Uribe to dedicate more time to the trade flows that exist than to those to be created."

**A Guest Comment: Stan Gacek:** "The AFL-CIO, in conjunction with the national trade union centrals in Colombia, which speak for all of organized Colombian labor (CUT, CGT and the CTC), believe that a trade agreement with Colombia

*Continued on page 4*

barrels of oil reserves, the country's largest. Petrobras, which in December was authorized to resubmit its environmental proposal to address concerns, expects to invest \$300 million in the field to produce around 40,000 barrels per day.

**Featured Q&A***Continued from page 3*

should not be considered until the country meets an established and basic set of labor and human rights benchmarks. These include: completely severing all ties with paramilitary organizations and international criminal networks; making significant advances in the investigation and prosecution of crimes against trade unionists committed by the paramilitary and guerrilla forces; and providing meaningful and adequate protection for unions and trade unionists. The government must also bring its labor laws into conformity with ILO recommendations and provide full support for the newly created ILO office in Colombia to monitor labor rights compliance and pursue the investigation of key cases of assassinations of trade unionists. In the judgment of the US and Colombian labor movements, the FTA proposal fails in relation to all of these essential criteria. Impunity for acts of violence committed against Colombian trade unionists still continues at an intolerable rate of over 90 percent, and the minimal steps needed to revise the law governing labor relations, bankruptcy, and cooperatives to bring about real compliance with ILO freedom of association and collective bargaining standards have not been taken."

**A** **Board Comment: Diego Arria:** "Uribe's gestures toward Chavez are dominated exclusively by the slogan 'business is business.' Colombia's annual exports to Venezuela are already over \$3 billion and are growing fast. Uribe's signals are definitely not addressed to the US but, out of self-interest, to Chavez. However, Uribe knows that the Chavez regime is the FARC's most important ally and that Venezuela is a very dangerous neighbor. The fact that Colombia's short-term business advantages could be dramatically offset by the Chavez-FARC collaboration should be an issue of strategic importance and concern to the Colombian people. The US' Democratic-controlled Congress has forgotten that the US decided to actively

help Colombia only after its own war on drugs had collapsed, and because of its own domestic political considerations. It also demonstrates a complete disregard for the co-responsibility the US has with Colombia, which continues to live through formidable and tragic difficulties as an ally in the US war against drugs, the main beneficiary of which was supposed to be the US. The US adopted the absurd policy that left Colombia to fight a war against narco-terrorists, but did not include support to combat them. Probably worse was the fact that it did not try to incorporate support from the Andean countries (which would do everything for Colombia except lift a finger to help), and from the international community. The unified campaign (against drugs and the guerrillas) has only been undertaken under Uribe's leadership, but now it looks like the US has given up on its best and most loyal ally in the region. Not to approve the FTA would be a devastating message to the Colombian people, who have sacrificed so many lives to preserve the region's oldest electoral democracy. The US Congress should keep in mind that the Chavez-FARC duo are anxiously waiting its decision."

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