

# U.S. eyeing bigger foothold in the Caucasus?

By Vladimir Radyuhin

MOSCOW, DEC. 4. The United States is planning to establish a major military presence in Azerbaijan to win a bigger foothold in the former Soviet part of the Caucasus, safeguard oil and gas pipelines in the region and step up pressure on Iran.

The U.S. Defence Secretary, Donald Rumsfeld, discussed the plan with Azerbaijan's newly-elected President, Ilham Aliyev, during his visit to Baku on Wednesday, Azerbaijani media reports said.

Mr. Rumsfeld ducked questions about possible American bases in Azerbaijan, but confirmed Washington's resolve to expand defence cooperation with the oil-rich former Soviet republic in the Caucasus.

"Certainly we intend to continue that military-to-military relationship with the new administration," he told a joint news conference with the Azeri Defence Minister, Col. Gen. Safar Abiyev. The U.S. defence chief is the highest American official to visit Azerbaijan since Mr. Aliyev succeeded his ailing father, the long-time Azeri President, Heidar Aliyev, in October presidential elections.

Azerbaijan's Defence Minister said his country may consider hosting U.S. forces in the future. Russian military sources said that the U.S. may station up to 15,000 troops at several mobile bases in Azerbaijan as part of the redeployment of the 70,000-strong U.S. force from Germany to Eastern Europe. According to the sources, Washington planned to deploy F-16 fighters in Azerbaijan for use in



The Azerbaijan President, Ilham Aliyev (left), welcomes the U.S. Defence Secretary, Donald Rumsfeld, in Baku on Wednesday. — AFP

Afghanistan and Iraq. The U.S. military is reported to have already upgraded several airfields in Azerbaijan.

The United States provides Azerbaijan with about \$3 million a year to train, equip and modernise its military.

Recently, the U.S. delivered a Coast Guard cutter to Azerbaijan to protect its offshore oil and gas installations. Baku in turn sent a platoon of peacekeepers to the NATO-led peacekeeping force in Kabul and about 125 troops to Iraq.

"The goal would be to work with the Azerbaijani navy and maritime forces to better enable them to deal with security

threats", Mr. Rumsfeld said in Baku. He will continue his talks in Baku after Thursday's trip to Afghanistan.

Mr. Rumsfeld's talks in Baku came close on the heels of a visit to Azerbaijan of Air Force Lt. Gen. Charles Wald, the deputy commander of U.S. European Command, who said afterwards that early next year, the U.S. planned to embark on a comprehensive effort to ensure the safety of the Azeri sector of the disputed Caspian Sea.

Baku is locked in a conflict with neighbouring Iran and Turkmenistan over offshore hydrocarbon reserves in the region.

# Emergency in Peru as protests intensify

LIMA (PERU), MAY 28. Within hours of the President Alejandro Toledo's declaration of a 30-day state of emergency, dozens of police in riot gear arrived at the gates of Congress early on Wednesday to evict hundreds of striking teachers camped out there.

The strikers, some groggy with sleep and others grumbling — but all now in violation of the law, slowly moved out.

The state of emergency suspends civil liberties and gives police the authority to detain protesters and enter homes to round up their leaders without warrants. The order also limits freedom of movement and prohibits assembly.

Mr. Toledo invoked the measure late on Tuesday night in a national address. "We have the responsibility to govern for 26 million Peruvians. We have the responsibility to protect citizens and the public order," Mr. Toledo said sternly.

He said police would assist the military to end nationwide protests by thousands of farmers, teachers, judiciary workers and, as of Tuesday, state health workers.

On Tuesday, police worked to clear stretches of roadway that striking farmers had blocked with scattered boulders and burning tires since Monday. By declaring a state of emergency, the Government gave police and the military the authority to use force to clear the highways and restore order. The Congressman, Luis Iberico, from a



The Peruvian President, Alejandro Toledo, addressing the nation in Lima on Tuesday. — AP

party allied with the Government, said that approximately half of Peru's 24 departments would be under military control and that civil liberties would be suspended. He said a decree would be issued declaring the teachers' strike illegal.

The farmers are seeking protection from

imports and lower sales taxes on certain crops, while the other protesters are demanding higher wages.

