

The Americas Report

From the Menges Hemispheric Security Project
Center for Security Policy

Vol. 2 - Issue 13 – August 24, 2006

The America's 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."**

Highlighted Story – [Mexican Democracy resists Obrador](#) – Analysis by Fredo Arias-King

"The mask is off," proclaimed a leading Mexican commentator about the candidate of the illiberal Left in Mexico, Andrés Manuel López Obrador (AMLO). Since coming behind his conservative challenger by a narrow margin on the July 2nd elections, AMLO has refused to recognize his defeat and took to the streets with his supporters in what he calls "civil disobedience," comparing himself to Gandhi and Martin Luther King. Whereas in elections past his vituperations would have been credible, in today's Mexico the independent electoral institute, IFE, enjoys the second-highest trust among institutions after the Church, according to polls. AMLO's party, the PRD, is the least-trusted institution in Mexico, except for the police.

Whatever façade of liberalism and civility he had to attract moderate voters to his side has dissipated, ever since **AMLO demanded a partial recount of the ballots, which served only to prove that the original count had been accurate.** Undaunted, AMLO then vowed to "change the institutions," has convened a **"popular assembly" to "replace" the congress and the courts, has called the electoral judges (even before they have given their verdict as to the winner) as "sell-outs."** A Mexican journalist noticed that his rhetoric is the same, word by word, as that of **Subcomandante Marcos** when the **Chiapas rebellion erupted in 1994.** Indeed, both AMLO and Marcos are suspected of the same roots in the communist, Castroist and "Forum of Sao Paulo" networks. Both U.S. and Mexican intelligence (as leaked by congressmen from both countries) detected generous financial support from Venezuela for AMLO's campaign.

Mexicans are surprisingly serene about AMLO's threats, since he's managed to alienate most of the elites, but, importantly, other leading members of his party, who fear that AMLO has reversed years of progress in painting the PRD as a civilized, liberal and modern Left. **In fact, one of the first to recognize the victory of the conservative Felipe Calderón was the Socialist prime minister of Spain, ignoring their Mexican comrades' pleas to discredit the election internationally. The founder and patriarch of the PRD, thrice presidential candidate Cuauhtémoc Cárdenas and his son Lázaro (now governor of Michoacán) have publicly distanced themselves from AMLO, criticizing his mobilizations. The long-time ruling party, the PRI—ousted by Fox in 2000 and with a third place finish this time around—has also recognized the victory by Calderón. The television and other main media ridicule AMLO, portraying him as paranoid and demented.**

The consensus in Mexico is that AMLO will attempt to incite violence among his supporters, but will fail to destabilize Mexico in important ways. However, much will depend on President Vicente Fox, who on numerous occasions before has backed off at the last minute from applying the law against extra-constitutional elements, preferring instead “negotiations,” only worsening their demands as appeasement breeds disrespect for legitimate government. **September 6 is the deadline for the Federal Electoral Tribunal to declare a winner in the election and all points to a judgement in favour of Calderón.** In addition, the 16th marks Mexico’s Independence Day, and the army is scheduled to march, as it does every year, in the Zócalo downtown—occupied by AMLO’s protesters.

Suffice it to say, it seems that Mexican democracy is more resistant towards left wing civil pressures than it would have been six years ago. **The disobedience of AMLO will backfire, showing the real attitude of a bad loser in a democratic process.**

Editor's note:

This is the first of two articles on Mexico by Fredo Arias-King to be published in the Americas report. A second article on the implications of Calderón’s victory will appear in next week’s edition.

News Stories –

[Brazil: Brazil's successful ethanol program fuels U.S. interest –](#)

Record oil prices have made the world's energy landscape a darkly foreboding place this year, inhospitable to optimism and celebration. Except in Brazil. **Brazil will achieve energy equilibrium, exporting as much oil as it imports. The production of sugar cane-based ethanol is expected to reach an all-time high.** And just three years after the introduction of flex-fuel vehicles -- cars that run on either ethanol or gasoline -- several major automakers predict that such vehicles will represent 100 percent of their production by the end of the year, eliminating gas-only models.

The gasoline varieties are blends that contain at least 20% ethanol. The pure ethanol is usually significantly cheaper -- about \$2 per gallon, compared with \$3.74 a gallon for gasoline in Sao Paulo this past week.

