

CHAPTER FIVE

IBERO-AMERICA

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Overall, 1998 can be considered a positive year for Ibero-America, even though the region's economic performance—albeit excellent—was lower in terms of macroeconomic figures than in 1997. Nonetheless, a majority of the region's inhabitants still voice concern over their future. These at least were the findings of a large poll taken by Corporación Lati-nobarómetro, a non-profit organisation based in Santiago de Chile that was founded with aid from the European Union. The survey interviewed over 17,500 people in 17 countries throughout the region (with a few glaring exceptions such as Cuba), and provided such a good overview of the sub-continent that the mammoth task has been repeated three times consecutively. From Rio Grande to Tierra del Fuego, Ibero-American citizens expressed their concern over the state of affairs, and 77 percent felt that the situation of their country was either stagnant or getting worse. Although the institutions of Ibero-America continue to enjoy the support of a majority of the population (with 63% expressing support in Mexico and South America and 66% in Central America), the results of the poll cast doubt on whether Ibero-American institutions are strong and stable enough to withstand the growing dissatisfaction. The inhabitants of the region are also beginning to express their dissatisfaction with the workings of democracy, with a full 65% claiming disappointment with the system. The exceptions are Uruguay and Costa Rica, both of which have long-standing

(*) Translator's note: The IEEE opted for this term rather than the more commonly used «Latin America» in order to reflect the Iberian peninsula's special links with those countries.

traditions of democracy, and where 60% of the population claims to be satisfied with the progress of democracy.

This widespread dissatisfaction could be the reason behind the growing support for authoritarian forms of government, even in countries where democratic institutions formerly enjoyed considerable backing. This is the case in Mexico for instance, where in just one year support among the population for an authoritarian government has increased to over 30%, eight points higher than last year's level. The advance of authoritarianism is closely tied to the widely held view that governments are increasingly ineffective and powerless. In one year, there was a drop from 60% to 48% in the percentage of people who regarded the government as the country's most powerful institution, whereas the number of people who thought that multinationals and large companies were the country's true power brokers dropped five points to 44%. If this is the case, who has increased their power and influence throughout the continent? The almost unanimous reply is the political parties and the armed forces. In Central America however, the survey indicates that the influence of the armed forces has actually waned (from 28% to 18%), as a result of increasingly stable democracy following the devastating conflicts waged in the previous decade.

POLITICAL ASPECTS

According to James Petras, sociologist and professor at New York's Binghamton University, two of the basic principles of Ibero-America's transition to democracy—government by alternating administrations and inability of governing parties to use official institutions to retain their grip on power indefinitely—are in grave danger right now. In his view, even though the principle of alternating government remains in force, it has lost much of its meaning for many citizens, whose growing lack of interest has led to a drop in voter participation. This apathy is caused by the incapability of political parties and leaders to implement measures to ensure that all parties play by the rules of democracy in their election campaigns and to prevent a situation where although parties and leaders come and go, their style of politics is the same.

According to Petras, the second threat is a resurgence of *continualism*, or self-perpetuation, although within the framework of a representative system instead of a military regime. It has traditionally been held that

abuse of power by the governments of Ibero-America has made the system of authoritarian governments endemic to the region's culture, not only in the sense of individuals holding on to personal power, but also institutions such as the armed forces, and in the practice of limiting candidates in elections to hand-picked successors. The renowned sociologist feels that the influence of vested interests has fostered political corruption and therefore made it necessary to eliminate one of the key features of *continualism*—the habit of re-electing the president. However, several administrations have used the resources and influence of the state to introduce constitutional reforms designed to perpetuate their hold on power, and Petras maintains that over half of Ibero-America's population continues to live under *continualist* regimes. The professor ends by adding that this practice is a departure from the rules and regulations of democracy and that these civilian authoritarian regimes initially arose from open political competition with the aim or excuse of ensuring that the country did not fall once again under the sway of military regimes, but that they are in reality virtually identical in both form and content to these very same regimes. This fact renders futile all efforts at breaking with the past and actually paves the way for a return to the militarisation of politics through this new electoral authoritarianism.

In the 1998 edition of the *Strategic Panorama*, the London International Institute for Strategic Studies maintains that although the military in Ibero-America have returned to their barracks, they have not renounced influence or power, but simply adapted their tactics to the new circumstances of democracy. As an example, the article points to the designation in May 1997 of General Hugo Banzer as president of Bolivia. Though he did in fact win the post by fair election, the former dictator nonetheless was able to once again to participate in politics and regain power. After citing a number of similar cases of the participation of the military in various Ibero-American republics, the IISS warns that many former and current army officers are beginning to emerge not only as possible presidential candidates, but also as a power behind the scenes that exercises considerable influence over democratically elected civilian governments. The article cites in particular the case of General Augusto Pinochet who in March 1998 renounced his post of Commander in Chief of the Armed Forces of Chile in order to be appointed senator for life according to the constitutional provisions of 1980 that were drawn up when he was president. From this position he is able to take part in and influence the country's budget and other important policy decisions.

The aforementioned London institute goes on to mention a number of other cases of the military vying for considerable power through less constitutional means. It specifically cites the armed forces of Mexico, whose influence has grown due to the high-profile fight against Zapatist guerrillas and the five major drug cartels who exert an ever-increasing influence over the affairs of the country. It also points to the case of Colombia, where the armed forces have secured a powerful position for themselves at regional and local level under the pretext of combating the country's guerrillas, drug lords, and paramilitary militias. A further example is Ecuador, where the armed forces constitute one of the country's most popular institutions. The military earned this popularity by its role in modernising the country during the decade of the 1970's when the large profits were being earned from the sale of oil. The IISS goes on to mention Peru, where Alberto Fujimori relies on the army to bolster his own position, particularly following the operation mounted to rescue the hostages held by guerrillas at the Japanese embassy in April 1997. The IISS ends its analysis by stating that future threats to democratic stability in Ibero-America will not come from military take-overs, but rather from capable officers who will attempt to fill institutional, political and social power vacuums in fairly stable democratic governments with good economic growth, but that are victimised by organised crime tied to drug trafficking, and the vestiges of guerrilla movements that have not been completely eradicated, especially in Colombia, Mexico and Peru.

In early September 1998 the 12th summit meeting of the heads of state and government of the fourteen nations of the Rio Group was held in Panama. The leaders of Argentina, Brazil and Uruguay did not attend on account of the serious economic setback caused by the international financial crisis in summer 1998, among other pressing domestic problems. The Rio group currently includes Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela, as well as two rotating representatives of Central America and the Caribbean. At this summit, the four member states of Mercosur (Argentina, Brazil, Paraguay and Uruguay) and Peru laid down their conditions for the incorporation as full members into the Rio Group of the democratic Central American and Caribbean countries that had requested membership. These conditions—an in-depth discussion of the timeliness, advisability and nature of enlargement—stemmed basically from the concern that the enlargement of this group, founded in 1986, would be tantamount to establishing a new Organisation of American States, though without the United States and Canada. In my opinion, they are badly mistaken, for if the

Ibero-American countries are to command respect, as they rightfully should, from their two more powerful neighbours to the north, they must do so together, with a single, united voice, as is the case of the European Union. In Panama City, Ibero-America demonstrated the progress it has made in consolidating democracy, but also its failures in implementing the mechanisms necessary for building confidence and cushioning the effects of the economic crisis of summer 1998. Servicing a foreign debt of 640 billion dollars uses up a good part of domestic savings and affects the budget, development programmes and the fight against poverty and unemployment. At the Panama meeting, the Rio Group negotiated with the International Monetary Fund to exert greater multilateral control over the flow of speculative capital that volatiles capital and penalises weaker economies.

SECURITY AND DEFENCE

Urban violence, guerrillas, clashes between indigenous populations, drug trafficking and border disputes continue to be the most serious problems that undermine the stability of the Ibero-American subcontinent.

Political Violence

At the 39th annual assembly of the governors of the Inter-American Development Bank (IADB) held in the Colombian city of Cartagena de Indias from 12-18 March 1998, it was warned that *political violence* levels are now well above the world average and that this is having considerable impact on social life and economic activity in the region. The report entitled «Economic epidemiology of urban violence» drawn up by economist Juan Luis Londoño for the IADB states that there are some 140,000 homicides per year in the region, that every Ibero-American loses an average of three working days because of violence and that 28 million families are victims of theft or burglary every year. Londoño estimates that violence in Ibero-America is five times higher than in the rest of the world. Violence represents a huge cost for the economy, since the destruction of goods amounts to 14.2 percent of regional GDP and human capital losses total 1.9 percent of the Ibero-American GDP—equivalent to total expenditure for primary education—while capital resources losses stand at 4.8 percent of GDP. In the opinion of different experts from the Inter-American Development Bank, this wave of violence is holding back the growth of the Ibero-American economies by between two and three

points of their GDP each year. Few dispute that this is the cost, though the specialists in violence do not agree on the causes and possible solutions. While Londoño and the IADB blame the problem on lack of education, possession of arms and consumption of drugs and alcohol, other economists, among them the Peruvian Adolfo Figueroa, believe that poverty and social inequality are the only cause.

The guerrilla

As mentioned in last year's *Strategic Panorama 1997-1998*, the disappearance of the socialist bloc left the *guerrilla* without an ideology or social model, and its message thus lost much of its force and credibility. Furthermore, the many years spent underground have, in a sense, led to a sort of professionalisation of the guerrilla groups. The *vacunas*, «vaccines», as the protection money they demand is called, kidnapping and a hand in the drug trade have become a comfortable and profitable way of life which they are not willing to abandon, and this explains why most of the Ibero-American revolutionary groups are reluctant to disappear from the scene even though the cold war has ended. What is more, in many parts the *guerrilla* has become a substitute for the state, basically as far as social and welfare services are concerned, and the state has lost its authority in large areas of several Ibero-American countries.

At the same time, as the well-known political scientist Román Ortiz warns, the continued action of the guerrillas, together with the armed forces' inability to neutralise their activities and stop them spreading, has led to the proliferation of paramilitary groups which started out as groups of extremists and have now become genuine private armies. This situation evidences that poverty and the fragility of the state are among the main factors that *guerrillas* feed off. The president of the Inter-American Development Bank, Uruguayan Enrique Iglesias, considers that the incidence of poverty and its absolute levels continue to be higher than in 1980, the rural areas being the worst hit. Therefore, maintains Iglesias, remedying this situation through greater social and political stability and higher economic growth is the major challenge the region faces at the beginning of the 21st century, while poverty today is creating an extremely tense socio-political atmosphere, as it is producing a mass of destitute people prepared to join different types of armed bands. Likewise, on many occasions governments cannot guarantee the provision of certain basic services such as public safety or the administration of justice, let alone others such as social security. According to Román Ortiz, this is clearly evidenced by the

fact that 90 percent of crimes against public safety go unpunished in the peripheral districts of cities such as Bogota, Lima, Mexico or Caracas. The fragile state of the administration, and in particularly that of justice, creates a perfect breeding ground for violence, since lack of state authority causes a vacuum that tends to be filled by guerrilla or paramilitary groups. Also, guerrillas often perform certain state functions, becoming the social basis that any armed group needs to survive. To all these factors should be added the complicated geography of the subcontinent, which hinders cohesion of states, since national resources cannot overcome the natural difficulties posed by forests, large rivers, impenetrable mountains and deserts.

A particularly significant factor which should be borne in mind is the complex relationship between the guerrilla groups and the indigenous population, in which the security forces and, as we will see later on, drug traffickers are also involved. The guerrilla groups usually operate in the more remote regions between the international borders—precisely those inhabited by the Indians—since they are the best places for escaping state control and provide a perfect base from which to carry out offensive actions and then cross the border. As a result, since they share their home with the guerrillas and sometimes with drug traffickers, as occurs particularly in Colombia, Guatemala and Peru, the indigenous populations have to struggle to keep the difficult balance with the armed bands in the region. Furthermore, the national governments are trying to identify the social groups that are vulnerable to subversive influences and the indigenous communities are usually classified as one of them.

Since the start of the guerrilla war, the Indians have been struggling to free themselves from the FARC, M-19, ELN and other rural guerrilla groups, trying to prevent the infiltration of rebel forces and being forced to support them, while, from the other side, the law enforcement bodies accused the Indians of conniving with the guerrillas. In Peru, the indigenous populations found themselves trapped between the Peruvian troops, on the one hand, and Shining Path (Sendero Luminoso) on the other. Thousands were killed, since each side assumed that those who called themselves neutral peasants backed the other side until the Peruvian military eventually changed their tack on realising that such assertions were false. Thousands of Ashinka were forced to join Shining Path or else provide them with financial support—which sometimes entailed the production of coca leaf—and although at the beginning of the 90s they managed to expel the Tupuc Amaru Revolutionary Movement (MRTA) from their terri-

tory, it seems impossible to do the same with the Senderistas. According to Peruvian sociologist María Isabel Remy, the indigenous communities are putting up increasing resistance to the domination and intimidation of Shining Path and are gradually joining forces with the military.

The Guatemalan armed forces initially believed that a large proportion of the Mayan people supported the former guerrilla fighters who are now activists of the URNG political party, the Guatemalan National Revolutionary Unit. The URNG is not an indigenous movement and, indeed, its ideology does not include the political and social claims of the Maya, but the military crackdown on this people led them to join the URNG by the thousand. Small armed groups that broke away from the indigenous Katanist movement in Bolivia led the security forces to launch a major operation to eradicate them, fearing that they would be taken over by Shining Path. However, according to anthropologist Xavier Albó, although those groups used indigenous slogans and names to attract the support of the rural population, they were never made up of Bolivian Indians. This was similar to the situation of the Puka Inti guerrilla (meaning «Red Sun» in Quechua) in Ecuador, on whom the army clamped down harshly, considering they were likewise influenced by Shining Path, even though this group was never made up of indigenous activists, but rather the student population of Guayaquil.

According to specialist in indigenous studies Donna Lee Van Cott, the Zapatist National Liberation Army (EZLN) is an unusual example of a guerrilla group and of an indigenous movement in Ibero-America owing to the circumstances which gave rise to its founding and subsequent transformation, its strange mixture of members and supporters and its set of cultural and basically nationalist left-wing ethnic claims. Van Cott writes that the EZLN arose from the merger of two groups. One of these was made up of Maoist intellectuals who were neither natives of Chiapas or Indians and former members of left-wing Mexican guerrilla groups who later settled near Chiapas, while the second consisted of a small group of indigenous activists who broke away from the pacifist Indian movement of Chiapas, fleeing to the Lacandón forest. Plummeting coffee prices in the international market in the early 90s, which left many rural co-operatives bankrupt, and the suspension of state subsidies led to growing discontent among the Mexican Indian population. The merger of the two groups gave rise to an organisation that combined the structure, strategy and military symbols of an armed movement of Marxist leanings and certain indigenous characteristics,

such as the basic demands of the pacific Indians of Chiapas, an appeal for dignity, self-determination, respect for the indigenous culture and identity and a considerable number of Mayan members, many of whom only speak Indian languages. Even though the pro-Indian movement and the EZLN are incompatible, they continue to team up in order to obtain mutual benefits.

CONFRONTATION BETWEEN THE STATE AND INDIGENOUS POPULATION

The *confrontation between the indigenous population and the state* in recent years has heightened the frustration of the Indians set on making political claims. Indigenous communities in Bolivia, Ecuador and Mexico have recently defied state authority in major disputes of a violent nature, as a result of the continual violations of their territorial and human rights. Where-as they have achieved recognition and protection through legal and constitutional reforms in some Ibero-American nations, they continue to be disproportionately the poorest of the poor and are frequently victims of countless abuse.