"We just want justice," said Luis Caceres, a leader of the Government health workers. Before the announcement, the Interior Minister, Alberto Sanabria, said that parts of 35 highways had been blocked and that 15 arrests had been made, mostly near the town of Huarney, 250 km northwest of Lima on the Pan-American Highway. "We have to put order in each of these places," Mr. Sanabria said.

Tuesday's measure is the first time Mr. Toledo, who took office in July 2001, has declared a nationwide state of emergency.

In June of last year, he placed Peru's second largest city, Arequipa, and the surrounding region under a state of emergency for five days in order to quell violent riots against the Government's plan to privatise a public electrical company that served the city.

That decree was lifted after the Government suspended the planned auction and violence subsided.

Law enforcement could get complicated this time, however, since retired police had also threatened to join protesters on June 5.

"The pay is miserable. I don't know how police can live on this amount," retired police Col. Dino Baca said. — AP

THE HINDU

25 MAY 2003

# India, Brazil agree to forge G-22 group at WTO

HT Correspondent  
New Delhi, October 20

INDIA AND Brazil have decided to go ahead with the G-22 grouping at WTO to force both US and European Union for slashing their trade-distorting farm subsidies.

Though countries like Thailand have reportedly left the group after the Cancun summit of WTO, with the core group — India, China, Brazil, South Africa and Argentina — deciding to stay together, the impact may be marginal.

Brazil's foreign minister Celso Amorim, who has been the chief spokesperson for the G-22, met the Union Commerce and Industry Minister Arun Jaitley over lunch in the capital on Monday.

Both, Amorim and Jaitley have apparently decided to contribute constructively at the WTO general council meeting on December 13 for clinching a deal on agriculture issues.

One major development seems to be that Brazil has come much closer to India on trade issues with the visit of Amorim. Amorim on Monday voiced his opposition to bringing back the Singapore issues — competition, trade facilitation, investment and transparency in procurement — back to the negotiation table. Addressing chieftains of Indian industry at both Ficci and CII, Amorim hinted that G-22 would be institutionalised as an alliance.

Meanwhile, both the countries have indicated their desire to strengthen the new found friendship with the proposal to ink a free trade agreement between India and Mer-



Arun Jaitley  
Point taken

cosur comprising of Brazil, Argentina, Paraguay and Uruguay.

Both the countries have also signaled that bilateral and regional agreements cannot be an effective alternative to multi-lateral trading arrangements put in place through WTO.

India and Brazil will also explore the possibility of direct air connectivity between the two regions.

In a related development, the Vajpayee Government has extended an invitation to Brazilian President Lula as chief guest at the Republic day parade on January 26 next. According to sources, Brazil has already accepted the invitation of Prime Minister Vajpayee.

Amorium Celso is expected to call on his Indian counterpart External Affairs Minister Yashwant Sinha on Tuesday to discuss about preparations for the proposed visit of President Lula. Invitation to President Lula by Vajpayee Government is yet another indicator of growing economic relationship between the two developing countries.

# Guatemala's challenge

By David Gonzalez

**I**N A country where the masses of rural poor survive on barely enough food, work or hope, the spectacle of peasant mobs rampaging through exclusive neighbourhoods on July 24 should have come as no surprise. But what many people found unsettling — if not altogether unexpected — was that the mobs were well-organised and rallying in support of Efraín Ríos Montt, a former general and dictator whose iron-fisted rule devastated many of their communities in the early 1980s and who is now seeking Guatemala's presidency.

The emergence of these class warriors — apparently bussed in and directed by Mr. Ríos Montt's political party — is hardly the only contradiction these days. Guatemala's highest courts are ensnared in a debilitating crossfire debating his right to run for president, denied him since 1990 under a law that bars coup leaders from office. Although the former general himself is an evangelical Christian who preaches helping the poor, human rights groups have prodded prosecutors to investigate him for massacres during his time in power.