Since President Bush this year emphasized ethanol as one possible solution to U.S. oil dependence, Brazil has become a destination of choice for U.S. lawmakers and venture capitalists searching for a crystal ball in which to glimpse America's future.

[Brazil: Chinese exports to Brazil rise 50% in first half of 2006 –](#)

Chinese exports to Brazil rose 50.5 percent in the first six months of this year, against the same period of 2005, to US\$4.15 billion, officials said Friday. In the same period, Brazilian exports to China increased by 35.46 percent, to US\$4.73 billion, the Brazilian Ministry of Development, Industry and Commerce.

From January to June of this year, the balance of trade between the two countries was once again favorable for Brazil by US\$579 million, after a period of deficit. China mainly sold electronic products, machines, optical equipment and instruments and bought soy, iron ore and oil from Brazilian companies. The increased Chinese sales to Brazil followed overall growth of foreign imports to Brazil in the period under review. From January to July this year total Brazilian imports increased 23.3

percent to US\$49.4 billion, against the same period of 2005. Brazilian exports increased 15.11 percent to US\$74.5 billion in the period.

[Nicaragua: Poll: Ortega leads in Nicaragua –](#)

Sandinista leader Daniel Ortega topped all presidential contenders in a poll released Monday. Ortega, who led the overthrow of dictator Anastasio Somoza in 1979 and fought the U.S.-backed Contra rebels as Nicaragua's president from 1985-1990, had 32 percent support in a survey by M&R Consultores published in the Nicaraguan daily newspaper La Prensa and broadcast by TV Canal 2.

He would need only 35% of the vote to win the presidency without a runoff if he tops the second-place finisher by at least 5 percentage points. Second in the poll with 25% was former banker Eduardo Montealegre, of the Nicaraguan Liberal Alliance. **Nicaraguans will also elect their legislature on Nov. 5.**

[Chile: Chile and China sign trade deal –](#)

China and Chile have signed a free-trade agreement, Beijing's first in South America. The deal will give China better access to Chile's extensive natural resources, such as copper, while Chile will be able to target the vast Chinese market. Chilean president Michelle Bachelet said the deal was a "milestone" in the country's economic expansion. China is rapidly increasing trade deals in the developing world to help fuel its surging demand for raw materials. The treaty will free 92% of Chile's exports to China from customs tariffs, and remove Chilean tariffs on 50% of China's exports.

[Chile: Chile eyes free trade agreement with Vietnam –](#)

Vietnam will receive priority under Chile's plans to develop its free trade agreement (FTA). Authorities said that Vietnam provided a potential market for Chile with an economic growth rate as high as China. In 2005, Vietnam's export turnover to Chile reached US\$69 million. Vietnam's accession to the World Trade Organization would further facilitate Chilean businesses to expand their operations in the country. Chile has already signed FTAs with four of the 10 Association of Southeast Asian Nations (ASEAN) member countries, including Singapore, Brunei, Malaysia and Thailand.

[Bolivia: Bolivia, Argentina plan new gas pipeline project –](#)

Bolivia and Argentina on Monday agreed to build a new natural gas pipeline and a gas separation plant and planned to hold an international licensing round this December for the contract. The pipeline project is part of a broader plan to **increase Bolivia's gas exports to Argentina to 27.7 million cubic meters a day (mcd) for 20 years starting in January, from 20 million mcd.**

Argentine President Nestor Kirchner and his Bolivian counterpart Evo Morales agreed to raise the price of Bolivian gas exports to Argentina to five U.S. dollar per British thermal unit (BTU), from 3.50 dollars per BTU, until the end of this year. Bolivia also hopes to increase prices by a further 20% next year.

[Bolivia: Bolivia suffers setback in attempt to nationalize natural gas industry –](#)

Bolivia's plan to nationalize its natural gas industry has stalled because the state gas company has neither the money nor the technical expertise to take control. Three months after President Evo Morales announced the nationalization

and sent soldiers into the natural gas fields, the Brazilian, Spanish and other foreign companies that were supposed to leave are still operating, and Morales' government has made only moderate progress in winning higher prices from its neighbors for its natural gas. The country's state energy company known by its Spanish initials **YPFB**, has proved poorly financed and ill prepared to replace the foreign firms.