At a conference given at the US National Defense University, Donna Lee Van Cott stated that a better understanding of the concepts of security and defence from the point of view of the indigenous communities would help us to assess more rigorously the role of national policies in worsening or alleviating the inter-ethnic conflict in Ibero-America. Although relations between indigenous populations and the state differ considerably across the region, the national security aspects generally consist of defence of national sovereignty and territorial integrity and the fight against drug trafficking and armed movements. However, indigenous communities, governments and armed forces all have a different concept of *national security*, and this influences their mutual relations substantially.

The indigenous peoples regard themselves as nations and their concept of *national security* is intrinsically linked to their survival. In addition to physical security—defence from external coercion and violence—they strive to protect their cultural security as a way of preserving the indigenous *nation* as a social, territorial and political entity. The ethnic and cultural diversity of the 40 million human beings who belong to the dozens of indigenous groups currently living in Ibero-America is an often insurmountable obstacle to their integration, since they persist in looking at the world

in their own particular way—which is neither better nor worse, simply different—and view the development of an industrial society as an alien concept. We must accept that factors and circumstances such as the precarious subsistence economies of the communities that surround them, the diseases which their immune system is unable to resist, and western ways of life do not allow them to emerge from their voluntary isolation as a way of maintaining their own identity. The indigenous peoples are not familiar with the concept of frontiers or property and consider that the most important security aspect, in addition to keeping the lands they have dominated for generations, is to maintain the right to govern them as communal goods. They do not view the land merely as an economic resource, but also as a guarantee of their own government and autonomy; it represents the basis of the indigenous community as a social organisation, the vehicle through which their culture and identity are handed down to their descendants. In a very harsh communiqué issued on 13 January 1998, the Catholic church denounced the oil and timber companies that expropriate the Indians' lands, in many cases «in complicity with the public authorities». According to the Vatican, the indigenous communities are «investors in their own lands» yet are «stripped of them and of their culture». Contrary to the usual stance, it holds «the land-owning elite and the major companies that exploit timber and mining resources» directly responsible and goes on to state that these multinationals «have had no qualms about establishing a reign of terror, using intimidatory methods, illegal detentions and even recruiting armed groups to get rid of those who defend the weak».

The resistance the indigenous communities normally put up to direct threats to ownership, invasions or incursions into their territories in search of game and cultivable lands, the felling of trees, drilling for petrol or drug trafficking, leads to serious clashes in which they normally come off the worst. When they organise themselves into armed groups, it is almost always to defend themselves from the violent attempts to expel them from their ancestral lands or to oppose government policies to annul their territorial rights established in former laws. It is necessary to examine land ownership from the viewpoint of the indigenous peoples, who have recently begun to put themselves across as nationalities, claiming the right to autonomy laid down by international law. It is absolutely essential to understand their aspirations, traditions and cultural values in order to appreciate how violent the confrontation could become in the future and on what basis these people could function as an autonomous ethnic and

social group. Following the continuous, lengthy meetings between indigenous leaders and anthropologists in the seventies, an intellectual *Indianista* current emerged, which aimed at promoting the cultural values of the Indian civilisations by establishing the differences between their concept of society and that of the rest of the peoples of the continent. *Indianismo* advocates political autonomy and respect for their economic system and traditional authorities, particularly in the territories they consider their own. It emerged as an antithesis of *indigenismo*, a concept invented by the state to refer to the integration of the indigenous population into western culture through an apparent protection of their rights. Revolutionary Marxism, in turn, raises the objection that the clash between *Indianismo* and the state does not stem from cultural differences. It is likewise appropriate to distinguish between the different political currents and trends of the distinct indigenous groups and also to examine how social change in Ibero-America and ideological differences have affected the native American peoples. The protection of their language, culture, autonomy and lands are factors which influence the security of the subcontinent, but it is also necessary to analyse in depth the complex relations between indigenous communities, the armed forces, paramilitary groups and drug traffickers.

The control of natural resources in some countries in the hemisphere has had equally serious repercussions on the indigenous populations, particularly the policy pursued by Brazil regarding Amazonia. This region is home to 90 percent of Brazil's indigenous population, which is thought to amount to between 250,000 and 300,000 inhabitants divided into 200 separate ethnic groups speaking 170 languages and dialects. The largest of these are the Guaraní, the Tikuna, the Yanomano, the Makusi and the Kayapa, whereas the remaining 77 percent belong to ethnic groups numbering fewer than 1000 individuals. About 110 of these languages are spoken by under 400 people. Brazil kept up a strong military presence in Amazonia for a long time in order to protect its borders and control the exploitation of its mineral and timber resources. This has at times led different international agencies and non-governmental organisations to take action to prevent deforestation of the tropical areas through the felling or burning of large areas of forest in order to raise livestock and introduce commercial agriculture. They have also staged campaigns to protect the indigenous populations and their territories from illegal predation and from the gold seekers or *garimpeiros* and other adventurers who invade their lands with total impunity. It should be stressed that two of the biggest indigenous groups, the Yanomano and Makusi Indians, who live by the bor-

ders of Venezuela and Guyana, are a source of concern for the Brazilian military who fear that they may join forces with their neighbours, with whom they have ethnic links, to try to set up an independent Indian nation. It is therefore not surprising that one of the guidelines of Brazil's national defence policy, endorsed by the president in 1996, should be «*to protect Brazilian Amazonia, with the support of the whole of society and with a greater emphasis on military presence*». However, this should not constitute a serious obstacle to understanding and respecting the attitude of these peoples, who merely ask for their rights to be recognised and to live in peace and freedom in the territories they have considered their own for many centuries. Moreover, according to recent figures published by the Brazilian government, their contact with western civilisation has led to 130,000 possibly becoming infected with the AIDS virus. Some of the most conflictive regions are the headwaters of the Las Piedras river in Peru, inhabited by the Mashco-piro, threatened by Mobil, and the Colombian region of the U'wa, who refuse to allow Compañía Petrolera Occidental to enter their territory and have threatened the government to stage a mass suicide, while in Ecuador the Tagaeri will risk their lives in order to shun any type of contact.

It can thus be inferred that governments should be more sensitive to, and understanding of, the problems of the indigenous peoples and take advantage of the current atmosphere of regional co-operation to foster dialogue, in view of the impact that national social, economic and cultural policies will have on the American Indian communities, for whom the right of ownership of their lands plays an essential role. Such a measure would contribute to political stability and national security in the continent.

DRUG TRAFFICKING

It is a fact that *drug trafficking* has increased and is thriving in nations with weak governments, though other economic and social factors such as poverty, lack of culture and education have also been vital to the development of this phenomenon.

Of almost equal importance in this connection were the sharp fall in the prices of farm produce worldwide and the neo-liberal reforms which put an end to state subsidies for rural farmers over the past two decades. Thousands of farmers in Ibero-America now earn a living from growing marihuana, poppies and coca leaf as the only possible means of subsis-

tence. These crops provide farmers with net earnings from 4 to 34 times those obtained from cacao or maize, the alternative farm produce. To cite an example, according to an article recently published by *The Economist*, whereas a hectare of land planted with cacao produces a harvest worth some 400 dollars, another used to grow coca can surpass 10,000 dollars. Buyers therefore approach farmers directly, thus saving them from having to transport their produce to the market along narrow roads with worn surfaces that are difficult to negotiate. Furthermore, many drug traffickers pay in cash and in advance. Farmers are thus at the mercy of most of the drug traffickers in the subcontinent, sometimes with the blessing of paramilitary groups and even the police. These factors, together with the links between the guerrillas and drug trade, complicate even further the mix of interests in the area. Shining Path, for example, has chosen the high areas of the Peruvian valley of Huallaga as its strategic objective to control coca production in the region—ideally suited to this crop—protecting the 300,000 farmers from Mr Fujimori's crackdown on drugs and charging the drug traffickers hefty sums of money for each flight made to pick up supplies, as David Scott Palmer writes in the *Journal of Interamerican Studies and World Affairs*.

Such situations often trigger violent action from the armed forces and police operations to clamp down on the indigenous population, not as an expression of discrimination but because most of the growers of poppies, coca and marihuana in the Andean countries are Indians. Even when they are not involved in growing these crops, they nevertheless bear the brunt of the violence of paramilitary groups and drug cartels, since they find themselves drawn into disputes over lands occupied by the cartel, whether legally or otherwise. This explains why quarrels over land are the main reason for the violent clashes between indigenous and non-indigenous groups. Ethnic identity is not the initial cause of this drug-related violence and it is thus important to come up with a solution to the problem: governments must be made aware of the cultural factors involved in the violence against indigenous communities stemming from their undesired links with the drug market. Some countries have emphasised the appropriateness of cultivating alternative crops in combating the drug problem. This stance clashes with that of the United States, which advocates eradication. It is a fact that coca leaf prices have slumped considerably, owing, among other factors, to the increased consumption of synthetic drugs. However, drug trafficking continues to be crucial to the national economies, particularly in the Andean region, not only to domestic or rural economies. In Colombia,

for example, the narcotics trade accounts for almost 6 percent of the country's gross domestic product, according to the latest *Annual report by the geopolitical drug observatory*, and has come to upset its productive structure. Kevin Healy believes that the most prosperous and strongest groups of traffickers and not the farmers are the most difficult to eradicate and cites the case of Bolivia, where the drug trade amounts to 75 percent of the country's legal exports and has a greater impact on the economy than in Colombia or Peru. Healy calculates that some 500,000 indigenous farmers are involved in the coca trade, and in Bolivia, where it is legal to grow this crop for medicinal purposes, they are represented by a well-organised and politically active trade union—ANAPCOCA, the National Association of Coca Producers. While growing alternative crops is apparently the only way of freeing coca growers from their dependence on the drug market, the Colombian forest of Chaparare, where most coca leaf is grown and where farmers from the whole of the country have emigrated in search of farm land, is a tropical forest unsuitable for traditional and commercial agriculture. Given the shortage of opportunities in other parts of the country for the over 800,000 families who live in Chaparare, the situation is unlikely to change in the near future.

But drug trafficking and its capacity to corrupt influences life in many of the Ibero-American nations in a different and equally important manner. Major state institutions and even senior officials responsible for the fight against drugs have fallen only too readily under its sway. The drug mafia have thus corrupted politicians, commanders of the armed forces, high-ranking officials in charge of law enforcement bodies and magistrates to such a dangerous degree that this scourge is currently one of the most serious threats to stability and security in Ibero-America. They have successfully pursued this line of penetration, adapting to new anti-drug tactics, specifically splitting away from the major cartels into independent bands or groups and processing their own cocaine using new technologies. As a result, it is now even more difficult to dismantle them.

The substantial financial resources generated from drug trafficking enable those who pull the strings to offer armed bands large sums of money in exchange for protection. This has led certain guerrilla and paramilitary groups to involve themselves in the drug market and means that it is necessary to examine in depth the political and social links between drug traffickers, paramilitary organisations and guerrillas, which undermine the internal stability of many Ibero-American countries. It is thus logical that clamping down on the drug market is not an attractive task for the

armed forces, particularly at a time when some countries are still debating the role of the military in a democratic society and their subordination to civilian authorities. The army is keen to preserve its legal and constitutional role of defending and seeing to the external security of the nation. However, since drug trafficking is now becoming a global threat to Ibero-America as a whole, from Colombia and Peru to Mexico, and is spreading to Brazil, Argentina and Venezuela, it is natural that the armed forces should consider what their scope of action should be in combating drugs. What do they stand to gain in this field? In principle, it would seem logical for their budgets—which have been heavily slashed in recent years—to be increased in order to equip them with cutting-edge technology and to ensure appropriate action.

However, the forces consider that, irrespective of these or other possible advantages, there are major drawbacks and risks, the most serious being the possible corruption and being obliged to intervene in keeping public order. Such duties could lead them to take on a somewhat repressive role which they happily shed with the advent of democracy. Perhaps the task of the armed forces in combating drugs could be exclusively to provide operational and logistic support to the law enforcement bodies, carrying out intelligence and surveillance missions, training in counter-guerrilla tactics, analysing and studying material that is seized, controlling the border and translating documents confiscated or recordings of phone tapping and intercepted telecommunications, though it would be necessary to define clearly the boundaries between surveillance and intelligence tasks regarding drug trafficking and other issues relating to internal political and social affairs.

In the so-called Guayaquil Declaration signed after the closing ceremony of the 10th Andean Presidential Council on 5 April 1998, the presidents of Bolivia, Colombia, Ecuador, Peru and Venezuela stated that combating drug trafficking is one of the areas of regional co-operation which, despite variations from nation to nation, affects all of them in the same way. The document points out that the fight against drugs should be conducted multilaterally and not through unilateral initiatives that can affect relations between states. It likewise stresses that «the fight against the production, trafficking, distribution and improper use of psychotropic substances and related crimes» should be in keeping with the principles of international law and with full respect for sovereignty and territorial integrity.

It is thus not surprising that Ibero-American politicians and military should be deeply divided over this complex problem and that the United States' position should be difficult and contradictory, for the armed forces are urged, on the one hand, to become involved in cracking down on drug trafficking, yet also to commit themselves to democracy and the defence of human rights. One of the chief aims of the Ibero-American nations in combating the drug problem, the end of the United States' unilateral certification, was achieved at the second Summit of the Americas held in Santiago de Chile in mid-April 1998. It was agreed that it would thenceforth fall to the Inter-American Commission for Drug Control and Abuse, CICAD, to establish a single, multilateral process of governmental assessment to monitor the individual and collective progress of the countries taking part in the summits addressing the problem. It was also agreed at Santiago to set up a multinational counter-narcotics centre in Panama, in keeping with Washington's plan to establish it at Howard Air Base in the Canal zone, where Ibero-American military and police commanders and agents can be trained under US authority. However, this plan is aimed at conserving the United States' strategic position in the Canal, while enabling reconnaissance flights to be carried out without having to refuel the craft in the air. Meanwhile, the problem remains, with a growing threat that has now taken on hemispheric dimensions.