Mr. Ríos Montt was once embraced by the United States, and one campaign advertisement trumpets him as a defender of democracy and features an early 1980s photograph of him with President Ronald Reagan. But State Department officials have warned that normal relations would be impossible under a Ríos Montt presidency. Others feel that a

shadowy network of former military officers now engaged in organised crime would continue to enjoy impunity if he were to ascend to power. The flashbacks to past allies and battles underscore the essence of what Guatemala has faced since its 36-year civil war ended in 1996 with more than 200,000 dead and 50,000 vanished: how to build peace and democracy in a place with little experi-

ences with either.

"You need democratic people, and obviously Ríos Montt is not a democrat," said Helen Mack, a leading human rights advocate in Guatemala City. "You cannot have a democratic state with someone who has relied on fear, force and the tactics of counterinsurgency." Those tactics were evident on July 24, as roving mobs descended upon a downtown high-rise that houses offices of some large corporations. Journalists covering the tumult were chased, and one television reporter died of a heart attack. Just outside a gated community where many diplomats and wealthy businessmen live, groups burned tires and slathered obscene slogans on the barbed-wire-topped walls.

Human rights advocates and opposition leaders saw the protests as a crude attempt to intimidate the judges presiding over the complaints and

challenges to Mr. Ríos Montt's candidacy. They fear that last week's violence was also part of a psychological campaign to make people fearful before the November 9 election.

Mr. Ríos Montt insisted he had nothing to do with the protests, even though he had warned days earlier that he might not be able to control the emotions of hot-headed loyalists if the courts were to reject his candi-

## *How are peace and democracy to be built in a place with little experience with either?*

dacy. But officials of his Guatemalan Republican Front were seen at the protests, barely disguised with kerchiefs, directing the mobs, communicating by radio and supplying food. The U.S. Ambassador, John Hamilton, called the protests "an affront to democracy and a dangerous mockery of the right of protest and freedom of assembly. It is difficult to believe these protests were not centrally planned and organised."

Leaders of Mr. Ríos Montt's party prefer to cast the crisis as a class struggle, aggravated by the refusal of the country's elites to pay their share of taxes to help improve the lives of impoverished peasants. Edin Barrientos, the party's vice-presidential candidate, said the opposition hardly knew life outside the capital. "No body has to talk to me about poverty since I know a bit about that, and not because I studied it," said Mr. Bar-

rientos, who was born in a rural province. "I tasted it."

Mr. Ríos Montt, he said, got the Government to pay attention to long-ignored Mayan communities during the civil war. But human rights advocates and policy analysts have convincingly shown that he forced many in these communities to join patrols that committed atrocities, including the massacres of women and infants. Mr. Barrientos shrugged off those accusations, blaming previous military leaders or asking why Mr. Ríos Montt had been singled out. Echoing the populist talk that Venezuela's Hugo Chavez has used to appeal to the marginalised and confound the elites, Mr. Barrientos said he did not think the Ríos Montt campaign was manipulating the poor. "They say we would get the vote of the ignorant," he added. "We say, in a democracy, the vote of the illiterate is the same as the vote of a doctor of laws."

Whether that vote will happen remains mired in the courts. While the Court of Constitutionality — the nation's highest — ruled several weeks ago that Mr. Ríos Montt could run, opposition politicians successfully got a lower court to block the decision. The struggle in the already-fragile judicial system has raised serious fears of an unravelling government. Other institutions have suffered, including the National Police, whose commander was dismissed after officers failed to keep the peace last week. — *New York Times*

## Castro reopens war of words with Europe

Santiago: Standing before the



F. Castro

military barracks where he launched his revolutionary battle a half-century ago, Fidel Castro criticised the European Union (EU), accusing it of being America's "trojan horse" and saying its economic aid was no longer needed.

"Cuba does not need the help of the European Union to survive," Mr Castro told an enthusiastic crowd of about 10,000 invited guests, mostly Cuban officials and party leaders gathered for the anniversary celebrations. The event was broadcast live on government-run television and radio sta-

tions. He mocked Europe's political leaders, saying they were unable to deal independently with the communist state without taking American policies into consideration.

As well as being "the superpower's trojan horse," Europe had a past it should be ashamed of, Mr Castro said.

The Cuban leader was enraged in early June when the 15-member EU bloc announced it was reviewing its policies toward Cuba because of human rights concerns. He also was troubled by Britain's support of US military action in Iraq.