Venezuela: It's Venezuela and Iran v US –

Venezuela has long cultivated ties with Middle Eastern governments, but its recent engagement of Iran has become a defining element in its effort to build an alliance to curb US influence in developing countries.

In a visit late last month to Tehran by President Hugo Chavez and his Oil Minister, Rafael Ramirez, the two countries agreed to jointly produce nearly a dozen products, including crude oil and medicines. The two countries are speaking in a more unified voice in their criticism of Israel and the US.

The strengthening of ties has turned Iran into Venezuela's closest ally outside Latin America, adding clout to **Mr. Chavez's efforts within OPEC to increase revenue by limiting oil exports**. Venezuela has also become the most vociferous defender of Iran's nuclear program at a time when Iran feels increasingly isolated. "We stand by Iran at every moment, in any situation," Mr. Chavez said in Tehran after receiving the golden High Medallion of the Islamic Republic from President Mahmoud Ahmadinejad. **Venezuela, Syria and Cuba were the only countries to oppose referring Iran to the UN Security Council at a meeting of the International Atomic Energy Agency in February**. Iranian investment in Venezuela is now climbing fast and exemplifies Venezuela's move to reshape its foreign policy and distance itself from the US by reaching out to countries on the margins of American influence, including **Belarus, Zimbabwe and Cuba**.

Venezuela: Venezuela to raise Tax on Orinoco Oil Projects To 50% -

Venezuela President Hugo Chavez's top ministers Monday approved an income tax reform that would raise taxes on oil activities and eliminate a number of tax breaks. The new oil chapter of the pending income tax reform would increase taxes on oil activities to **50% from 34% on oil deals, including four Orinoco river belt crude projects**, according to lawmakers and a copy of the reform proposal. Members of Venezuela's National Assembly are expected to issue a final stamp of approval soon.

Once congress and Chavez approve the law adjustments, he added, they will become effective in January. Under the new law, companies would no longer benefit from a set of three tax exemptions that together added up to 22% of new investments, according to the reform proposal. Companies involved in developing natural gas projects or in oil refining will continue to pay the old 34% income tax, according to the plan.

Venezuela: Iranian vehicles made in Venezuela –

President Hugo Chávez has announced the establishment of manufacturing plants of family cars as a result of trade exchange and technological transfer agreed upon with third nations, under the government foreign policy. Projects include assembly of a car based on the transfer of **Iranian technology**. The vehicle is expected to work with gas, as part of the plans to develop this source of

energy over the next few years. **Venezuela and Iran entered into a letter of intent last December to undertake feasibility studies and establish a manufacturing plant of economical cars.**

Venezuela-Iran in US\$4 billion 300,000 bpd Indonesian refinery project –

Venezuela's PDVSA would cooperate with Indonesia and Iran to build a 300,000 bpd, US\$4 billion refinery on the Indonesian island of Java, an Indonesian oil official told Platts Tuesday.

Pertamina's subsidiary Elnusa and the National Iranian Oil Refining & Distribution Co signed a memorandum of understanding in May to build the refinery in Java, which would start operations in 2010. Around 70% of the refineries output would be exported and 30% allocated to the local market. Venezuela would provide 150,000 bpd of crude for this project, while the remaining 150,000 bpd would come from Iran, Elnusa president Rudy Radjab said. **"Iran and Venezuela have agreed to join this project together," Radjab said adding that PDVSA would hold a 25% stakes, Iran's NIORDC 20% and Elnusa 30%. "Japan's Sumitomo has expressed interest in having 20% in the project."**

Venezuela ready to strengthen ties with Syria –

Venezuela wants to bolster its diplomatic ties with US foe Syria, visiting deputy foreign minister Alcides Rondon said Saturday according to the official SANA news agency. **Hugo Chavez has been a fierce critic of the Israeli offensive in Lebanon and has found common ground with Syria,** which has irked the West with its declarations of support for Hezbollah Shiite fighters in Lebanon.

Chavez urges Venezuelans to donate for Lebanon –

President Hugo Chavez said Venezuela is carrying out a nationwide fundraising drive to raise money for rebuilding Lebanon and for the Palestinian people.

Chavez called the Lebanese and Palestinians "heroic people" and reiterated his criticisms of Israel over its military offensive in Lebanon. "I ask everyone in the country to give what we can for this fundraising campaign for the reconstruction of Lebanon, destroyed by the genocidal and fascist hand of Israel, and its masters, the U.S. Empire," Chavez said.