BORDER DISPUTES

Though somewhat slow, in 1998 the Ibero-American nations continued to make notable progress in solving the *border disputes* which have largely arisen from the arms race the region has witnessed in recent decades. The most serious of these conflicts involves Ecuador and Peru, which dispute the ownership of a 68-kilometre strip of land around the river Zenepa which had not been demarcated. The most critical moment was in January 1995 when an armed clash broke out, though it was stopped thanks to the mediation of the four guarantors of the Protocol of Rio, which deployed a Mission of Military Observers in Ecuador and Peru (MOMEPE) made up of representatives from Argentina, Brazil, Chile, Paraguay and Uruguay. When the war erupted between Ecuador and Peru in 1995, what had been a remote possibility of an armed conflict between these two Ibero-American nations became a sad and bitter reality, particularly for the thousands of Indians living on each side of the border, who bore the brunt of months of violent fighting between the armed forces of the two countries. The

Shuar community, 8,000 of whom were forced to evacuate the area, were the most seriously affected. By mid-August 1998 headway had been made in the peace talks and Ecuador had withdrawn its territorial claims, while Peru had agreed that neither of the two adversaries could veto the mediators' proposals. In the opinion of Bruce St. John, who has written about Peru's foreign policy, these proposals offered the best chances of achieving a permanent solution that would prevent either of the two countries embarking on an absurd and unnecessary rearmament. In any event, finding a solution to the conflict did not promise to be an easy task, since the disputed area is rich in oil resources and was used by the Ecuadorian military as a source of currency in the 80s. According to Donna Lee Van Cott, retired Ecuadorian officers currently own vast areas of land in the Amazon and have benefited from oil production. This explains the widespread militarisation of the region, which has a very dense indigenous population. During the summer, the two countries set about closing down the seven border bases located in that part of the Condor mountain range, as well as separating forces from the disputed area, under surveillance of the MOMEF. Later, during the 12th summit of the Rio Group at the beginning of September, presidents Fujimori and Mahuad held a long meeting in the city of Panama to speed up the peace process, announcing that a further meeting would be held in Brasilia, co-ordinated by Brazilian president Henrique Cardoso, in an attempt to find a definitive solution to the dispute. The two sides undertook to carry out binational investments in welfare and infrastructure in the area amounting to 3 billion dollars. As a result of the meeting in the Brazilian capital, on 16 October the Peruvian and Ecuadorian parliaments approved by a large majority the border line proposal agreed by the four guarantors—Argentina, Brazil, Chile and the United States—, thus settling one of the most serious and trickiest disputes in Ibero-America. Weeks later, in Rio de Janeiro on 26 October, Ecuadorian president Jamil Mahuad and his Peruvian counterpart Alberto Fujimori signed the peace agreement putting an end to 170 years of disputes, 56 years of negotiations and three of armed clashes between the two sides. The peace accord was signed in the presence of the presidents of Argentina, Brazil and Chile and a representative of the United States, since these four countries were the guarantors of the treaty, and also two special guests, the King and Queen of Spain, whom president Carlos Henrique Cardoso described as «the greatest symbol of the admirable Ibero-American heritage». Also present was the cardinal prefect of the Clerical Congregation, John Paul II's special envoy. The peace accord, to be called the Brasilia Act, recognises Peru's sovereignty of the disputed area (a 220-

kilometre strip of land, including some 78 kilometres of border) in the heart of Amazonia, while Ecuador will have sovereignty over one square metre of land, where a monument will be erected in memory of the soldiers who died during the conflict.

Colombia and Venezuela continue to quarrel over the limits of territorial waters in the Gulf of Venezuela, mainly because the area has large oil reserves. So far, the dispute has not become as serious as the one between Ecuador and Peru, because the countries meet regularly to study a satisfactory solution. Furthermore, Colombia's armaments policy is mainly aimed at purchasing helicopters that will enable it to address successfully the problem of the guerrillas and drug traffickers, rather than costly up-to-date combat craft or modern battleships. However, tense situations sometimes arise between the two countries when, in their pursuit of guerrilla groups and drug traffickers, the Colombian forces are almost obliged to penetrate Venezuelan territory.

At the same time, Venezuela continues to claim territory from Guyana, particularly the region to the west of the Essequivo river, though in a less intimidatory manner than in recent years, while Nicaragua insistently quarrels with Colombia over the ownership of the San Andrés archipelago.

Clive Schofield, assistant director of the International Boundaries Research Unit at Durham University in Britain, believes that these disputes are highly unlikely to develop into armed conflicts and cites as an example Bolivia's wish for access to the Pacific as a result of its loss of the Atacama region following defeat by Chile in 1884. In order to find a satisfactory compromise solution, the two nations have set up a permanent bilateral commission to study how goods and Bolivian trade could be transported across Chilean territory to the coast, though the Chilean authorities maintain that this strip of land is, and will always be, under their control and sovereignty. As Schofield says, it would otherwise be comparable to Mexico demanding to be given back California. Another example of how a potential conflict is defused is the dispute between Argentina and Chile, which is approaching a satisfactory outcome thanks to the talks and negotiations. According to analyst Patrice Franko, an expert in Ibero-American affairs at Colby College in Maine (US), before the advent of democracy Chile and Argentina were engaged in 28 different border disputes; now there is just one over a 13-kilometre stretch of land between the two countries. Although neither of the two national parliaments has yet approved the settlement of this latter issue, the analyst underlines the good will

of the two governments in reducing the tension and pacifying the Southern Cone.

Argentina, for its part, continues to claim the Falkland (Malvinas) Islands, the South Sandwich Islands and South Georgia, though following the armed conflict with Britain it has decided to file a request with international organisations and use diplomatic channels, renouncing the use of force. Some other differences remain, but these are of lesser importance, though the more nationalist sectors attempt to fuel the tension from time to time. This is the case of certain aims harboured by Bolivia, Chile and Peru in small border areas or the traditional suspicion between Bolivia and Paraguay, though the latter stems more from the spectre of the Chaco war of the thirties than from real claims. It could be said that these border conflicts and disputes, which have been a serious threat to peace and security in Ibero-America, continue to have the potential to endanger stability in the area, but with the emergence of forums for consultation and negotiation and the establishment of intraregional economic alliances it is hoped that the possible crises that could erupt will be steered towards peaceful solutions.

THE HERALDED ARMAMENTS RACE HAS NOT OCCURRED

In early July 1998, sources at the United States department of state confirmed that, despite the predictions of specialist analysts, there was no indication of an armaments race having begun in Ibero-America following the lifting in summer 1997 of the embargo established twenty years earlier by president Carter.

Leading international authorities had spoken out against lifting the embargo, fearing that rearmament in the region would lead to an increase in poverty and a fall in the standard of living of its inhabitants. Among them was former Costa Rican president and 1987 Nobel peace prize winner Oscar Arias, who has devoted much of his public activity to promoting an international code of ethics governing the sale of arms and who, together with other people and institutions awarded the Nobel prize for peace, expounded the contents of this code in New York in 1996, hoping it would be adopted by the United Nations.

In 1998, Oscar Arias reasserted his position in an article in the Spanish daily *El Mundo*, warning that although Ibero-America has been the region to disarm the most following the cold war, this should not be used as jus-

tification for acquiring technologically advanced weapons capable of unleashing a tiresome arms race. The previous year, in Atlanta, the Costa Rican politician had proposed a two-year moratorium on the purchase of modern weapons systems; the period should be used to negotiate a treaty whereby the governments of the region would undertake to ban weapons of this kind permanently from their territories. He likewise complained that there are still excessively large arsenals and contingents in the subcontinent, the maintenance of which regrettably eats up resources that could be allocated to other more basic needs, going on to accuse arms deals of being a source of corruption and contracts signed under political pressure from the selling countries.

In a report submitted to the United States Congress on 25 June 1998, the department of state declared that only some Ibero-American countries were modernising their practically obsolete weapons systems and that the very few which were carrying out replacements were doing so on a «less

THE DEFENCE EFFORT IN IBERO-AMERICA

	Defence budget (constant prices)						Armed forces (thousands)	
	<i>Total</i> (thousands of dollars)		<i>Per capita</i>		<i>% of GDP</i>			
	1985	1998	1985	1998	1985	1998	1985	1998
Cuba	2,275	700	225	62	9.6	3.2	162	55
Dominican R.	75	72	11	9	1.1	1.0	22.2	24.5
Costa Rica	40	70	16	19	0.7	0.8	(param.)	8.4
El Salvador	360	90	75	15	4.4	1.0	41.7	24.6
Guatemala	168	140	21	12	1.8	1.1	31.7	31.4
Honduras	195	35	23	5	5.1	0.8	16.6	18.3
Nicaragua	315	30	96	6	17.4	1.2	62.9	17.0
Panama	130	125	59	44	1.8	1.4	(param.)	11.8
Argentina	5,160	3,500	169	99	3.8	1.1	108.0	73.0
Bolivia	180	185	28	21	2.0	2.0	27.6	33.5
Brazil	3,350	14,200	25	84	0.8	2.4	276.0	313.25
Colombia	605	2,700	21	74	1.6	3.5	66.2	146.3
Chile	1,770	2,100	147	142	3.8	2.7	101.0	94.3
Ecuador	405	575	43	46	1.8	2.8	42.5	57.1
Mexico	1,770	2,300	22	24	0.7	0.9	129.1	175.0
Paraguay	85	110	23	20	1.3	1.2	14.4	20.2
Peru	915	840	49	34	2.5	1.4	128.0	125.0
Uruguay	340	325	113	100	2.5	2.4	31.9	25.6
Venezuela	1,175	1,300	68	56	2.1	1.8	49.0	79.0

than one-for-one» basis, and were not necessarily increasing their power. The report went on to say that arms expenditure in the region continued to be the lowest in the world.

A special survey on defence in Ibero-America published in spring 1998 by *Defense News*, a US weekly specialising in defence policy and arms issues, confirmed the slowing down of acquisitions of new, technologically advanced weapons systems. To support its assertions, the weekly cited the example of the Argentinean aircraft carrier *Veinticinco de Mayo*, which was withdrawn from service but with no plans for replacement, meaning that the *Dassault Super Etendard* aircraft would have to operate from ground bases in the future. The evolution of the defence effort is shown in the chart, which compares 1985 figures with those of 1998. The two notable exceptions are Brazil and Colombia. Whereas the first leads the region in relative and absolute terms of increased defence spending, the second is forced to boost its spending by the fight against guerrillas and drug trafficking. Three nations show slight increases—Ecuador (owing to the conflict with Peru), Chile, Mexico and Venezuela—whereas the biggest decreases are recorded in Argentina, Cuba, El Salvador, Honduras and Nicaragua. The evolution is more accurately expressed in terms of GDP, owing to the economic growth these countries have experienced in recent years.

The Ibero-American nations had received outdated, second-hand US weapons since the end of the second world war and the embargo imposed by president Carter forced them to modernise and update their armaments or resort to European suppliers or even Israel. This has mainly been the case of the air forces. The Argentine air force, for example, has been obliged to make do with modernising 36 surplus *A-4s* from the US navy, while Brazil and Chile are studying programmes to update their *F-5E/F* aircraft. Moreover, the sale of French fighter planes from 1977 onwards has led to the need for Argentina, Brazil, Colombia, Chile, Ecuador, Peru and Venezuela to modernise different types of *Mirage*. Peru is also modernising the *Mig-29* and *Sukhoi* acquired by its air force. The only possible exceptions regarding the acquisition of more modern aerial weapons systems are Chile and Ecuador. In the former, the withdrawal from service of the 39 old *Hawker Hunter* planes requires the Chilean air force to replace them and it seemed to be trying to make up its mind whether to buy just 12 second hand US *F-16s* or *F-18s*, French *Mirage 2000s* or Swedish *Jas-39 Gripens*, as it emerged from the exhibition by those planes at the Chilean international air and space fair (FIDAE) in 1998. However, in June the Chi-

lean government cancelled the replacement project. In the case of Ecuador, the military clash with Peru in 1995 could lead Ecuador to boost its air arsenal, possibly with *Mig-29* aircraft. Likewise, the Ibero-American navies, traditionally equipped with old US cruisers, destroyers and submarines, set about replacing them in the late 80s and early 90s with European vessels, mainly from Germany and Italy and also France and Spain. But they are no longer satisfied with second-hand ships, despite their limited budgets; they prefer to have fewer but more modern and powerful vessels and in the case of Argentina, Brazil and Chile, the purchase should include industrial compensation and the transfer of new technologies.

Many commentators see a second interpretation of the lifting of the US embargo—an outlet for what became surplus arms reserves in the wake of the cold war, especially as the recent Asian crisis has halted those countries' arms purchases and the European defence industry is gaining ground in a traditionally US market. However, given the current economic situation of the region, extraordinary expenditure on modernising and strengthening the armed forces is unlikely to be witnessed, except for in countries that need to be able to keep up with the new technologies of the drug traffickers, though under no circumstances should this entail the start of an arms race.

SOCIO-ECONOMIC ASPECTS

The annual report of the aforementioned 39th annual assembly of governors of the Inter-American Development Bank in March 1998 noted with great satisfaction that Ibero-America had recorded substantial economic growth in 1997 and unemployment had fallen. The region's economic growth amounted to 5.2 percent, the second highest figure since 1980, owing largely to the rapid growth in Argentina and Mexico—the regional driving forces—whose real gross domestic product rose by 7.8 percent and 7.1 percent respectively. The Dominican Republic, with 7 percent, also witnessed a considerable upswing, as did Peru. Brazil's economy grew by 3.5 percent as compared to 3 percent in 1996, as a result of the monetary and credit measures adopted by the authorities to prevent the internal imbalances from worsening. Economic growth increased in 10 countries and amounted to over 4 percent in 14, though it was under 3 percent in Costa Rica. For its part, the much-feared «Asian flu» caused only a slight relapse in the area.

According to the IADB report, unemployment fell in Ibero-America for the first time since 1988 owing to the economic recovery. This was particularly marked in Argentina, where the percentage of jobless dropped from 18 percent during the 1995 recession to under 14 percent in the second half of 1997. Unemployment in Mexico fell from 6.3 to 3.2 percent during the same period, and a further seven countries recorded decreases, albeit less sharp.

Real investments grew steadily in most of the region at an average of over 10 percent, and at an outstanding 26 percent in Argentina and 20 percent in Ecuador, Mexico and the Dominican Republic. The countries also boosted their exports considerably, with increases of around 10 percent at constant prices and 12 percent in dollars. This upsurge in economic activity and demand led to a rapid growth in imports, pushing the region's current account deficit up. Inflation continued to drop in 1997, reaching an average of 11 percent, though it remained at a considerable 35 percent in Venezuela, while the Dominican Republic and Ecuador—where it remained at over 10 percent—also showed an inflationist trend.

However, these favourable economic conditions will not be the same in 1998. Indeed, the most optimistic would settle for an average growth of between 2.5 and 3 percent in Ibero-America. According to the IADB's chief economist, Ricardo Hausmann, the main causes for this downturn are the «Asian flu» or «sake effect», the crisis of the rouble, the fall in the prices of basic goods in the region (oil, pulp, paper, copper ...) and a possible economic slowdown worldwide. In this connection, it should be borne in mind that raw materials prices account for 2.6 percent of Brazil's GDP, 17.6 percent of Chile's, 19.1 percent of Ecuador's and 21.9 percent of Venezuela's. In any event, Hausmann reckons that the storm will soon blow over, and it is necessary to consider the region's economic prospects in the long term. If this is done, according to this economist, the increase in investments, the relatively strict fiscal policy, the continuation of structural reforms and the recent fall in unemployment should be cause for optimism. Enrique Iglesias, the president of the IADB, has recalled that the first and most essential thing is for politicians and society to reach a consensus and complement the economic reforms with labour reforms; invest more money in human resources and boost workers' productivity and wages; improve social security schemes; adopt special measures to support women and indigenous communities; promote small and medium-sized enterprises; and, above all, overcome social inequality, poverty and violence.

In 1994 the economic crisis in Mexico, also known as the «tequila effect», dragged the growth rate of Ibero-America's GDP down from 5.7 percent to 0.8 percent in 1995. This gives greater grounds for fearing that the weakness of the Asian economies—particularly that of Japan—and the situation of the rouble may have more negative consequences than initially assumed. As always, the measures adopted to counter or mitigate these effects will be detrimental to the most underprivileged social classes. Indeed, the effects of those applied in late 1997 at the start of the Asian crisis to prevent the flight of capital, such as raising interest rates and greater fiscal stringency are already being felt. As vice-president Nancy Bird-sall of the IADB warns, a tax on short-term capital movements should be established to prevent the flight of funds from Ibero-America earlier this decade from reoccurring, as this would undoubtedly have negative effects on the region's growth and social goals.