The EU opened an office in Havana earlier this year to administer the up to 15 million euros (usd 16.4 million) it gives Cuba in aid each year. The EU is Cuba's largest trade, aid and investment partner. AP

## New figures of victims

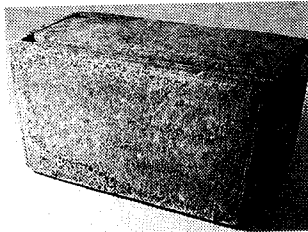
**UNITED NATIONS:** In a dramatic upward revision of the number of victims, Peru's Truth Commission found between 40,000 and 60,000 people died or disappeared in the two decades when Government forces battled a brutal insurgency by Shining Path guerillas, the Commission said. Previous estimates held that 30,000 were killed and 6,000 disappeared between 1980 and the early 1990s. The new figures emerged on Tuesday as the Truth and Reconciliation Commission — an autonomous, government appointed group — neared the end of its two-year investigation, which included interviews with nearly 18,000 victims. According to the testimony, the Shining Path, a Maoist guerilla group (whose leader, Oscar Ramirez Durand, is seen in the picture), seeking to overthrow the Peruvian Government, was responsible for killing about half the victims, said a Commission member. — AP



## A 'fake'

**JERUSALEM:** An inscription purporting to link an ancient burial box to Jesus' brother,

James, is a modern day forgery with no link to New Testament figures, Israel's Antiquities Authority said on Wednesday. The ossuary (in the picture), used to bury human bones in ancient times, had been hailed by some in the archaeology world as an extraordinary discovery that might have held the bones of James, the brother of Jesus of Nazareth. Others said the inscription, which read "James, son of Joseph, brother of Jesus" might be faked, or the box might have held the bones of



a James, unrelated to Jesus Christ. In the New Testament, Matthew 13:55 refers to James as Jesus' brother. He later became head of the church in Jerusalem, according to the New Testament. Israeli officials described the inscription and another purported archaeological marvel, the "Yoash inscription," as 'forgeries'. — AP

ANDEAN MEET / U.S. CRITICISED FOR TRADE BARRIERS

# Brazil for greater regional integration

**CARMEN DEL VIBORAL (COLOMBIA), JUNE 29.** Brazil's President told a summit of South American leaders they must merge the continent's two largest trading blocs to gain U.S. concessions in free trade negotiations. But the obstacles to such a union remain formidable.

Luiz Inacio Lula da Silva said greater regional integration would strengthen South America's bargaining position in negotiations for a proposed hemisphere-wide Free Trade Area of the Americas (FTAA) by 2005. "For South American nations to obtain real benefits in long-term trade negotiations, it is important to ... successfully coordinate our positions," he told Presidents of the Andean Community of Nations in a speech made available to reporters on Saturday.

The organisation groups Colombia, Venezuela, Peru, Bolivia and Ecuador. Brazil isn't a member, but Mr. Silva was invited as a special guest.

The leaders met amid tight security in a colonial-era hacienda in the mountains of northwest Colombia for two days of talks aimed at clearing the road toward more liberalised trade and lifting the region out of a malaise fuelled by an



**HARD PRESSED:** Women cry as relatives emigrate to Spain to seek better economic opportunities as poverty continues to be a problem, in Quito, Ecuador, on Sunday. — AFP

enduring economic slump.

But while they all agreed on the need for integration, there were sharp differences over what form it should take.

Venezuela's fiery leftist President, Hugo Chavez, railed against any trade agreement that favours U.S.-style capitalist policies. "The neo-liberal path leads to hell and the destruction of societies," Mr. Chavez said at a closing news conference. "We are not fundamentalists, but we are obliged to defend our na-

tional interests."

He said Venezuelan farmers, for instance, would be unable to compete against their scientifically and technologically advanced American counterparts. Mr. Chavez urged an overhaul of the current framework for FTAA negotiations. "We have started discussions on a new version," he said.

Ecuador's President, Lucio Gutierrez, expressed the hope that FTAA negotiations would move forward swiftly, saying in-

creased competition would help spur regional economies.

