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FEATURED Q&A

What Do Recent Hostage Releases Signal for Colombia's FARC?

Q Last week, Colombia's FARC guerrillas freed six hostages—former Meta state Governor Alan Jara, former lawmaker Sigifredo Lopez, three police officers and a soldier. It was the FARC's first unilateral release of captives in nearly a year. What does the rebels' decision to release the hostages say about the health of the FARC? What do they hope to gain by releasing the captives? Do Colombians see an end in sight after more than 40 years of armed conflict?

A **Guest Comment: Markus Schultze-Kraft:** "The recent unilateral releases of four members of the security forces and the last two 'swappable' civilians in FARC captivity (it is estimated that the insurgents are still holding up to 700 other hostages for criminal-extortive purposes) occurred under markedly different circumstances than those of one year ago. Other than the purely logistical support provided by the Brazilian government and the International Committee of the Red Cross, there was no international participation of any kind in the latest release. This means that by setting free the six captives, the FARC could not have hoped to gain any political or other recognition abroad, as was the case in early 2008. The recent unilateral releases were likely geared more at strengthening the standing of its new leader, Alfonso Cano, and promoting internal cohesion within the rebel organization, which during the past year lost three secre-

tariat members, including the historic and emblematic Manuel Marulanda, and was battered by Operation Jaque. Cano may have sought to send a clear message to the rank-and-file that the guerrilla high command is still capable of taking important decisions and implementing them successfully. In addition, the insurgents used one of the three hostage releases to deliver a letter to Senator Piedad Cordoba, thereby again seeking to demonstrate capacity to act politically. Reportedly, the message contains a proposal for a future hostages-

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Bachelet Arrives in Cuba, May Meet With Both Castros

Chilean President Michelle Bachelet arrived Tuesday in Havana for a four-day state visit. The trip marks the first time a president of Chile has visited Cuba since 1972. See story on page 3.

Photo: Chilean Government.

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NEWS BRIEFS

Bolivia Plans to Nationalize Four Power Companies

Bolivia's government, using broader seizure powers afforded under the country's new constitution, plans to nationalize four power companies, Bloomberg News reported Tuesday. "We're going to continue with these activities in the long term so that energy is guaranteed in this country from here on out," said Energy Minister Oscar Coca. The government plans to take control of **Empresa Electrica Corani**, **Empresa Electrica Guarachi** and **Empresa Electrica Valle Hermoso** in addition to transmission company **Transportadora de Electricidad**.

Petrobras Plans to Export Natural Gas Not Needed for Operations

Brazilian state oil company Petrobras is planning to export natural gas when it has excess supply not needed to generate power, said Maria das Gracas Foster, the head of Petrobras' gas and energy operations, according to Bloomberg News. The company maintains between 14 million and 17 million cubic meters of natural gas ready every day in case the company's hydropower is low.

Bank of Nova Scotia Seeks to Open Miami Office

The **Bank of Nova Scotia** is seeking to open a new office in Miami, which the company says would help it oversee its Latin American operations and allow it to provide its customers there with loans using properties in Florida as collateral, the *South Florida Business Journal* reported Monday. The bank, a subsidiary of **Scotiabank**, has filed applications with the Federal Reserve and the Florida Office of Financial Regulation in order to open the office.

Economic News**Stocks Slide Over Doubts About US Treasury's \$2 Trillion Rescue Plan**

Stocks in markets around the world, including all the major exchanges in Latin America, slid Tuesday on concerns that the US Treasury's financial rescue plan may not work (see chart below). In Washington, US Treasury Secretary Timothy Geithner unveiled the plan to restore credit and fix bad assets, which

The Bovespa index's drop was its biggest in three weeks.

could cost \$2 trillion, Reuters reported. The Dow Jones Industrial Average reacted by falling 4.6 percent. In Brazil, the Bovespa index dropped 2.1 percent—the biggest drop in three weeks. Banks and producers of commodities led declining stocks as concern spread that the US Treasury's plan may do little to ameliorate the global financial crisis, Bloomberg News reported. Geithner said the US government is "exploring a range of different structures" to aid lenders. In Sao Paulo, shares of **Gerdau**, the largest steelmaker in Latin America and **Perdigao**, Brazil's largest food company, were among the falling stocks. Gerdau dropped 5.6 percent to close at 15.90 reais. Perdigao

slumped 4 percent to close at 28.90 reais. In the financial sector, **Banco Itau** and **Unibanco**, which are merging to become Latin America's biggest bank, led financials in their 3.6 percent decline. This year, the Bovespa has risen 9.7 percent on hopes that the government will succeed in its efforts to bolster growth and on speculation that falling interest rates will aid economic expansion. In Mexico, the IPC index fell 3.5 percent on worries about the US government's plan. The concerns also helped trigger a decline in the peso, which fell 2.3 percent to 14.53 pesos to the dollar.