However, at the end of August 1998, the economic crisis in Japan and the emerging Asian countries, the worsening of the situation in Indonesia and, in particular, the collapse of the rouble caused the world stock markets to plummet. This downswing was especially marked in the Ibero-American markets owing to rumours of possible cascading devaluation of the currencies of Venezuela, Brazil, Mexico and even Chile, and further confirmed the global nature of the economy. With the exception of Mexico, all the countries' exchange-rate systems are tied to the dollar. This can give rise to sharp devaluation and entails both major risks for investors and considerable opportunities for speculators. Therefore, on 3 September, the director of the International Monetary Fund, Michel Camdessus, called a meeting of the finance ministers of the nine biggest Ibero-American republics to analyse the situation of the region and provide backing from the multilateral organisation in order to restore international confidence in the regional economies. Following two days of talks between the directors of the IMF, the Inter-American Development Bank and the World Bank and the finance ministers of Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela, the international financial and monetary authorities pledged their support for the structural reforms carried out by those countries, expressed their confidence that they would continue to record positive growth and low inflation rates and asked the world financial markets to distinguish clearly between the Asian and Russian crises and the current situation in Ibero-America. Even so, during the meeting, the international credit rating agencies made downward adjustments to the ratings of Argentina, Brazil, Mexico and Venezuela. This spar-

ked harsh criticism from the finance ministers of those nations, who accused the organisations of acting against the Ibero-American economies and banks, reminding them that the main states in the region are underpinned by sound macroeconomic foundations and historically high levels of international reserves to protect their currencies. However, the consequences of the economic shambles in Russia and Asia have taken their toll, as stated by the executive secretary of the Economic Commission for Ibero-America (Cepal), José Antonio Ocampo, who has forecast that the

THE IBERO-AMERICAN ECONOMY (source: IMF)

	GDP		CPI	
	1997	1998	1997	1998
Argentina	8.6	5.0	0.8	1.3
Brazil	3.2	1.5	7.9	5.0
Chile	7.1	4.5	6.1	5.4
Colombia	3.1	2.7	18.5	19.5
Dominican Rep.	8.1	6.0	8.3	5.0
Ecuador	3.4	1.5	30.6	33.6
Guatemala	4.1	4.5	9.2	6.5
Mexico	7.0	4.5	20.6	15.3
Peru	7.2	3.0	8.5	7.5
Uruguay	5.1	4.0	19.8	10.2
Venezuela	5.1	- 2.5	50.0	37.0

region's economic growth for 1998 will be down to between 2 and 3 per cent as opposed to the 7 or 8 percent needed to ensure sustained growth. The growth forecasts to 1998 year-end, according to *The Economist Intelligence Unit*, put Argentina in the lead, with an increase of between 4.6 and 5.1 percent, followed by Chile, estimated between 4.1 and 5.1 percent, and Mexico with 4.3 percent. Of the countries belonging to different economic blocs (Andean Pact, Mercosur and Central American Market), Argentina also has the highest per capita income with 6,910 dollars, while Bolivia, with 911, has the lowest. However, Argentina also tops the list in terms of growth in the number of poor persons. According to the United Nations Development Programme (UNDP), the percentage of Argentinians living in dire poverty has risen from 7 to 19 percent in recent years, followed by Peru, where the incidence has risen from 26 to 34 percent, and Paraguay, whose figure is up from 53 to 60 percent.

In the field of interregional co-operation, the aforementioned 10th Andean Presidential Council approved the commitment to set up a com-

mon market and strengthen relations with other supranational blocs. By signing the Guayaquil Act or Declaration, the Andean presidents aim to embark on a new stage in boosting their internal cohesion, which could lead them to totally deregulate their markets. The Act defines the mechanisms for giving impetus to the integration of the five nations and for orienting them towards other trade blocs such as the European Union, with which their relations are described as a model for links between blocs. At the meeting the general framework was agreed on for setting up a free trade area with Panama and time scales for implementing the free movement of persons were set.

These states also decided to join forces to combat the effects of the *El Niño* meteorological phenomenon, displaying a spirit of integration, since Ecuador and Peru are the worst hit. However, environmental issues were not addressed, nor was the subject of foreign debt raised. The Andean Community, which emerged 29 years ago, has gone through bad periods of disunity and isolation, but it appears now to have laid solid foundations for facing the challenges of the 21st century. Arrangements have already been made to hold the 1999 Andean Summit in the Colombian city of Cartagena de Indias.

A few days later, on 16 April, the two major South American economic blocs, *Mercosur* (Argentina, Brazil, Paraguay and Uruguay) and *Can* (Bolivia, Colombia, Ecuador, Peru and Venezuela) signed an agreement in Buenos Aires to lift all the customs barriers between them from 2000. The agreement was signed by the foreign and trade ministers of the countries from the two groups, whose population totals 300 million. The GDP of this future Ibero-American free trade zone is equivalent to 13 percent of the whole of the continent, including Canada and the United States. Mercosur and the Andean Community of Nations underlined their wish to negotiate as a single bloc the shaping of the Free Trade Area of the Americas (FTAA), on the agenda of the 2nd Summit of the Americas which began in Chile two days later. Two stages of negotiations should facilitate the setting in motion of a programme to gradually reduce tariffs on all customs-listed products as from 1 January 2000. These negotiations will be conducted with the commitment to promote free competition and reject restrictive trade practices. In 1997, the volume of trade between the two blocs approached 4 billion dollars, with a balance of 30 million in favour of the Andean club. Mean-while, Chile, which does not belong to either group, signed three separate agreements at the 2nd Summit of the Americas: one with Mexico, another with five Central American countries and one with

Mercosur, in order to speed up the process of integration towards the creation of the FTAA.

THE SECOND SUMMIT OF THE AMERICAS

In mid-March the ministers of 34 American countries met in San José, Costa Rica, to confirm the so-called Free Trade Area of the Americas, FTAA, which was to be given a substantial boost at the 2nd Summit of the Americas in Santiago de Chile the following month. But at San José the differences between these countries regarding the integration programme came to light. Whereas the United States appears to focus on issues such as intellectual property, Bolivia, Chile and the four Mercosur countries regard the lifting of tariffs and free access to markets as being more important. It was agreed that Miami would become the first headquarters of the future Pan-American market from 2005, while the capital and presidency of the association would be arranged on a rotating basis every two years, and Miami would eventually hand over to Panama and Panama, in turn, to Mexico. In this connection, Canada will initially hold the presidency, which will then go to Argentina and Ecuador.

The 2nd Summit of the Americas took place from 18 to 19 April and was attended by the heads of state or government of the 34 nations except for Cuba. The agenda included what have been termed *second-generation reforms*: access of all sectors of the population to education, poverty eradication, the fight against drug trafficking, terrorism, corruption, defence of independent justice, democracy and economic deregulation.

The United States, which had promoted the creation of this forum by organising the first summit in Miami in 1994, considered that it continues to play a leading role in the continent and that its relations with the rest of America are the best they have been for a decade, despite the lack of agreement over Cuba and the difficulties in implementing the economic integration designed to create the biggest free trade zone in the world, with a market of almost 800 million consumers. But the United States arrived at this second summit in a weak position, for the US Congress had repeatedly failed to grant President Clinton fast-track authority to negotiate the setting up of the Free Trade Area of the Americas. In the absence of fast-track, the United States was unable to sign new free trade agreements, such as one with Chile. This gave rise to talk of a new «Santiago consensus» to replace the old «Washington consensus» and pointed to a

new period in relations between Ibero-America and its powerful northern neighbour. These new relations are characterised by equality and evidence the will of the Ibero-American nations to negotiate as a bloc rather than bilaterally—as has always favoured Washington. Should this situation materialise, the United States will have lost its chance to achieve integration through the progressive incorporation of individual states into NAFTA. Contrasting with the weakened role of the United States is the emerging attitude of Canada, which had hitherto centred its interests on Europe.

But there is a further cause of persisting differences between Ibero-America and the United States—the issue of Cuba. Washington is against Cuba attending the Summits of the Americas and being a full member of the Organization of American States unless it becomes a democracy. This stance contrasts with that of other nations such as Peru, whose President Fujimori stated that «it is not right that a country which in no way represents a threat to the continent should suffer the consequences of an embargo that does not affect the government but rather ten millions of Cubans». Similar statements were made by other leaders, though they did require Fidel Castro to meet certain conditions such as releasing political prisoners and moving towards a democratic system. Some nations did not voice their opinion about relations with Cuba, though their support is well known. But the problem worsened when it was announced that the Canadian prime minister was going to travel to Cuba the week after the summit. Several nations likewise expressed their intention of inviting Cuba to attend the next meeting in Ottawa in four years' time.

During the closing ceremony it was agreed to continue to promote the Free Trade Agreement of the Americas and what is known as the *Santiago Action Plan and Declaration* was drawn up. Despite its 170 points, many aspects of the action plan lack clear objectives, resources and suitable follow-up mechanisms and a number of specialists believe it contains many more initiatives than the Inter-American system can seriously take on. The document starts by expressing a clear commitment to defending democracy and broadening its areas, though there is no democratic clause concerning the future of the FTAA as in the European Union, Mercosur and OAS treaties. Other important points refer to poverty eradication, education and human rights, for which the World Bank, the Inter-American Development Bank and the United States department of development assistance provide 45 billion dollars in loans. It is proposed that by 2000 all children on the continent have access to basic education and three out of four adolescents to secondary education, and that a con-

siderable number of the 50 million small and medium-sized enterprises have access to better banking conditions in 2000, as well as improvements in health and nutrition. The plan aims to achieve a legal framework for gender equality by 2002 and to promote measures to combat trafficking in minors, child prostitution and pornography, and a commitment to modernise the legal system and ensure the rights of emigrants.

One of the most debated issues was the fight against drugs. As mentioned earlier, it was agreed to put an end to the unilateral certification required by the United States, as was the need to combat corrupt practices involving moneys seized from mafia and from drug traffickers, and a second specialised Inter-American Conference was convened to evaluate anti-terrorist efforts. Another issue addressed was the media, since in the past two years some two hundred journalists have been murdered in the region. To this end, it was agreed to create an agency to control the free exercise of journalism and to monitor the situation. A revision group of foreign ministers was set up to monitor the implementation of the summits, and is to meet twice or three times a year. No statements were made about Cuba, though the Brazilian president called for Cuba's presence at future summits, saying, «one country is absent, it is well-developed in the education and health fields and I do not see why it should not join the democratic community». Lastly, it should be pointed out that the United States will have to change its attitude substantially by the time the next summit is held in 2002, since the Mercosur countries are continuing their talks with the European Union, the Andean community is showing greater cohesion and all, individually, are enhancing their bilateral relations.

One of the biggest surprises of the year in inter-American relations was Canada's policy towards the countries lying south of Rio Grande, as evidenced by the visit of Prime Minister Jean Chrétien to Mexico, Brazil, Argentina and Chile at the beginning of the year, followed, as mentioned earlier, by a trip to Cuba after the 2nd Summit of the Americas. At the end of 1997, the Canadian secretary of state for Latin-America, David Kilgour, stated that his country is an American country, a geographical fact which is now confirmed by history since, though it may seem obvious, Canada's political membership of the continent is very recent, dating back to 1990 when it joined the Organization of American States (OAS), the most important regional institution. The Canadian governor was accompanied on his tour by what is known as the Canada 98 Team, a diplomatic-cum-commercial mission set up a few years ago and made up of 500 business people. Indeed, back in 1995 the government of this nation described Ibero-

America as a region of particular strategic interest. This view is borne out by the increase of Canadian exports to the region in the past four years from 260 billion pesetas to 500 billion—more than German and French exports—while a further 200-billion worth of contracts are currently being negotiated. While Ottawa regards Mexico as a key customer (it is worth remembering that it belongs to NAFTA, together with the United States and Canada), a similar agreement with Chile has been in force since 1997, and it now has its sights firmly set on Mercosur. But this increase in trade relations has also benefited its foreign policy. With Ibero-American support, Canada has been able to carry through some of its projects, such as the treaty banning anti-personnel mines, the continuation of the peacekeeping force in Haiti and opposition to the Helms-Burton act penalising trade with Cuba. It was precisely Mr Chrétien's trip to Havana which unleashed the rage of Bill Clinton, who tried unsuccessfully to persuade the Canadian politician to cancel his trip to the Caribbean island. In an attempt to counteract Canada's ploy, early in May US sources released the information that the sum total of the United States' investments in Ibero-America amounted to 76.4 billion dollars—almost 11 trillion pesetas—according to the figures supplied by the Federal Reserve.

THE 8TH IBERO-AMERICAN SUMMIT

Unlike previous years, the agenda of the 8th Ibero-American Summit held in the Portuguese city of Oporto from 17-18 October was slimmed down, the main novel feature being the elimination of the traditional addresses given by the twenty three participating heads of state and government, which made the working sessions somewhat impractical. This measure facilitated contacts between the leaders and allowed more bilateral talks, translating into a shorter and more incisive final document with greater political impact. This new format was also more in line with the spirit and goals of these summits.

Similarly, Spain's endeavour to make the summits more agile and operative, permitting a more detailed follow-up to the development projects approved at these meetings, turned out to be fully effective with the setting up of a permanent secretariat for co-operation. This has not entailed the disappearance of the «pro tempore» secretariat made up of representatives of the country holding the presidency that particular year and those of the preceding and successive presidencies. Spain is in favour of affording the secretariat considerable political weight and therefore belie-

ves it should be headed by a person of repute who has held high office in an Iberian or Ibero-American nation.

The Oporto Declaration, referring to «*the challenges of globalisation and regional integration*», underlines the setting up of a secretariat for co-operation, as mentioned earlier, whose structure and working will be proposed by the Iberian and Ibero-American officials responsible for co-operation and co-ordination and submitted during the 9th Summit to be held in Havana in 1999. The document reiterates «the commitment to strengthen democratic institutions, political pluralism, the rule of law and respect for human rights and fundamental freedoms», and it should be stressed that it was signed by Fidel Castro, even though his regime does not guarantee right of meeting or association and Cuba has over three hundred political prisoners. The second section of the Declaration enshrines «the principles of sovereignty and non-intervention and the right of each people to build its political system in peace, stability and justice» and the existence of «a fair system of co-operation and international relations». It likewise points out that «the action of our governments should be aimed at the pursuit of social justice, raising the standard of living in societies, the promotion of policies to support the most vulnerable sectors and the strengthening of international co-operation». It also underlines the need «for the international community and in particular the G7 countries and financial organisations to adopt more effective measures» that are conducive to the stability of agreements for lasting economic growth and calls for states to assist each other, whether bilaterally or through international organisations, as well as appealing for solidarity in areas such as the renegotiation of external debt or initiatives to eliminate anti-personnel mines in Central America.

Section eight of the document emphasises that «international coexistence requires respect for the principles and standards of international law, for the United Nations Charter and for the sovereignty of states. Therefore, we Ibero-American countries flatly reject the extraterritorial application of national laws. In this connection, we reiterate our appeal to the government of the United States of America to put an end to the application of the Helms-Burton act». The clarity and forcefulness of this requirement is considered a triumph of Fidel Castro and also a concession, since in 1999 the 9th Ibero-American Summit will be held in Cuba. The Ibero-American statesmen pledged their support for the International Criminal Court and underlined «the gravity of the drugs problem, in that it has a deeply harmful effect on individuals and societies and a negative influence on the wor-

king of democratic institutions and economies», launching an appeal for the development of suitable co-ordination mechanisms to deal with the destruction of nature and the growing degradation of ecosystems, judicial co-operation and the fight against corruption, terrorism and organised crime.