Mr. Silva is keen to merge the Andean Community with Mercosur, a neighbouring trade union that includes Brazil — South America's largest economy — and Argentina, Paraguay and Uruguay. Andean leaders said they're committed to some kind of merger by the end of the year.

But Mr. Silva's campaign for a unified South American bloc worries officials in the U.S. who believe it could undermine efforts toward the FTAA, which would create the world's largest free trade bloc.

Mr. Silva sought to ease those concerns, saying "South American integration does not in any way exclude other avenues we are pursuing," including individual trade deals with Washington.

He also denounced the U.S. President, George W. Bush's administration for refusing to lower U.S. trade barriers.

The Colombian President, Alvaro Uribe, whose Government is battling a brutal Marxist-inspired rebel insurgency, warned that efforts to boost trade and the free movement of people risk being undermined by regional insecurity. — AP

30 JUN 2003

THE HINDOO

## Peru gets first woman PM

*Cabinet*  
*2001*

**LIMA (PERU):** The Peruvian President, Alejandro Toledo, swore in Peru's first woman Prime Minister in a bid to confront increasing criticism of his Government and deeply eroding popularity. The lawyer, Beatriz Merino, comes to the Prime Minister's job after heading up the national Sunat tax agency. She replaces Luis Solari. Peruvian Ministers traditionally offer their resignations twice a year — before Christmas and the July 28 Independence Day holiday. Against a backdrop of rising discontent, Mr. Toledo opted to shuffle his 16-member Cabinet and



appointed six new Ministers. Recent polls show Mr. Toledo's support at 11 per cent, down from nearly 60 per cent when he took office in July 2001. After swearing in his new Ministers, Mr. Toledo reiterated that the "breaking point has arrived," adding that the new Cabinet marked significant changes. In several cases, the new Ministers will head sectors that have spearheaded massive protests and strikes in recent months. — AP



# Cuban crackdown deplored

HAVANA, APRIL 9. Governments and human rights activists around the world condemned Cuba's crackdown on the Opposition, saying that the quick trials and long prison sentences flagrantly violated international norms.

The crackdown is "the natural expression of a dictatorship that has been oppressing human rights for years," said the Peruvian writer, Mario Vargas Llosa, a longtime critic of the President, Fidel Castro, during a visit to Madrid.

By Tuesday, local human rights activists confirmed that at least 75 members of the Opposition had been prosecuted on State security charges in summary trials lasting no more than one day each.

The known sentences for about half of them ranged from 15 to 27 years; the remaining sentences were expected by week's end.

Another four of those arrested in the crackdown were prosecuted on lesser crimes and received much shorter sentences, veteran activist, Elizardo Sanchez, said. "We are witnessing the harshest political trials



**Opponents and followers of the Cuban President, Fidel Castro, clash over a poster during a demonstration at the 108th conference of the World Inter-parliamentary Union, in Santiago, Chile, on Tuesday. — AP**

of the past decade," said Mr. Sanchez, among the few leading Government opponents not arrested last month.

Some of the longest sentences were reserved for independent journalists, including 27 years for reporter and photographer, Omar Rodriguez Saldaña; and 20 years each for

him in a closed-door trial.

The lawsuit is partly based on the Alien Tort Claims Act, which lets foreign residents sue in U.S. courts those who break "the law of nations or a treaty of the United States." It also cites the 1991 Torture Victims Protection Act, which lets U.S. courts assess damages against individuals or governments accused of human rights abuses committed abroad.

There was no immediate reaction to lawsuit from Cuban officials in Havana and Cuban Interests Section in Washington didn't immediately return a call on Tuesday seeking comment.

The Cuban government accused the independent journalists — along with pro-democracy activists, opposition party leaders and other dissidents — of collaborating with U.S. diplomats to undermine the socialist State.

The crackdown, which ended several years of relative tolerance, began when Cuban officials criticized the head of the American mission in Havana, James Cason, for actively supporting the island's opposition. — AP

10 APR 2003

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# Castro re-elected for sixth term

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HAVANA, MARCH 7. The Cuban President, Fidel Castro, the world's longest ruling head of government, acknowledged he won't be around forever after being elected on Thursday by Cuba's Parliament to a sixth term. He will remain in office until he is 81.