Venezuela Leading the Race for the UN Security Council Seat –

In October, elections will take place for five non-permanent UN Security Council seats to be held in 2007. One of them will be for the Latin American seat now held by Argentina. The two leading regional contenders vying to fill the opening are Venezuela and Guatemala. Hugo Chavez personally has been vigorously working to build a coalition of support to win the Council seat and took his anti-imperialism campaign abroad in July to do it **visiting Iran, Russia, Belarus, Mali, Benin, Qatar and Vietnam.** Chavez also sought support within the **African Union** at its July Summit in Banjul. Ghana, Zimbabwe and Mali have since indicated they will support Venezuela's bid for the Security Council seat.

Chavez has also been active in **Latin American** using his new leverage as a formal member of the Southern Common Market Mercosur trade bloc that also includes Brazil, Argentina, Uruguay and Paraguay with Bolivia, Chile, Colombia, Ecuador and

Peru as associate members. Other countries include the four other Mercosur members as well as Bolivia, Cuba and the Caribbean Community 15 country trade bloc known as CARICOM. **Opposed to Venezuela largely because of US pressure are Mexico, Nicaragua, Honduras, El Salvador, Costa Rica, Colombia, the Dominican Republic and Puerto Rico.**

Ecuador: Ecuador Voters Remain Uncertain Ahead Of October Election –

The latest survey by pollster Market shows that 52% of Ecuadorians haven't decided who they will vote for in October's election. Voters will also choose a new Congress as well as local government officials. Leon Roldos, a moderate leftist, leads in the poll with 30.8%, followed by Cintia Viteri of the centrist Social Christian Party, or PSC, with 20.9%. Former Economy Minister Rafael Correa, a more populist leftist, followed with 13.2%. The percentage of undecided voters rose after billionaire banana magnate Alvaro Noboa said he wouldn't run in the elections. The Presidential election is set for Oct. 15.

Mexico: It's Time for Mexico and Calderon to Look Ahead –

Following the traumatic aftermath of Mexico's presidential election, Mexico and Felipe Calderon – who with little doubt won – must make the decision to once and for all ignore the long-winded grumbling and antics of an irresponsible sore loser, turning the page in order to look ahead towards the nation's future.

After being battered by an overly vitriolic campaign, and even worse post-electoral confrontations that nearly pushed the country into a catastrophe, Calderon's first major objective must be to restore and rebuild Mexico's faith in itself. Campaign accusations against government, political organizations and officials were vicious and unrestrained. And as an unfortunate consequence, Mexico's first truly democratic electoral process was discredited.

Calderon must restore Mexican's belief in their institutions, democratic processes and the evolving political system. Calderon will also have to tackle the "migration issue," walking a tightrope between what the United States wants and what Mexico needs. The country has already forsaken its North American Free Trade Agreement advantages, and lost ground to China as the principal trading partner of the US.

Mexico to Know President-elect Next Week –

During the coming week, Mexicans will know from the Electoral Court of the Mexican Judicial Power (TEPJF) its verdict on the July 2 elections and the president-elect. Lopez Obrador and his supporters are holding a National Democratic Convention on September 16 if TEPJF magistrates decide to impose pro-government candidate Felipe Calderon. The judicial court must resolve before September 6 the electoral controversy that follows the July 6 Federal Electoral Institute announcement giving Calderon a 243,000-vote lead over Lopez Obrador, a result immediately rejected by the opposition alliance, which demanded a vote-by vote recount.

Cuba: Raul hints Cuba ready to dialogue with U.S. –

Acting President Raul Castro said Cuba remains open to normalized relations with the United States, but warned the Bush administration in his first comments since assuming power that it will get nowhere with threats or pressure.

Cuba: Cuba Guarantees NAM Summit –

The personalities who will attend the 14th Non-Aligned Countries Movement (NAM) Summit, scheduled for Sept. 11-16 in Havana, will have access to excellent working and lodging facilities, according to sources from the Organizing Committee.

Prensa Latina learned that a hall for common use by all delegations will be available at Havana's International Conference Center, where the summit will be held. The hall will be equipped with computers with Internet access, email, printers, fax, telephone for national and international calls and photocopiers.