Section 12 of the declaration underlines that the European Union-Ibero-American and Caribbean Summit, to be held in Rio de Janeiro in June 1999, is of paramount importance, defining the role of regional integration in a globalised world and support for regional initiatives. It likewise states the need to «step up bilateral and multilateral co-operation in the fields of culture and education» and appeals for «support for the co-operation programmes and projects approved by the successive summits, in order that they contribute to promoting an Ibero-American area». Two collateral achievements enhanced the overall success of the Oporto summit—the announcement of the solution to the border disagreement between Ecuador and Peru and the firm and unconditional backing of the newly-elected president of Colombia, Andrés Pastrana, for the peace process he began after coming to power in August 1998.

The Summit was particularly successful for the president of the Spanish government, José María Aznar, who reiterated our country's commitment to the Ibero-American countries and our wish to support them at all the forums so that they overcome the financial crisis for which they are not considered to be responsible. The Spanish premier pointed out that the international economic situation should not be grounds for shifting away from the economic model based on deregulation, stability and competitiveness and expressed the need to re-establish Ibero-America's normal access to the capital markets. He informed of his government's decision to contribute 3 billion dollars to new financial-support initiatives that the IMF could carry out in Ibero-America and stated that he would raise the need for solidarity with Ibero-America at the European Council meeting to be held a week later in the Austrian town of Pörtlach. Furthermore, the summit evidenced the favourable situation of Spanish-Cuban relations, which led to meetings of the King and José María Aznar with Fidel Castro, during which the visit of the King and Queen of Spain in spring 1999 before the 9th Ibero-American Summit in Havana was addressed.

Despite the spirit of understanding which prevailed and the success of the Summit, the atmosphere was clouded by the decision of Spanish judge Baltasar Garzón to request the indictment of former Chilean presi-

dent general Augusto Pinochet, currently a life senator of his country, who at the time was in London recovering from an operation. The impact of the news cast a shadow over the prominence and image of the 8th Ibero-American Summit.

THE IBERO-AMERICAN NATIONS

For *Central America*, 1998 will be a hard year to forget due to the disaster and desolation caused by Hurricane Mitch, the second most destructive to ravage the zone in this century. The hurricane, which devastated El Salvador, Guatemala, Honduras and Nicaragua, particularly vented its fury on the two latter countries, causing a death toll that may have surpassed 20,000. Added to the tragedy of the human losses was the grave damage done to infrastructure, agriculture, housing, industries and services in the region, specialists estimating that the devastation has set both countries back some twenty years. When initial reports underlined the magnitude of the catastrophe, the international community, particularly Spain and the countries of the European Union, responded in solidarity. Official as well as NGO aid to these nations has reached impressive levels: practically the entire debt of the countries affected has been written off by most EU members and the Union has approved a thorough reconstruction plan. It is worth remembering that, according to the World Bank, El Salvador, Guatemala, Honduras, and Nicaragua owe the world a combined debt of 17 billion dollars.

Before the tragedy, Central American life had been quite eventful, particularly noteworthy being the start up of the Central American Armed Forces Conference, CFAC, which had been instituted at the end of November 1997 by the presidents of El Salvador, Guatemala, Honduras, and Nicaragua. The conference has as its objectives military integration and co-operation in the region, the drafting of sets of regulations to unify procedures in the fields of logistics, education and instruction, intelligence, and other areas of military practice. In the field of defence, during 1998 the programmes aimed at reducing the numbers of troops in the zone continued to be carried out by the majority of the Ibero-American nations. In *El Salvador* troops have been reduced to 24,600, in *Guatemala* to 31,400, and in *Honduras* to 18,300, while *Nicaragua* has continued to maintain 17,000 soldiers in the aftermath of the civil war ended in 1991, when the number of persons enlisted in its armed forces stood at close to 70,000. *Costa Rica* and *Panama* have no armed forces; the former has slightly increased

the number of its security forces by 1,400, while no change at all has taken place in Panama, which maintains the same level of 11,800 security forces that it had in 1997. These last two countries have been the only ones in the region to have boosted their security budgets, the former upping its to 70 million dollars (a 20% increase over the previous year) and the latter to 125 million, which represents 10% more than in 1997. The need to achieve a lasting peace following the turbulent years of the previous decade has led these nations to make significant reductions in the size of their armed forces, but in view of the spectacular rise in organised crime—something almost corollary in societies that have undergone strife—this demobilisation is perhaps being carried out too rapidly since it affects all of them and particularly El Salvador and Colombia.

As regards domestic affairs, newsworthy events were the people's choice of Christian Socialist Miguel Angel Rodríguez as the new president of *Costa Rica* in elections that took place without incident on 1 February and his induction, which was attended by the Prince of Asturias. 9 February marked the commencement of the 14th edition of the San José Group to foster dialogue between the European Union and the six Central American nations. Nonetheless, life in *Guatemala* was profoundly shaken by the assassination of Archbishop Juan Gerardi, creator of his country's office of Human Rights. In the international sphere, on 27 January the government announced the normalisation of relations with Cuba. In like measure, violence rocked *Honduras*, where Orlando Fúnez, leader of the main opposition party and former minister of co-ordination, planning, and budgeting under ex-president Rafael Callejas, was assassinated in the streets of Tegucigalpa. At the end of January, Carlos Roberto Flores assumed the presidency, and his investiture was also attended by the Prince of Asturias. In *Panama* President Ernesto Balladares won the referendum on 30 August enabling him to stand for immediate re-election. In mid-February, 23 foreign ministers attended the 8th meeting of the Rio Group and the EU. In the field of regional economic and political co-operation, it must be remembered that it was the Rio Group's 12th summit, held in early September 1998, that facilitated the rapprochement between Ecuador and Peru, which in turn led to the peace treaty between the two nations.

As ventured in last year's «*Strategic Panorama*», Pope John Paul II's visit to **Cuba** has to be considered the most important event to take place in 1998 on the Caribbean island. His Holiness's visit, from 21-25 January, turned Cuba into a centre of world attention and a hot spot for the international media. Some five thousand journalists bore witness to the warm

welcome offered the pontiff, whether Christians, *santeros* (adherents of a Caribbean religion of African origin), or self-proclaimed atheist revolutionaries. The fact that prior to the papal visit the cardinal archbishop of Havana, Monsignor Ortega y Alamino, (who at the end of the 1970s was sentenced to ten years of field labour with the Military Units for Aiding Production), was able, free of shackles and restrictions, to address the entire nation over Cuban television after 39 years of total censorship was an indication that things would no longer be the same after John Paul II's arrival. The affection and respect Fidel Castro showed the pontiff seemed to indicate a certain friendly reciprocity, though the Cuban leader's welcoming speech at the airport took on a blatantly political tone when he harangued against the church for its past errors and subsequently plunged into an inopportune re-examination of Spanish decolonisation. But John Paul II took advantage of every opportunity he had to speak to the public to remind Mr Castro and the Cuban people of the absence of freedom, the material wants, the affliction and the misery suffered by a great part of the population and to criticise the educational system and the decriminalisation of abortion. To understand the key to the papal visit, it is necessary to recall the words exchanged in the Vatican during his Holiness's first audience with Fidel Castro in 1996: «I can't throw my doors open to the world just because there's a pistol being held at my head» said Mr Castro. To which the Pope replied, «you go ahead and open your doors to the world, I'll take care of the pistol».

John Paul II offered the Cuban leader his disinterested mediation in trying to bring about the lifting of the US embargo, which the pontiff severely criticised, and urged Fidel Castro to see to it «that Cuba opens up to the world and that the world opens up to Cuba.» An immediate fruit of the papal visit was the release of 299 Cuban prisoners, pardoned at the Vatican's request, though Cuban foreign minister Roberto Robaina hastened to warn that this act of clemency did not signify a liberalisation of policy—proof of this being the government's refusal to free 70 political prisoners.

The Pope's public denunciation of the Helms-Burton act was echoed by the international community, especially by the nations of Ibero-America and officials of the Roman Catholic Church. Some foreign ministers, such as Chile's José María Insulza, pronounced themselves in favour of the United States' adopting a more conciliatory stance towards Cuba, in view of the fact that Cuba «represents no threat to the security of the United Sta-

tes nor to anyone else's for that matter.» For his part, Monsignor Theodore McCarnik, president of the North American Roman Catholic bishops' international policy committee, declared that the time had come to promote reconciliation between the two nations and requested the American government to ship food and medical supplies to the island. Likewise, clergymen in Germany suggested that their country's political leaders should consider establishing a policy of bilateral co-operation with Cuba. The condemnation of the American embargo continues to garner adherents world-wide, most pointedly within the United States itself, where a number of business people and politicians are in favour of it being lifted, and even White House spokesman Mike McCurry acknowledges that the controversial Helms-Burton act has not achieved the hoped-for results. For Spain's part, on 13 February, the council of ministers approved a bill to protect Spaniards who invest in Cuba, in accordance with the European Union mandate stipulating that any citizen affected by the Helms-Burton act shall receive economic compensation. Given Europe's firm stance, the number two man in the US state department, Stuart Eizenstat, found himself obliged to travel to Brussels in February to offer terms of a commercial pact vis-à-vis the aforementioned act. To that effect, on 19 March Washington announced certain measures to ease the embargo: authorisation of direct flights for humanitarian reasons, a raising of the upper limit of the number of dollars that Cubans resident in the United States may remit to those on the island, and leave to ship medical supplies and items of basic necessity.

In a report addressed to the American Congress on 30 May, the US secretary of defence, William Cohen, made it clear that Cuba no longer represented a threat to the United States inasmuch as the revolutionary armed forces have dwindled and a large part of their materiel is unusable, playing down the importance of the dangers posed by the chemical and bacteriological weapons presumably still in the hands of Fidel Castro's regime. For the Pentagon, the greatest risk to the nation is the possibility of another huge influx of Cuban immigrants such as took place in 1994 when 20,000 crossed the sea to American soil on rafts.

Though on 21 April the United Nations Commission on Human Rights rejected a draft US resolution charging Fidel Castro's government with violating human rights, the prime minister of Canada, Jean Chrétien, during his visit to Cuba in the wake of the 2nd Summit of the Americas, insisted in the presence of the leader that political prisoners should be released and the Declaration of Human Rights honoured. On 18 May, the United States

and the European Union announced an agreement that would exempt European investments in Cuba from the sanctions set forth in the Helms-Burton act, but not the firms' executives and the investors, since that would require congressional approval. Speaking publicly on 10 October, former US secretary of state Henry Kissinger called for a review of his country's policy towards Cuba.

But for Spain, the most significant event of the year was the normalisation of relations with Cuba following Eduardo Junco Bonet's being appointed ambassador to Havana on 2 April, bringing an end to almost 500 days of diplomatic crisis, initiated when the Cuban government withdrew its agrément for the then ambassador designate José Coderch. Spain laid down two prior conditions: that the ambassador must have free access to all social sectors, including freedom to move about at will, and that ETA terrorists and drug-traffickers who flee to the island to escape prosecution must be subject to strict controls. The new situation has paved the way for the king and queen of Spain to pay a state visit to Cuba in 1999, independently of their compulsory visit later in the year on the occasion of the 9th Ibero-American summit. Moreover, trade relations and political contacts between the two nations have been stepped up, as witnessed by the arrival in Havana on 16 April of a delegation of 97 Spanish business people, headed by the president of the Spanish confederation of business organisations (CEOE), José María Cuevas; among their objectives were the re-negotiation of Cuba's debt, which has risen to 138 billion pesetas, and the opening of offices to provide legal and professional advice to Spanish firms doing business on the island. Fidel Castro held a long meeting with the CEOE heads and a protocol was signed between the CEOE and the Cuban government as a framework for the business organisation's relations with the island. Several weeks later, on 4 June, Fidel Castro attended a reception given by the commander of the training ship «Juan Sebastián Elcano», on the occasion of its visit to the island marking the 100th anniversary of the end of the Spanish-American war. Great importance was attached to the visit paid on 21-25 June by the minister of industry and energy, Josep Piqué, accompanied by senior officials in his department, the presidents of Endesa, Iberia, Indra, Ebro, and Red Eléctrica, and executives from Telefónica, Roca, Iberdrola, Renfe and Dragados, among many others. Mr Piqué had the opportunity to meet several times with Mr Castro. In like manner, other Spanish political leaders visited the island, one of the more noteworthy being the president of the autonomous government of Galicia, Manuel Fraga.

On 22 August the Cuban leader journeyed abroad to the Dominican Republic to attend the Caribbean Forum (Cariforum) as guest observer. Speaking on behalf of the 15 Caribbean heads of state and government who took part in the event, Dominican president Lionel Fernández said that Cuba formed part of the region and «we could not have had a meeting of this kind without including it.»

The previously mentioned Ibero-American summit in Oporto showed clearly the good state of relations between Spain and Cuba, as evinced by the meetings held by the king and the president of the government with Fidel Castro. A consequence of those encounters was the official visit to Havana made 8-11 November by the minister of foreign affairs, Abel Matutes, whose agenda included setting dates and making preparations for the royal visit in 1999, re-negotiation of the Cuban debt, the signing of various accords (among them one of mutual co-operation to stem drug trafficking), and pressing for the release from prison of four adherents of the politically opposed Internal Dissidence Support Group, charged with sedition and incarcerated without trial some 14 months ago.

Though the attorney general of the *Dominican Republic* confirmed on 1 April that he was considering the extradition of ETA terrorist Belén González, which had been requested by the Spanish government at the end of October, days before the elections for the autonomous region of the Basque Country, she and her companion Angel Iturbi Abásolo managed to flee the country. In the parliamentary and municipal elections held on 16 May, the Dominican Revolutionary Party won 25 of the 30 seats in the senate and the majority of deputyships and municipal offices. President Lionel Fernández's visit to Haiti was an historic event, given that no Dominican political leader had visited the neighbouring country since 1934. One of the many aims of the visit, begun on 20 June, was to tackle the serious problem posed by the presence of more than a half million Haitian migrant workers. The Caribbean Forum, attended by 15 regional heads of state, met in Santo Domingo on 21-22 August.

For *Argentina*, 1998 could be considered the year of the reorganisation of its armed forces, since its congress and senate passed a bill which some military sources have described as a directive of far-reaching operational consequence that defines the political, structural, and functional aspects of the nation's military organisation. The architect of act no. 24948 is the statesman José H. Jaunarena, whose aim in conceiving it was to increase the power of Argentina's military capacity to achieve the twofold objective

of maintaining national security and upholding international stability by taking part in peacekeeping operations. For the first time, the armed forces have a political mandate that supports their missions beyond the boundaries of the country. The law is supplemented by two others: no. 23554 deals with national defence and no. 24059 addresses internal security, thus covering every possible aspect of military operations. However, it should be noted that the law on internal security prohibits the armed forces from participating in conflicts originating within the country, responsibility for which lies with the police forces, though it does provide that they can lend support in certain circumstances such as, for example, combating drug-traffic-king or battling armed groups within the national boundaries. In addition, the possibility of establishing a regional framework of security among Argentina, Brazil, and Chile based on mutual trust and the carrying out of joint military operations makes it possible to envision a much more influential role for their armed forces than merely taking part in peacekeeping operations.

The national territory will be divided into strategic areas, with a joint military command attached to each one, thereby effecting cut-backs in the current military chains of command. The operational units within each area will be grouped so as to make better use of installations and training facilities, thus ensuring considerable savings which will be reflected in salary rises to personnel. In peacetime, the armed forces will be made up of full-time personnel and reservists, with more emphasis on rapidity of response than on size. Similarly, the military training system will be integrated into the national educational system. As regards the procurement of equipment and materiel, attempts will be made to unify items suitable for common use, and those purchased abroad should be acquired with an eye to technology transfer and industrial compensation, and should also, when appropriate, include training methods such as simulation. The defence industries will be privatised, and foreign investments in the sector will be welcomed.