"I promise that I will be with you, if you so wish, for as long as I feel that I can be useful — and if it is not decided by nature before," the 76-year-old Castro said in a rare reference to his advancing age and mortality. "Not a minute less and not a second more".

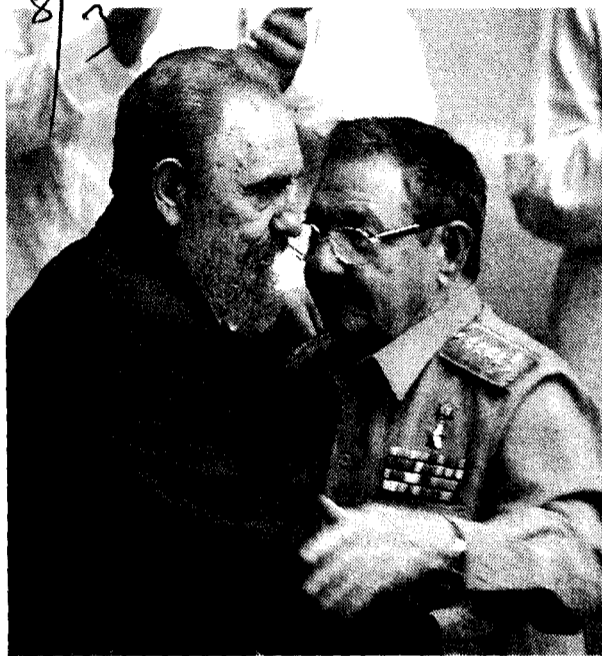
"Now I understand that it was not my destiny to rest at the end of my life," said Mr. Castro, who keeps a busy schedule that would wear out a much younger man.

Mr. Castro, now in power for 44 years, holds the title of the President of the Council of State, this communist-run island's supreme governing body.

The sole presidential candidate in Thursday's vote, Mr. Castro wore a dark suit and tie rather than his typical olive green military uniform.

The morning session opened with certification of the new Parliament deputies by the president of the National Election Council, who read out the names of the 609 new National Assembly members.

The Deputies later re-elected Ricardo Alarcon to his third five-year term as Speaker of the Parliament. Mr. Alarcon, a former foreign Minister and ambassador to the United Nations, is Castro's point man on Cuba-U.S. relations.



The Cuban President, Fidel Castro (left), is congratulated by his brother, Vice-President and Minister of the Armed Forces, Raul Castro, in Havana on Thursday. — AFP

had not been seen publicly since he returned to Cuba earlier this week from a 12-day Asia tour that included stops in Vietnam, Malaysia, China and Japan.

Mr. Castro gave a seven-hour speech to the Parliament after he was re-elected President in 1998. The other seven top officers of the Council of State were also nominated for re-election, including the Government's number two man, 71-year-old First Vice-President, Raul Castro, Cuba's Defence Minister and the President's younger brother and designated successor. The other vice-presidents include Gen. Abelardo Colome Ibarra, who oversees police and intelligence services as interior minister and Carlos Lage Davila, who

Mr. Castro was elected by National Assembly deputies to his fifth Presidential term five years ago, the same day the current Parliament met for the first time after being chosen in general elections in 1998. He has been Cuba's unchallenged leader since 1959, though he was elected President only in 1976. The 76-year-old leader

administers day-to-day government operations as cabinet secretary. More than 97 percent of Cuba's voters in January elected Mr. Castro and the rest of the 609 candidates who ran uncontested for parliament, including Juan Miguel Gonzalez, the father of Elian Gonzalez, the boy at the center of the 2000 international child custody battle. — AP

8 MAR 1998

SEE HINDU

# Lula in the shadow of Chávez

Will Lula have sufficient command over Brazilian politics to keep his supporters and political cadres happy with promises of jam tomorrow when it is clear that there will be no bread today, asks **J Bradford DeLong**



TO MANY ON Wall Street, the US state department and the IMF, the spectre of Ché Guevara and past legions of bearded, bandana-wearing *commandantés* is haunting Latin