The delegates, who come from 116 countries from Latin America, the Caribbean, Africa, Asia and Europe, will also benefit from translation and simultaneous interpretation services in Spanish, English, French and Arab. The members of the press will stay in a score of well-located tourist places.

Brazil: Brazil's oil giant announces investment in the Gulf of Mexico –

Brazil's state-owned oil and gas giant Petrobras will invest 45.48 million U.S. dollars, to have the right to prospect oil and gas in additional offshore blocks in the U.S. area of the Gulf of Mexico, the company said on Thursday.

Petrobras America Inc., a subsidiary of the oil company and a major player in Gulf lease sales since 2004, won the rights for 34 oil and gas blocks in the region in a public bidding process held on Wednesday by the U.S. Minerals Management Service. Petrobras said it will carry detailed geological studies in the blocks to track possible oil and gas wells. **Petrobras owns shares in 212 offshore blocks in the United States, of which 76 are run by the company.**

Peru: Alan Garcia and Bush to Meet in October –

Peruvian President Alan Garcia will meet with his US counterpart George W. Bush in Washington on October 10, Peru Foreign Minister Jose Antonio Garcia Belaunde confirmed on Friday. "This October 10 President Garcia will be welcomed at the White House," said the foreign minister in a telephone interview with RPP radio station.

Garcia Belaunde reiterated that Hernando De Soto's Peru's representative to ratify the FTA with the United States does not have the objective of negotiating the agreement.

Peru and Chile sign Free-Trade Complementation Pact today –

Peru's Foreign Minister Jose Antonio Garcia Belaunde confirmed before Congress that the signing of the "Agreement of Economic Complementation" (ACE) with Chile will be carried out today in a ceremony at the Government Palace. Foreign Minister Alexander Foxley is expected to lead the Chilean delegation. The commercial deal will increase Chilean imports of Peruvian products and help lowering investment barriers. One of the most important points in the deal ensures that Peruvian companies investing in Chile receive the same benefits that Chilean companies receive in Peru. The existing trade pact, signed in 1998, allowed Peruvian exports to Chile to increase to \$1.13 billion last year from some \$132 million in 1997, the government said.

Comment: In the previous Americas Report, we ran a story about the Venezuelan costly venture of selling oil to China. This week there is a piece that reveals the losses which sum up to **\$164M/year**. Here is the link to read the article:

[Venezuela losing \\$164M/year in oil trade with China](#)

For 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 hemisphericsecurity@centerforsecurity.org. 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 CSPLatinAmerica@gmail.com -*This address is only for news stories; inquires sent to this address will not be answered.***

[Mission of the Center for Security Policy](#)

To promote world peace through American strength

The Center for Security Policy has, since it's founding in 1988, operated as a non-profit, non-partisan organization committed to the time-tested philosophy of promoting international peace through American strength. It accomplishes this goal by stimulating and informing national and international policy debates, in particular, those involving regional, defense, economic, financial and technology developments that bear upon the security of the United States.

The Center specializes in the rapid preparation and real-time dissemination of information, analyses and policy recommendations via e-mail distribution; computerized fax; its exciting, redesigned Web site; published articles; and the electronic media. The principal audience for such materials is the U.S. security policy-making community (the executive and legislative branches, the armed forces and appropriate independent agencies), corresponding organizations in key foreign governments, the press (domestic and international), the global business and financial community and interested individuals in the public at large. The Center is aided immeasurably in the performance of its mission thanks to the active participation of a sizeable network of past and present, civilian and military security policy practitioners. By drawing on the experience, judgment and insights of these accomplished individuals, the Center is able to maximize the quality of its inputs into the policy-making process. This structure also permits the Center to operate with an extremely small core staff and great cost-effectiveness.

Contributions Welcomed

The Center for Security Policy and the Menges Hemispheric Project needs your support - Your generous tax-deductible contribution may be made securely [on-line](#) or by mail to 1920 L. St NW Suite 210 Washington D.C. 20036 (*Note: The Center for Security Policy does not rent, sell, or otherwise provide donor information to any third party except as required by law. The Center does not engage in telemarketing.*)

Menges Hemispheric Project • Email: hemisphericsecurity@centerforsecurity.org • Direct: 202-719-2410
1920 L Street, N.W., Suite 210, Washington, D.C. 20036 • (202) 835-9077 • Fax (202) 835-9066 www.CenterforSecurityPolicy.org