For the first time, the armed forces will have a multi-year budget. The 3.505 billion dollars established for 1998 will be increased by 3 percent in 1999 and perennally over the next four years. «It's not much», says Jauna-rena, «but at least the former downward trend will be reversed». The law provides for one billion dollars to be invested between 1999 and 2003 in the modernisation of materiel, including the purchase of new equipment, with the major portion of the financing to come from the sale of installations and military property. Likewise, decisions will be made regarding

which existing materiel ought to be preserved, which is worth modernising, and which should simply be scrapped. The implementation of the law will be supervised by an administrative board of six senators and six deputies belonging to the defence committees of the two respective houses. Three months after the law comes into effect, the ministry of defence must inform the board of its progress in achieving aims, such as new operational and support structures, proposals for personnel cut-backs, changes in the retirement system, and new pay scales. By the time the law has been in effect one year, the ministry will have determined its reserve requirements, long-term estimates of expenditures and programmes, a national mobilisation plan, and a catalogue of installations to be sold. Three years later, the study on the integration of military training into the national educational system must be ready, as well as the design for a military computer network. The legislators aim for completion of the entire groundwork for reform within a five-year period. The project will entail considerable distress, however, inasmuch as the goal of streamlining the military cannot be accomplished without cutbacks; troop numbers, already relatively low, presently stand at just 74,000, of whom 10,000 are enlisted and the rest officers. A twenty percent reduction could be traumatic and excessive.

Domestic affairs continued to be disturbed by the question of «the disappeared». The arrest of Lieutenant General Jorge Rafael Videla, ordered by Judge Roberto Marquovich for the alleged kidnapping and renaming of several children of political prisoners, and his subsequent incarceration in Caseros prison have led to uneasiness among the military. Of graver consequence still was the court order handed down by Judge Baltasar Garzón of the Spanish central criminal court to the effect that 200 Argentine military men were to appear before him in Madrid, recommending that arrest warrants should be issued for nine of them, inasmuch as President Carlos Menem said, «I find that I must of necessity assume the task of thwarting this manoeuvre of judicial harassment against the Argentine armed forces by those who do not understand the process of pacification and do so much harm to relations between Spain and Argentina.» These words were delivered by the president at the Puerto Belgrano naval base, 980 kilometres south of Buenos Aires, to a select group of naval officers. Mr Menem assured them that he was «the president who has been closest to the armed forces and proud of it» and that they would «always have this president on your side, and I hope this message makes you take heart.» In relation to the question of the disappeared, the Argentine parliament appeared in favour of repealing the «full-stop» and «due disobe-

dience» amnesty laws, though not retroactively, thereby allowing for the judgement of any human rights violations that may occur in the future.

On the subject of his candidature for re-election, President Menem announced in a July 1998 speech that he would not seek a second consecutive term because it might give rise to social fractiousness. He stressed his readiness to stand trial when he abandons office next year, stating that from that time onward he would commence work to return to the presidency in the year 2003. Regarding the international economic crisis that erupted in the summer of 1998, the president pointed out that the nation had sufficient cash reserves to bear up against it and went on to say that he would maintain the parity of the peso with the dollar come hell or high water. Nonetheless, Argentina has an unemployment rate of 14% and 5% GDP growth as opposed to the 8.6% predicted twelve months earlier, and it is feared that the nation's considerable indebtedness will persist through 1999, in spite of the measures adopted. 24 July brought the conclusion of the 14th Mercosur summit, which the presidents of Bolivia and Chile attended as associates in the free trade zone.

At the end of October, the president was the first Argentine leader to make an official visit to Great Britain since the Falklands War. During his stay, Carlos Menem asked British authorities to bring their good will—as would his country—to the task of finding an amicable solution to the disagreement over the South Atlantic islands, 16 years after the armed conflict had ended.

In January 1998, **Bolivia** presented its five-year anti-drug plan, the goal of which is to eliminate some 38,000 hectares of illegal crops, investing 952 million dollars, displacing 15,000 families, and offering alternative programmes to another 20,000. The plan likewise envisages economic contributions on the part of the European Union, the United States, and the United Nations Development Programme. In spite of the fact that Bolivian economic indicators were encouraging for 1998—albeit with a slight upturn in inflation—at the beginning of April the Bolivian Labour Federation (COB) called a general strike to demand better salaries. The situation degenerated when the army was deployed to prevent coca growers in the region of Cochabamba from blockading the main highway, resulting in several deaths. The government accused the drug-traffickers of provoking the incidents following the 40% reduction in the 2,300 dollar bonus that the government pays to those who harvest the coca leaves for each hectare of the crop eliminated, which spurred the drug merchants to prolong

their activity as long as possible. As a result of the detention of General Augusto Pinochet in London, several political sectors headed by the National Revolutionary Movement pressed for having President Hugo Bánzer tried for crimes against humanity, given his implication in *Operation Condor*, a programme of concerted action carried out against leftist groups in the 1970s by South American dictators.

The beginning of 1998 revealed **Brazil's** plans to revive ship-based naval aviation on the aircraft carrier *Minas Gerais* with the possible purchase from the Kuwait airforce of 23 *Skyhawk A-4* aeroplanes for a total amount of 70 million dollars. For some time, the Brazilian navy has been preparing to use aeroplanes that can be launched and landed on warships with a flight deck, and during the recent *ARAEX* exercises, Argentine *Super Etendard* aircraft operated from the Brazilian carrier, as did an *S-2E Tracker*, also Argentine. Argentina's navy has been co-operating with Brazil's in this respect for a few years now, having trained two pilots from that country and lent an *A-4Q* for a compatibility study. Should Brazil acquire the *Skyhawk* aircraft, it will be the only country in the western hemisphere, apart from the United States, with ship-based aerial capacity.

Nevertheless, three events came to shape the domestic scene in Brazil during the course of 1998; in order of chronological occurrence, these were a devastating forest fire in the Amazon basin, the world economic crisis, and the re-election of President Fernando Henrique Cardoso. The year began with the continuation of the huge forest fire that had been ravaging the Amazonian region of Roraima since November 1997 and which during the opening months of 1998 destroyed close to 40,000 square kilometres, an area larger than the Spanish region of Galicia. The Brazilian authorities refused the United Nations' repeated offers of aid on the grounds that it was an internal problem that should be dealt with using the means which that nation had at its own disposal, contrary to the opinion of the UN, who considers Amazonia the world's most important biosphere reserve with its six million square kilometres of tropical forest. International pressure obliged president Cardoso to accept Argentine and Venezuelan aid, and at the beginning of April heavy rains helped to control the blaze. But the deforestation of Amazonia continues practically unchecked, for 370,000 square kilometres have been razed by fire in the past twenty years alone. The worst thing is that deforestation is highly profitable—a cleared hectare sells for 23,000 pesetas whereas a hectare of autochthonous tropical jungle fetches a mere 2,300. What is more, the blaze caused even greater tragedy in that it destroyed the food crops of the *Yanomani* Indians, one of the twelve tribes that inhabit Roraima, according to reports published by the Missionary Council of Indigenous Peoples (CIMI), which has repeatedly denounced incursions into indigenous peoples' territories by economic interest groups, despite constitutional guarantees of the Indians' sole right to occupancy; the reality is quite different, inasmuch as the majority of their lands have already been encroached upon.

In mid-August 1998, the grave world-wide economic crisis precipitated a difficult situation in Brazil which in turn imperilled the economic stability of all Ibero-America. At the end of 1997, Ibero-America's largest economy was the first to suffer the effects of the depreciation of the Indonesian, Malaysian, and Thai currencies brought on by excessive speculation, and consequently in early 1998 the Brazilian government found itself in the position of having to take strong measures, such as curbing public spending and raising interest rates to over 40% to avoid the devaluation of the real. This regenerated international confidence in Brazil and encouraged a return of capital inflows, permitting rates to be lowered 20% and bolstering currency reserves to an all-time high of 70 billion dollars in May 1998. But such measures had a high social and political price and sparked off

the occupying of lands, the looting of supermarkets and attacks on supply lorries, making it necessary to summon the army to restore public order. In the face of these events, a number of Brazilian bishops, especially those of the progressive wing, criticised the government's repressive measures, pointing out that instead of deploying anti-riot forces they ought to have distributed food hampers and questioned whether the country was a democracy. During President Cardoso's official visit to Spain in mid-May, he said that the so-called «landless movement» was trying to exploit the situation for its own political ends. Plummeting prices on the world's stock exchanges during the summer of 1998 caused Brazil to lose more than 15 billion dollars in only two weeks, shrinking reserves to October levels of the previous year. In spite of financial adjustment measures, the massive flight of capital continued and, accordingly, the nation's reserves dwindled down to a low of 45 billion dollars. Among the emergency measures, the central bank of Brazil raised annual interest rates to 49.75% and reassessed the economic adjustment package of the stabilisation plan, announcing to President Cardoso during the middle of his re-election campaign the need for severe public spending cutbacks this year and the following. As a result of all this, Brazil's central bank admitted that the country would end the year with growth of under 2% of GDP, a 7.3% shortfall in GDP—the second largest in the world, exceeded only by Sweden's 7.7%—and public debt of more than five billion dollars. To head off the grave crisis, the Brazilian government asked the International Monetary Fund and the G7 for a bail-out package of close to 40 billion dollars; the request was granted but en-tailed a severe austerity plan to prevent the collapse of the economy and the devaluation of its currency, which, if they should be allowed to occur, would inevitably plunge the whole of Ibero-America into a deep and lasting recession.

General elections were held on 4 October. President Cardoso stood for re-election as the candidate of a centre-right coalition, which he won by a wide margin garnering over 20% more votes than leftist candidate Luiz Ignacio *Lula da Silva*. The coalition's candidates likewise obtained a majority of votes in the elections for the governorships of the 26 states and federal district. News of Mr Cardoso's victory was received with satisfaction by practically all of the American and European foreign ministries, as well as by international institutions and organisations, because it was also considered to be the triumph of the economic reforms, adopted in the face of the international crisis in August and September, which only the recently elected president would be able to put into practice. Later that month, on

25 October, a second round of gubernatorial elections was held in states where no candidate had achieved a sufficient majority in the 4 October elections. The choice of governors was crucial because Mr Cardoso would have to rely on them to implement his financial adjustment plan. Ratifying Mr Cardoso's claim to the presidency a second time, these new elections brought to a close the process of choosing new local and national authorities constituting a third of the senate, the entire chamber of deputies, and members of the regional assemblies.

A peace treaty signed in Brasilia on 26 October put an end to the fierce border dispute between Ecuador and Peru. The event was attended by the king and queen of Spain and five Ibero-American heads of state. President Cardoso had played a noteworthy role in the negotiations leading up to the accord, acting as co-ordinator between the four guarantor nations—Argentina, Brazil, Chile, and the United States—and the two opposed countries.

During 1998, life in *Colombia* was marked by the ongoing confrontation between government and guerrilla forces. For that reason, during the visit to Spain by President Ernesto Samper in early February, José María Aznar proposed that Madrid could host peace talks aimed at finding a solution to a conflict that has cost an average of ten lives daily over the past 30 years. This led to an outline agreement being signed in Madrid, known as the Viana preliminary accord, between the Colombian government and the National Liberation Army (ELN), the second largest guerrilla force in the country and led by former Spanish priest Manuel Pérez. However, these efforts did not come to fruition because in April the guerrilla group accused the authorities of using the pact for electoral purposes to benefit the governing party's presidential candidate, liberal Horacio Serpa. News of the death of the guerrilla priest came at the same time. On 31 May, voting took place to choose the two candidates who would stand in the presidential elections to be held 21 June. Following the vote count, the two winners to emerge were Serpa for the liberal party and Andrés Pastrana for the conservatives; eliminated from the contest was independent candidate Noemí Sanín, who, even so, had succeeded in garnering nearly three million votes. Despite army and police surveillance, terrorist attacks and abductions were carried out by the guerrillas, who had announced that they would not interfere in the electoral process. The following day, the ELN broke the deadlock on the negotiations that had begun with the Viana outline agreement and accepted Spain, France and Germany as mediators, in addition to Nobel literary laureate Gabriel García Márquez.

Nevertheless, terrorist outrages continued to occur during the three-week period between the two elections. At the beginning of June, the report published by Amnesty International said that in 1997 there had been some 30,000 deaths, 114 massacres, 200,000 displaced, 140 «disappeared» at the hands of security forces, 600 abducted by the Revolutionary Armed Forces of Columbia (FARC) and the ELN, and 40 mayoral and council candidates assassinated. The presidential elections on 21 June were won by conservative Andrés Pastrana, who confirmed his offer to enter into talks with the guerrillas. Sure enough, at the beginning of June the president-elect travelled to a jungle zone in the country's east where the FARC have their headquarters to meet their two principal leaders, Manuel Marulanda *Tiro Fijo* («Sureshot») and Jorge Briceño *El Mono Jo Joy*, and committed himself to demilitarising the five towns that the rebel movement had requested as possible sites of the peace talks. A few days later, the ELN agreed to take part in a peace summit starting on 12 June in the German city of Mainz with members of the National Peace Commission, including the attorney general of Colombia and the president of the National Federation of Commerce, and went on to sign the Mainz declaration, which among other points advocates the «humanisation of the conflict.»

But on Wednesday 5 August, Colombian guerrillas dealt the armed forces one of the most devastating blows of the past few years, razing to the ground their main counter-narcotics centre, located at Miraflores; the rebels described the attack as «a send-off to the government of Ernesto Samper», who handed over executive power to Mr Pastrana on 7 August. At least 250 guerrillas, military men and civilians were killed in the clash, and nearly 100 were wounded. The guerrilla onslaught spread to other provinces, where there were also large numbers of victims. In spite of these developments, President Andrés Pastrana reiterated his offer of peace on assuming office and announced a profound political change in the country that included peace, political reform, and economic adjustment. The Prince of Asturias and eight heads of state attended his swearing-in ceremony.

In September, with the participation of the Spanish ambassador Yago Pico de Coaña, the talks continued between the ELN and the National Peace Commission, assembled in the Colombian town of San Francisco. It was announced that they would start up an ambitious national convention on 13 February 1999 to discuss various important issues, such as human rights, armed forces, corruption, natural resources, democracy, the

economy, agriculture and drug-trafficking. Meanwhile, President Pastrana set in motion an extensive overhaul of the upper echelon of the armed forces and on 13 October ordered the withdrawal of military forces from a large district in the country's south. He furthermore conceded the FARC p a r t y treatment, declaring that 42,139 square kilometres would remain under guerrilla control as «a peace laboratory» and assured that the demilitarisation would be in effect from 7 November to February 1999 «to foster dialogue leading to a firm and lasting peace.» A few days later, the senate approved an initiative to ask the leaders of the FARC, the EZL, and the People's Liberation Army (EPL) to appear before the legislative body to set forth their proposals for political reform to be undertaken by parliament, the ultimate aim being to allow the nation to put the many years of civil war behind it. The proposal was accepted by the three guerrilla bands.

But the grave world-wide financial situation in mid-summer seriously affected the Colombian economy. The new president was the first Ibero-American leader to adopt measures to overcome the crisis and on 2 September decided to devalue the peso by 9%, in order to avoid the flight of capital, which during the 12 preceding months had amounted to over 1.3 billion dollars. The harsh adjustment programme gave rise to massive day-long protests throughout the country, leading to violent clashes with security forces. Owing to the crisis, Colombia's economy grew by less than 3% in 1998, and there was also an upturn in inflation.