Mexican Labor Minister Plays Down Slim's Economic Views as Alarmist

Mexican Labor Minister Javier Lozano on Tuesday rebuked multi-billionaire Carlos Slim, saying the businessman's views on the economy are alarmist and may discourage investment, Bloomberg News reported. Slim on Monday told members of Mexico's Congress that he expects the country's gross domestic product to "plunge" and unemployment to soar to record levels as oil prices and exports fall. Lozano said Slim's forecasts are the most "grave" he's seen, Lozano told Mexican television network Televisa. "All the headlines refer to this catastrophic scenario that the most powerful man and businessman we have is giving," Lozano said. "He



Slim
File Photo: Mexican Gov't.

Market Snapshot

Indicators From the Region's Largest Economies as of Yesterday's Close

	Index	Closing Value	Percent Change	Yearly Percent Change
Argentina	Merval	1105	-2.72	-44.55
Brazil	Bovespa	41207	-2.12	-30.25
Chile	IPSA	2635	-2.26	-3.64
Colombia	IGBC	8054	-0.30	-11.33
Mexico	IPC	19826	-3.46	-29.59
US	Dow Jones	7889	-4.62	-35.24

Source: Bloomberg.com

should be conscious that this isn't just another declaration or forecast. It can really have an impact on investment, employment and the mood of the people." Mexico's Finance Ministry expects the country's GDP to remain unchanged this year, a more optimistic view than that of the Central Bank. In a February 1 Central Bank poll, analysts expected the economy to shrink 1.2 percent this year on weakening demand for exports. Falling remittances and increasing job losses also factored into the analysts' forecasts. Since November, Mexico's formal economy has lost nearly 500,000 jobs, the biggest job losses since the mid-1990s, according to **Goldman Sachs**. In January, the economy lost more than 128,000 formal jobs, according to Mexico's Social Security Institute.

Political News

Bachelet Begins Visit to Cuba, First By Chilean President Since 1972

Chilean President Michelle Bachelet began a four-day visit to Cuba on Tuesday, the Voice of America and wire services reported. Bachelet's visit marks the first time a Chilean president has visited the island since Salvador Allende's trip in 1972. During her time in Havana, Bachelet is scheduled to meet with Cuban President Raul Castro and may meet with ailing former President Fidel Castro. Bachelet is traveling to Cuba with several business leaders, government officials and cultural leaders. Among the members of her delegation are Chilean Foreign Minister Alejandro Foxley and Chile's agricultural and cultural ministers. Bachelet's political opponents have criticized the visit because the Chilean president is not scheduled to meet any Cuban dissidents.

Company News

Peru's President Asks Congress for Inquiry into Petro-Tech Sale

Peruvian President Alan Garcia on Tuesday asked the country's congress to

Featured Q&A

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for-prisoners swap. However, judging by the Uribe administration's actions surrounding the release of the captives and the detonation of a large car bomb in Cali that killed two and for which the authorities hold the FARC responsible, this looks like a remote possibility only."

A Guest Comment: Myles Frechette: "The FARC's unilateral release of six prisoners to the Colombian government shows it wants to exchange some, if not all, of its prisoners for several hundred FARC guerrillas in Colombian prisons. Despite the logistical pressure and manpower demands of holding as many as 700 prisoners, the FARC seems to believe that the Colombian people's desire to have all of the FARC's prisoners released will pressure Uribe to cut a deal. This is unrealistic. Over the past year, the FARC has been weakened militarily and politically within Colombia. Its international stature has also been reduced. President Uribe believes he can crush the FARC by force and by rewarding guerrillas for deserting or helping prisoners escape. Colombian political and economic elites believe the FARC is virtually defeated. These views are also unrealistic. The FARC can still finance its operations through kidnapping, extortion and narco-trafficking. Despite the fact that the Colombian government has a presence in all of Colombia's municipalities, Colombia is a large country, much of it sparsely populated. There are thousands of small towns without any permanent presence of the Colombian state. Colombians living with no protection against the FARC will not actively sup-

port the government. This means the government must increase the size of its police and army until it actually controls

“The government must increase the size of its police and army until it actually controls all of its national territory.”