On 26 February, the United States lifted the sanctions it had imposed on Colombia two years earlier, in recognition of «the efforts the country is making to combat drug-trafficking». In this connection, Colombia is negotiating with France to extend an agreement to monitor the areas where crops are grown by means of satellite. Also, when visiting France, Spain, and the Netherlands, the Colombian counter-narcotics director acknowledged that the guerrilla groups had the capacity to shoot down aircraft, going on to refer specifically to the government's loss of three aeroplanes and seven helicopters.

Politics in **Chile** during 1998 revolved around the figure of General and Senator-for-life Augusto Pinochet. No sooner had the year begun, the communist party of Chile lodged a complaint against the general—still the commander-in-chief of the armed forces—for crimes of «genocide, abductions followed by disappearances, criminal conspiracy, and the illegal disposal of corpses». These charges were later admitted by a judge of the

court of appeals in Santiago. Likewise, the National Council of Christian Democracy, a party that forms part of the governing coalition, debated the constitutional case against General Pinochet brought by five of its deputies, to the effect that he should not be designated senator-for-life since, according to the constitution in force, this post can only rightfully be held by someone who has been president of the republic for more than six years. Nevertheless, speaking on behalf of the executive, the minister of the interior pointed out that the government would not support the constitutional case against the general because it considered it «inadvisable» during this time of transition, when preparations were under way for Pinochet to step down as commander-in-chief of the armed forces sometime between 26 January and 11 March. In the face of the controversy, the government proposed a referendum to reform the constitution so as to eliminate the offices of senator-for-life and senator designate.

As a response to the incidents that took place in the chamber of deputies in mid-January, which precluded debate on the constitutional question, the general postponed his retirement to the 11 March deadline. This delay led to the resignation of the minister of defence, Edmundo Pérez Yoma, on 16 January. Mr Pérez Yoma, who had been appointed as the go-between for the civil authorities and the armed forces during the transition, was replaced by Raúl Troncoso Castillo, who declared a few days after taking office that Pinochet had done much for the country and called him a defender of democracy. Around the same time, the supreme court of Chile rejected the petition by Spanish judge García-Castellón for records of the alleged violations of human rights of Spanish citizens during the regime of General Pinochet. On 2 February, the Chilean president, Eduardo Frei, set out on an official visit to Spain, during which he criticised the Spanish judicial enquiries and asked that the democratic transition under way in his country should be respected. Also, the Chilean foreign minister, José Miguel Insulza, pointed out that the elderly military man's seat as senator-for-life, following his retirement, was a «reasonable price to pay» for the transition to democracy.

On 8 March, the armed forces declared Pinochet «meritorious commander-in-chief» for his «lifetime achievement and labours accomplished» and to bear witness to «the imperishable recognition of his leadership». Three days later the general was sworn in as senator-for-life in a ceremony preceded by numerous incidents in the upper house as well as in the chamber of deputies. For its part, the European parliament, after a speech by the Spanish Euro MP of the United Left, Carlos Carnero, ratified a refu-

sal to recognise Augusto Pinochet's being appointed senator-for-life. In an early April debate in the Chilean parliament on the question of a new constitutional charge against the general, the president of the nation, Eduardo Frei, declared that «Augusto Pinochet was not an obstacle to democracy and that the armed forces at all times respected the law and legitimately established political power.»

But the leisurely pace of life in Chile during the summer break was to be severely shaken by the decision of Spanish judge Baltasar Garzón to request the British government to «guarantee [General Pinochet's] remaining on British soil» until a statement could be taken from him. General Pinochet was subsequently arrested on 17 October in a London hospital, where he was recovering from surgery. Judge Garzón charged him with genocide, terrorism, and torture. But Britain's high court ruled that the senator-for-life enjoyed sovereign immunity and quashed the warrant for his arrest, though the Crown prosecutor appealed against this decision on behalf of the Spanish judge. On 25 November, the judicial committee of Britain's House of Lords annulled Augusto Pinochet's immunity in an historic decision that cleared the way for his possible criminal prosecution. This led to a grave political crisis in Chile. President Frei immediately convened a meeting of the National Security Council and addressed the nation in a broadcast and televised appeal for responsible and calm behaviour on the part of institutions and citizenry. Close on his heels, the military—who, as is well-known, enjoy considerable influence in domestic affairs—issued a strongly worded statement and urged the executive to set in motion the steps necessary to permit the elderly commander-in-chief to return to Chile. Apparently, in the meeting of the national security council, the military officers demanded that the government should immediately break off diplomatic relations with Spain and Great Britain. General Ricardo Izurieta, commander of the army, called a meeting of 2,000 officers in Santiago to analyse the situation.

On the economic front, on 1 June Chile and the European Union formalised the incorporation of political dialogue into the Co-operation Framework Agreement, ratified in June 1996, the ultimate objective of which is to establish a political and economic association. Later, on 22 June, the European Commission approved the mandate of the creation of a free trade zone with Mercosur (Argentina, Brazil, Paraguay, Uruguay) and Chile. The fall in commodity prices as a result of the international financial crisis caused a drop in exports of Chilean copper, making it necessary to cut public spending by 700 million dollars in mid-summer in order to avoid

an upturn in inflation, which had been kept below 3% with respect to 1997. As for the acquisition of new weapons systems, at the beginning of the year the air force ordered the purchase of 12 UH-60 *Blackhawk* helicopters, postponing the acquisition of modern combat planes.

In *Ecuador*, the armed forces have had to face up to pressure from the private sector, which is keen to see them stripped of their commercial privileges; they have vested interests in hotels, the textile industry, agriculture, metallurgy, explosives and shellfish farms, etc., as well as receiving a substantial part of the profits from petroleum exports. The military argue that these sources of income help meet defence expenditures and furthermore that the armed forces constitute the country's most worthy institution, since they maintain a wide range of social programmes such as teaching farming methods to the Indian population, providing electricity supply in rural areas and public education. Ecuador is one of the few Ibero-American countries that has been increasing its defence budget, no doubt on account of the conflict it had been engaged in with Peru and the need to protect its frontier with Colombia against penetrations by guerrillas and drug-traffickers, bearing in mind also that its oil pipelines run through the immediately adjoining region.

On 1 March, the board of elections called general and presidential elections amid a tense atmosphere following the damage caused by the meteorological phenomenon known as «*El Niño*», which had devastated the coastal area, and the confrontation between President Fabián Alarcón and the national assembly over the latter's decision to postpone the dates of constitutional reform. The first round of elections, held 31 on March, resulted in victory for the Christian social party, while Quito's mayor, Jamil Mahuad, and populist banker Alvaro Noboa were chosen to compete in the second round of presidential elections on 12 June. Winning the final vote by a slim margin (51.16% as opposed to his opponent's 48.83%), Jamil Mahuad assumed the presidency, declaring that his priorities would be the country's economic recovery and a solution to the conflict with Peru. The response to the economic adjustment measures was a general strike in early October that led to disorder and violence in several cities and towns, particularly Guayaquil, while the lengthy negotiations with Peru culminated in the peace treaty that was ratified in Brasilia on 26 October.

The beginning of the year in *Mexico*—and practically the whole year—were marked by the profound nation-wide grief in the aftermath of the Acteal massacre at the end of December of the previous year. In January,

the recently appointed secretary of the interior, Francisco Labastida Ochoa, carried out an extensive overhaul of his department, which included the dismissal of the governmental co-ordinator in the Chiapas peace talks and his replacement by Emilio Rabasa. At the same time, pressured by the progressive deterioration of the situation, the new governor of the state of Chiapas, Roberto Albores, requested army assistance to reform the police force and laid the blame on foreign interests for the problems registered in the region. The under-secretary of the interior, Fernando Solís, likewise lashed out against the hundreds of foreigners who had come to the region months earlier (most of them members of numerous NGOs), accusing them of «taking part in demonstrations, political indoctrination, and inciting to revolt.» The upshot of this was the expulsion in late April of these foreign nationals, among them several Spaniards who had been working as human rights observers and were accused of «revolutionary holiday-making.» Almost simultaneously, various governmental media accused Chiapas bishop Samuel Ruiz of having links with the Zapatist National Liberation Army (EZLN). This triggered the protest of the Mexican Roman Catholic hierarchy and Chiapas's four bishops pointed out to the secretary of the interior, Labastida Ochoa, that Mexico was standing at a dramatic cross-roads and must choose «either the road to democracy or that which leads to dictatorship, repression, and war.»

The growing presence of army units in the southern state was criticised by the Mexican episcopate, whose vice-president, Bishop José Guadalupe, requested the government to «withdraw the army from indigenous communities to avoid provoking conflicts and a consequent escalation of violence.» The EZLN responded by threatening to take up arms should any new attacks by paramilitary groups occur and condemned the ever-increasing presence of military forces; for its part, the National Indigenous Council reiterated its protests that Mexico's Indian communities lived in an atmosphere of terror and entreated the executive to adopt in their entirety the San Andrés Larrainzar Accords on the Culture and Rights of Indigenous Peoples, ratified by the government and the EZLN in 1996. For their part, the media advocated the dismantling of the region's political power structures, which they described as «criminal», in order to lay the groundwork for peace in the region. On 17 March, to prevent the situation worsening, the government presented a peace plan, inviting the leader of the EZLN, deputy commandant Marcos, to renew talks. He in turn replied that the executive must accept the terms of the bill drafted by the Commission

of Concord and Pacification for Chiapas (COCOPA) and based on the aforementioned San Andrés Accords. The government proposal entails amendments to seven articles of the constitution: to acknowledge indigenous peoples' right to decide in an autonomous manner their social, economic, political, and cultural organisation; guarantee their cultural identity; foster the transmission of their language via their own communications media; impart justice according to their own laws; sanction their right when being formally examined in court to be provided an interpreter and a lawyer who speak their language; guarantee their right to use the natural resources on their lands; protect the development of their communities; and promote the growth of local government, bearing in mind the geographical location of indigenous populations.

On the occasion of her mid-March visit to Chiapas as an ambassador of UNESCO, Nobel peace laureate Rigoberta Menchú said that the tension in the area was evident and that the strong military presence there could well lead to hostile encounters. She stressed that the conditions of poverty and social marginalisation in which the Indians of Chiapas live have actually grown worse over the past few years and pointed out that there was virtually no communication between the main players, the government, EZLN, and COCOPA. The Nobel laureate considered that the greatest danger lay in the existence of armed groups that are linked to local political bosses and act with impunity, and viewed with trepidation the growing number of such groups; she observed that these terrorist groups must be put out of action before any efforts at reconciliation could bear fruit. Rigoberta Menchú likewise advised that the indigenous communities should be consulted and their opinions taken into account in relation to any political initiatives likely to affect them. As part of a tour through Ibero-America, UN secretary-general Kofi Annan stopped off in Mexico on 21 July for a two-day visit. During his stay, he urged the EZLN and the government of President Ernesto Zedillo to enter into sincere, honest, and continued talks leading to peace and stressed that Mexican society had a role to play in encouraging serious negotiations and not inciting to violence. Mr Annan pointed out that the UN's role would be to promote the peace process and reiterated that the UN would not mediate in the conflict because it had not been asked to do so by the Mexican government.

In a public-opinion poll conducted by the Rosenblueth foundation and published on 18 August, 70% of Mexicans considered the government, the Chiapas authorities, and paramilitary groups close to the PRI to be responsible for the crimes committed at Acteal the previous December. 73%

regarded the 1994 Indian uprising as justified and thought that the conflict had repercussions at a national level, while 53% reckoned that the government had no intention to come up with a solution and that the San Andrés Accords had not been complied with. As to whether or not the EZLN represented a danger to peace, opinion was almost equally divided, with approximately 40% both pro and con. The opposition severely criticised President Zedillo for not mentioning the Chiapas conflict in his fourth state of the nation report published in early September and for concealing the truth of the situation there from the public. Meanwhile, a documented entitled «The legality of injustice», published by the Fray Bartolomé de las Casas Foundation, states that since the Acteal massacre, 57 people have been murdered in Chiapas. On 14 September, ten bishops belonging to the Peace and Reconciliation Commission of the Mexican Episcopal Conference journeyed to Chiapas to gather additional information to supplement the data provided by government sources as part of the preparations for the visit of Pope John Paul II to Mexico, slated for 22 January 1999.

The fall in oil prices forced Mr Zedillo's government to do some budget trimming and also led to a shortfall in predicted revenues of more than 1.5 billion dollars. Unlike in 1986, when the Mexican economy depended on oil for 75% of its income, nowadays crude oil accounts for only 37% of exports, though this is still a high percentage and one that could have a worsening effect on what is already a grave deficit. The world-wide economic crisis in August entailed a further risk factor for Mexico and forced it to raise interest rates, which stood close to 27% by summer's end. All this resulted in a downturn in growth which, it is feared, will be less than 4%—down considerably from the previous year's 7.1%. Nevertheless, in his government's fourth state of the nation report, mentioned above, Mr Zedillo defended his fiscal policy in the face of the fall in crude oil prices, the crises in Russia and Asia, and the depreciation of the peso against the dollar, while putting the blame for corruption on «white-collar criminals» (among those accused is the director of Mexico's central bank, reported by the newspaper *Reforma* to be suspected of embezzlement). The International Monetary Fund expects Mexico to reform the banking sector, adjust its monetary policies and diversify its revenues so as to contain the slowdown in economic growth and the devaluation of the peso, which in October fell 32% against the dollar.

Once more, drug trafficking played a regrettably prominent role in Mexico's affairs. The counter-narcotics prosecution department revealed that it had detected activities related to the drug trade in 20% of the

nation's 2,418 townships and reported that during 1997 it had located and destroyed 770 clandestine landing-strips, eradicated 41,000 hectares of marijuana and opium crops, and detained 11,000 people in relation to this criminal activity. Furthermore, the attorney general's office arrested the former director of the federal criminal investigation department, whom it accused of having links to the drug trade and of having committed other alleged crimes during his term in office (1993-95). As to urban crime, thousands of Mexicans demonstrated against violence. Indeed, according to some media sources, 694 crimes are committed daily in the capital alone, and it is estimated that in 1998 some million and a half violent crimes took place in Mexico's federal district, with a total of 1,100,000 victims. In the fight against organised crime, authorities detained Daniel Arizmendi, leader of a powerful Mafia responsible for 200 abductions. Among the victims of this organisation were several Spaniards, whose ears they cut off and sent to their families to persuade them to pay ransom money.

It is evident that the Mexican armed forces have been playing a major role as power brokers in Mexico and, contrary to the rest of the Ibero-American countries, they are increasing the defence budget and carrying out assignments relating to the country's internal affairs. This new role has had a deteriorating effect on their image and introduced new elements of tension vis-à-vis the police forces and the citizenry. The arrest of counter-narcotics chief General Gutiérrez Rebollo in 1997 for his links to drug-traffic-kers and his sentencing on 3 March 1998 to 13 years and 9 months in prison, the unpopular intervention of the army in Chiapas, and General Gallardo Rodríguez's arrest and 14-year sentence for the misappropriation and destruction of archives belonging to the armed forces have all had an extremely negative effect on the latter's image. This led President Zedillo to adopt measures to distance the military from the risks of involvement in corruption and to re-establish their honour, placing the attorney general's office in charge of combating organised crime, corruption and drug-traffic-king.

The political scene in *Paraguay* in 1998 was marked by the victory of the Colorado Party in the presidential elections and the affair of General Lino Cesar Oviedo, who had been put on trial for an attempted coup d'état in 1996 and had been incarcerated since 2 December of the previous year by order of President Juan Carlos Wasmosy, pending decision by a special military tribunal. On 9 March, the general, who had won the run-offs to be nominated the presidential candidate of the Colorado Party (ANR), was sentenced to ten years in prison by the court for a crime

«against the order and security of the armed forces»—a decision that the supreme court confirmed a month later. This in turn led the electoral authority to disqualify General Oviedo from standing in the 10 May elections. Thus was ended a political and military crisis that could have put paid to the political transition in a country which, in the words of Paraguayan writer Arturo Roa Bastos, has not seen the advent of democracy and «continues to be an island surrounded by land.»

The presidential elections were won by the candidate of the ruling ANR, Raúl Cubas, who polled 54% of the votes compared to the 43% secured by his opponent Domingo Laino of the Democratic Alliance. The elections, which achieved a turn-out of 80%, also seated 45 senators, 80 deputies, and 17 governors of the departments that make up the country. New president Raúl Cubas was installed in office on 15 August; attending his swearing-in ceremony were the Prince of Asturias and seven heads of state. But on 18 August, Cubas commuted the ten-year prison sentence of his friend and fellow party member, General Oviedo, to three months in prison. This led to his immediate release, since he had already been behind bars for eight years. The presidential decision met with disapproval in the congress, but an attempt at impeachment fell short of the required two-thirds majority and was accompanied by the silence of the military. The presidential action also led to a purge of the armed forces.

As to the economic picture, there were satisfactory results in reducing public debt and stemming inflation, and the military defence budget was trimmed back by 110 million dollars, though the opposition complained that corruption entailed losses of 2 billion dollars to the nation.

Although the *El Niño* phenomenon affected some parts of **Peru** at the start of the year, a preliminary accord with Ecuador establishing a timetable leading to the signing of a peace treaty between both countries partially compensated for the damage caused by the flooding. The security forces chalked up a major success on 22 April when they captured Pedro Quinteros, long-established leader and member of the principal policy-making and executive committee of the Shining Path. Nevertheless, the resignation of Prime Minister Alberto Pandolfi in early June—precisely when negotiations with Ecuador over the forthcoming peace accord were at their most intense—contributed to the growing atmosphere of crisis. In view of the situation, Alberto Fujimori appointed a new premier within 24 hours—Javier Valle Riestra, a known critic of the head of state who opposed his re-election as president of the country. In his first public address,

the new prime minister said that he would endeavour to «encourage democracy and respect for human rights» and, declaring himself opposed to any re-elections, went on to state that his government would have to deliberate on the question of Mr Fujimori's eligibility to stand for re-election in the year 2000. But at the beginning of August, Mr Valle Riestra handed in his resignation, explaining that his efforts to democratise the country had proved ineffective; he was replaced by Alberto Pandolfi, who had quit the job two months earlier.

On 20 August, the removal of General Hermoza as commander in chief of the army and chairman of the joint chiefs of staff caused considerable unease among the nation's military, who had placed their trust in the general throughout the seven years he had held his post. He was replaced by the minister of defence, General Cesar Saucedo. A week later, on 27 August, the Peruvian congress ruled against holding a referendum to determine whether President Alberto Fujimori should be able to run for a third term, thereby leaving the way clear for a new re-election. The opposition had only been able to come up with 45 votes of the 48 required to repeal the law permitting the re-election of the president, though the call for a referendum had been supported by 73% of Peruvians. Mr Fujimori has enjoyed United States support because of his participation in the war against drug-traffickers. That nation has provided Peru with state-of-the-art radar systems to detect and monitor the aircraft used to transport the drug, enabling the air force to shoot several of them down and undermine the «air lift» to Colombia, thereby curtailing cocaine shipments by almost a third as market prices for the drug dropped.

In *Uruguay*, the year began with the resignation of the minister of foreign affairs. In February, the senate, in full session, made a formal declaration of solidarity with the Spanish people, condemning the latest crimes of ETA. In mid-May, Montevideo hosted the 9th Conference of the Speakers of Ibero-American Democratic Parliaments, which Cuba attended for the first time as a full-fledged member. Spain was represented by the speaker of the chamber of deputies, Federico Trillo. On 18 July, a Uruguayan judge turned down a letter of request from his Spanish counterpart Baltasar Garzón to interrogate an official, retired in 1971, about the disappearances of Spanish citizens in Argentina. Noteworthy achievements in the economic sphere were the fall in inflation from 19.8% to 10.2% and the European Commission's decision in July to open negotiations with the four members of Mercosur for the creation of a free trade zone.

The international economic situation had a particularly heavy impact on *Venezuela*. The sharp drop in oil prices, which dipped below 12 dollars a barrel—well below the 21 dollar figure set by the Organization of Petroleum Exporting Countries (OPEC) of which the nation is a member. Petroleum is Venezuela's main export product, and the price drop resulted in losses of over 7 billion dollars in the country's revenues for 1998. Despite the more or less co-ordinated attempts by the OPEC countries, and also by some non-member nations, to reduce oil production with a view to pushing up prices, these slumped to their lowest level in ten years. In the face of the situation, on 18 August the Venezuelan and Mexican energy ministers agreed to reject new cutbacks in petroleum production, which had already been reduced by 525,000 barrels a day in Venezuela and by 200,000 in Mexico. To head off a massive devaluation of the bolivar, at the end of August the Venezuelan government decided to float the currency and let it find its own feet in the international exchange market, effecting a devaluation in all but name. And the economic downturn has made it the only Ibero-American country combining a negative growth rate and a soaring CPI, which rose to 37%. On 14 September, the Deposit Guarantee Fund reported that interest rates were in the region of 100%, that the bolivar had been devalued by 14,000% since 1984, and that inflation had risen by 89,000% during the same period.

As for political affairs, on 14 April a court ordered the immediate arrest of former president Carlos Andrés Pérez on charges of lining his pockets, confining him to his residence in Caracas since his age—he is over 70—precluded his incarceration in a penal institution. But more important were the regional and legislative elections held on 6 December. The winner was former lieutenant colonel Hugo Chávez, ringleader of the attempted coup of 4 February 1992. His coalition, called the Patriotic Pole, was made up of the Fifth Republic Movement, which is his party, the socialists, the nationalist sector and the communists, while the traditional parties received a sharp rebuff at the polls, providing clear evidence of the Venezuelans' desire for change.

On the international scene, at the inauguration of its 27th general assembly on 1 June in Caracas, the Organization of American States ratified a declaration of commitment to their «common destiny» of striving to encourage democracy in the lands of the western hemisphere.

SPAIN IN IBERO-AMERICA

Spain has maintained and increased its presence in Ibero-America in both the political and economic spheres. On 15 March the president of the Spanish government set off on his sixth trip to the region before completing his second year in power. On this occasion the tour included a visit to three countries—Bolivia, Uruguay and Chile, in that order—lasting a week. It marked a further step in strengthening Spain's cultural and economic presence in the Southern Cone of the continent and conveyed two messages: an appeal for greater collaboration in combating terrorism and a call for democracy. On arriving in the Bolivian city of Santa Cruz de la Sierra, José María Aznar stated that *«the important thing now is for us, with our roots, with our past, to be capable of building a future together»*. During his visit agreements worth a total of 130 million dollars were signed, whereby resources were channelled towards debt relief and programmes to promote small and medium-sized enterprises. Of the most important agreements, mention should be made of the one designed to strengthen Bolivia's civil defence system in order to combat the effects of the El Niño meteorological phenomenon, another to boost the fight against drug trafficking and to promote the growth of alternative crops other than coca leaf in the Chapare region, and yet another to foster the development of the indigenous peoples. Precisely at the headquarters of the Indigenous Forum (an institution set up at the Ibero-American Summit of Madrid in 1992) he called on all the countries of the Southern Cone to recognise the indigenous peoples in their constitutions and to grant them their rightful place in national parliaments.

In Uruguay, the second country on the agenda, Mr Aznar centred his message on anti-terrorist efforts, as 13 members of the ETA group currently reside in that country. Spain had accomplished certain achievements in this field in Uruguay, such as persuading the senate to sign a declaration condemning terrorism. Uruguay was furthermore the first country whose authorities publicly showed the video made by the Spanish ministry of the interior to demonstrate to the world the true nature of ETA.

As soon as he trod Chilean soil, José María Aznar urged the chamber of deputies in full session in the city of Valpara to «dilute any authoritarian residues» and to exercise daily «the spirit of concord» and the principles of the rule of law. On the second day of his visit he issued a novel message in his address to parliament—that of creating a common legal Ibero-American space, similar to the one the different Spanish governments have proposed for Europe. The Chilean members of parliament applauded the president when he thanked them for giving a warm welcome to Spa-

nish exiles and emigrants «in difficult times». The two governments tacitly agreed that Spain would not interfere in any way with Chile's transition to democracy and that Chile would not make complaints to the Spanish president regarding the conduct of Spanish justice in relation to the missing Spanish people. José María Aznar, who was accompanied on this trip by a large group of businessmen, also had a number of economic objectives, since Spain is the leading foreign investor in Chile, which has a very favourable co-operation treaty with the European Union.

The trip made by the president of the Xunta de Galicia (the Galician autonomous government) to the Mercosur countries likewise reflected Spain's economic co-operation with Ibero-America.

In May the Brazilian President Fernando Henrique Cardoso renewed his April visit to Spain which had been interrupted on the 22nd owing to the death of one of his closest collaborators. Mr Cardoso arrived with several ministers and a group of businessmen in order to enhance the trade relations which have developed spectacularly in the past few years.

The Spanish Royal Household, which pays special attention to Ibero-America, was represented by the Prince of Asturias at the swearing-in ceremonies of five new presidents: those of Honduras and Costa Rica in late January and on 8 May, respectively and later that year, the Prince cut short his August holidays to travel to Colombia to attend the investiture of Andrés Pastrana as head of state; he then travelled to Ecuador, where Jamil Mahuad was sworn in and went on to Paraguay to represent Spain at the swearing-in ceremony of Raúl Cubas. He also visited Venezuela to attend the 5th Centenary of the arrival of Christopher Columbus in the American continent.

In mid-September President Aznar made his seventh trip to Ibero-America, this time visiting Colombia and Peru. On arriving in Cartagena de Indias, he made an offer of Spanish mediation in the peace process which the newly-elected president of the Colombian Republic, Andrés Pastrana, intended to relaunch. His offer included using Spanish diplomats as mediators and Madrid as a neutral headquarters for negotiations with the guerrilla groups, particularly the Revolutionary Armed Forces of Colombia, the FARC, and the National Liberation Army. It should be recalled that an average of 30,000 homicides are committed in Colombia every year and violence has displaced and obliged 150,000 people to emigrate. When signing several bilateral co-operation agreements and a programme of financial aid, Mr Aznar raised the subject of guaranteeing respect for

human rights, though he did not lay down conditions for Spanish aid. Before going on to Lima, the Spanish premier visited the Amazonian locality of Iquitos, where Spain is actively involved in co-operation projects. He signed an agreement with Alberto Fujimori establishing annual high-level contacts, stating that the Spanish government had thus «filled the vacuum» which had existed for six years. Moreover, the increase in Spanish investments in Peru, in José María Aznar's opinion, justified affording this nation political support. Several days later, the wife of the Spanish prime minister was a special guest at the 1st Conference of first ladies of the Americas in Santiago de Chile, giving the opening address on female inmates, a sector of the population which «suffers painful marginalisation».

Following the Ibero-American Summit in Oporto, the Iberian and Ibero-American leaders belonging to the Christian Democrat International met in the Galician city of Bayona. In the Declaration of Bayona they undertook to reject all forms of corruption and the temptation of any totalitarian or authoritarian conduct, advocating the universal values of Christian humanism as the basis for consolidating democracy. In addition to the president of the Spanish government, this meeting was also attended by the heads of state of Argentina, Colombia, Costa Rica, Chile and Ecuador and the president of the European People's Party, Wilfred Martens. At the same time, the 3rd meeting of ministers of the Ibero-American presidency took place in the Spanish city of Cordoba. The aim of this event, which was officially opened by Spanish deputy premier Mr Álvarez-Cascos, was to find a global response to common problems. Meanwhile, Fidel Castro visited Extremadura before going on to Madrid on 20 October, where he held several meetings with José María Aznar.

However, this major boost to relations with Ibero-America was hampered by a serious incident: judge Baltasar Garzón's request for the indictment of general Augusto Pinochet, which was mentioned earlier in connection with the 8th Ibero-American Summit. Despite the personal efforts of President Frei and José María Aznar to limit the crisis to a strictly legal affair, the impact on relations between the two countries was considerable, so much so that the Chilean government recalled its ambassador to Madrid and violent demonstrations disrupted life in Chile, where Spanish flags were burnt and marches were staged outside the Spanish diplomatic residence in Santiago to protest at the Spanish government's decision to request the British authorities for extradition. It is worth remembering that Spain has a strong economic presence in Chile, with public and private investments totalling a trillion pesetas.

Spain's economic policy with regard to Ibero-America was to increase investments in 1998, surpassing the trillion-peseta mark reached in 1997. Spanish investments in *Argentina* now amount to some 400 billion pesetas and, if partnerships are taken into consideration, the figure is over 900 billion. The main Spanish operators in this country are Telefónica, Repsol, Endesa-Enher, Aguas de Barcelona and Campofrío, while the most active banks are Santander, BBV, Banco Español de Crédito and Central-Hispano. Special mention should be made of Telefónica's presence in *Brazil*, where it invested almost a trillion pesetas in 1998 in purchasing Telesp and Tele Sudeste Celular; as for banks, the Santander group has a major presence in the country, as does BBV, which strengthened its foothold in the Brazilian market by acquiring Banco Excel during the year. The Spanish banking sector is also very active in *Chile*, where the Santander group secured a market share of 11.3 percent in 1998, while Central-Hispano has invested over 70 billion pesetas and currently controls the two leading Chilean banks. Telefónica and BBV have likewise made substantial investments and control about 45 percent of Telecomunicaciones de Chile and Banco Hipotecario de Fomento respectively, while Endesa is the main shareholder of Enersis, the biggest electric utilities company in Chile. *Mexico* is another principal recipient of Spanish investments and in 1998 Santander, Bilbao-Vizcaya and Central-Hispano increased their volume of activity in the country, as did Telefónica, Dragados, FCC, Entrecanales and Cubiertas, the Seville company Abengoa and the Ríu hotel group. In *Venezuela*, BBV, the Santander Group, Central-Hispano and Telefónica were the main companies to continue with their investments. The Spanish economy also has its sights set on *Cuba*, where Spain is the leading investor, particularly in tourism, both hotels and tour operators. Spain also increased its presence in the food, construction, tobacco and plastics industries in 1998, as well as in other sectors of economic activity.

But the number of Spanish companies that are investing in Ibero-America, and also the number of recipient nations, is increasing. For example, Banco Bilbao-Vizcaya has extended its presence to *Colombia*, *Peru* and *Uruguay*, while the Central-Hispano has expanded into *Bolivia*. Repsol, for its part, has invested over 600 billion pesetas through its subsidiaries and has service stations in *Argentina*, *Peru* and *Ecuador*, in addition to distributing gas to *Bogota*, *Buenos Aires*, *Monterrey* and *Mexico city*. Telefónica signed a contract with the *Peruvian* government in August 1998 to put an end to the telecoms monopoly in the country, where its current investments exceed 300 billion pesetas and it has begun to invest a further 225