— Myles Frechette

all of its national territory. When that happens, the FARC will face either extermination or surrender."

A Guest Comment: Cynthia J. Arnson: "The FARC's unilateral release of hostages, including former governor Alan Jara and former legislator Sigifredo Lopez, has at least three possible explanations. The first and most obvious is an attempt to regain political visibility after a series of punishing military and political defeats; these include the killing of Raul Reyes and other members of the FARC secretariat last year as well as the spectacular military rescue of Ingrid Betancourt, the most well-known of the FARC's hostages. The second and related explanation is to increase pressure on the government of President Alvaro Uribe to negotiate a broader 'humanitarian exchange,' which would include concessions to the FARC, such as the release of prisoners. The third explanation has to do more broadly with an attempt to force issues of peace negotiations with

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investigate the sale of oil company **Petro-Tech**, Reuters reported. The \$900 million sale, to South Korean oil company **KNOC** and Colombia's **Ecopetrol**, was announced Friday. The deal is happening at "a highly inopportune and inconvenient time," said Garcia. Petro-Tech is facing a probe in connection with a wiretapping scandal that has claimed jobs of

Garcia cabinet members. Prosecutors are also probing whether officials of Petro-Tech had anything to do with the disclosures of audio tapes that connected a potential competitor to corruption. US-based **Offshore International Group** currently owns Petro-Tech, which controls more than 5 million acres of offshore oil blocks in Peru.

Featured Q&A*Continued from page 3*

the guerrillas back on to the national agenda, up to now dominated by Uribe's democratic security policy and especially its military dimensions. The real question is what the effects of the unilateral release of hostages will be. The liberation of high-profile politicians may increase public and international pressure on the FARC to release all of its hostages without precondition. In addition, freed hostage Sigifredo Lopez has added credence to what was widely assumed about the fate of 11 other lawmakers killed in 2007: according to Lopez, they were assassinated in cold blood by the FARC in an act constituting a 'war crime.' In the best-case (but probably unlikely) scenario, the FARC's new leadership following the death of long-time commander Manuel Marulanda has come to understand the conflict in more political terms, including the ways that kidnapping and hostage-taking constitute serious crimes against the civilian population that have cost them, not to mention Colombian society, dearly."

A Guest Comment: Bruce M. Bagley: "The FARC's recent hostage releases are welcome news and may mark the beginning of a more flexible stage of negotiations with the Uribe government. But pronouncements of the FARC's imminent demise are premature. No end to Colombia's brutal internal conflict is in sight. The newly installed FARC leader, Alfonso Cano, seems intent upon changing the FARC's image from that of an isolated 'narco-terrorist' organization without any real popular support in Colombia to one of a 'champion' of popular causes among Colombia's still-excluded peasants, Indians and marginalized urban masses. Cano and the FARC are undertaking this 'makeover' via a change in tactics away from kidnappings and toward one based on the cultivation of rural and urban grass-roots groups. Clearly, the Uribe administration's success against the FARC with his 'Democratic Security' policy backed by

the US' Plan Colombia has forced the FARC to abandon mass guerrilla attacks and encirclement of Colombia's cities and return to hit-and-run guerrilla warfare. The deaths of top leaders, the defections of a number of commanders, the desertions of thousands of combatants, and the deterioration of FARC's image have clearly weakened the FARC. The recent release of long-held FARC hostages is an admission of this weakness. However, the FARC retains at least 8,000

“No end to Colombia's brutal internal conflict is in sight.”

— *Bruce M. Bagley*

combatants, and it could recruit more from Colombia's millions of displaced people. Moreover, the FARC continues to earn some \$200 million to \$300 million annually from the drug trade. Hence, there is little reason to hope that Colombia's 45-year old conflict is likely to end any time soon."

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