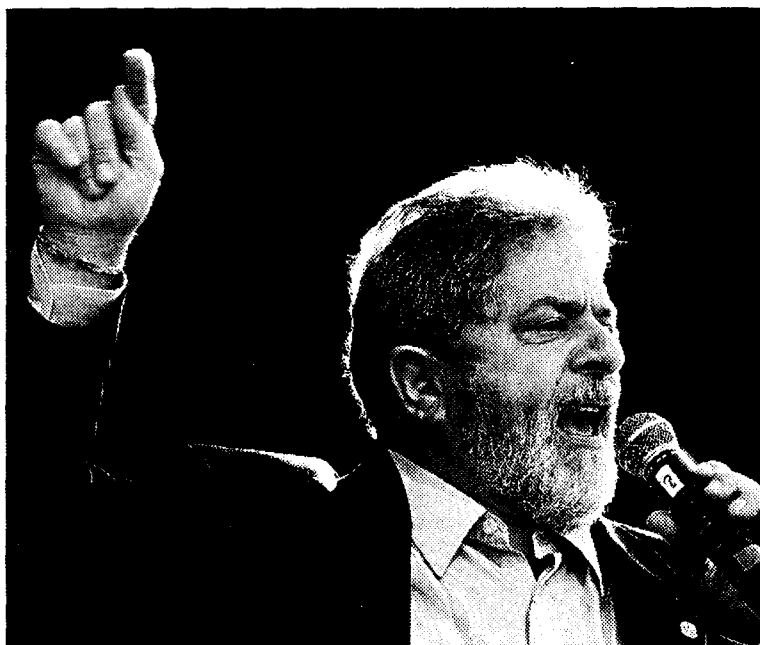
America. Not without reason. Left-leaning military officers have been on a roll lately. But another ghost haunts the continent: economic ignorance about Latin America in the capitals of the west.

Brazil's new President Luiz Inacio Lula da Silva was elected with the same great expectations that brought the ex-paratrooper and coup leader Hugo Chávez to power in Venezuela three years ago. But it would be unwise to paint President Lula as a dangerous populist just because his political base resembles that of the wayward Chávez.

President Lula's poorest supporters undoubtedly expect him to transform Brazil from the world's most unequal society into a modern social democracy. His middle-class backers are no less eager to see their living standards grow. But despite these expectations, Lula is unlikely to pursue anything like the chaotic "Bolivarian Revolution" Chávez unleashed.

Expectations are always the hardest thing for leftist leaders to manage. For example, Lula's Workers' Party, which rejected pension reforms submitted by the previous Cardoso administration, expects Lula to preserve far more of the scheme than former President Cardoso believed possible.

More demanding are the expectations of speculators and investors in New York and London. They expect Lula to accomplish the equivalent of Nixon's trip to China — to be the leftist who hard-headedly balances Brazil's budget, eliminates foreign investors' fear of debt repudiation via hyperinflation, and gives them fat capital



gains on their Brazilian stocks and bonds.

Unlike in Venezuela, there is a viable scenario in which both visions — macro-economic orthodoxy and greater social justice — can be realised. Suppose Brazilian interest rates stabilise at a high but not astronomical 10%, the economy grows at 4% per year, and the government achieves a "primary surplus" — a surplus of taxes over programme spending — equivalent to 4% of GDP. These are all feasible targets; if they are met, then Brazil's government debt will be a stable 60% of GDP.

Once investors see that Brazil's fiscal policy is sustainable, and they see continued low interest rates in the industrial core, Brazil will look more attractive. Foreign direct investment will flow in, bringing more access to world-class technology and further boosting economic growth.

Soon, Brazil's government would find itself able to roll over its short-term debt on more favourable terms, as interest

rates drop below 10%. Reduced debt-service costs would mean that the debt/GDP ratio would start to fall, and government spending on infrastructure, education, healthcare, and redistribution could rise. Reduced government debt would also mean more money available for private investment, providing a further boost to labour productivity.

But all of this would require extraordinary patience on the part of the Workers' Party and its supporters, whose hopes must be deferred as immediate priority is given to appeasing the bond market. Will Lula have sufficient command over Brazilian politics to keep his supporters and political cadres happy with promises of jam tomorrow when it is clear that there will be no bread today?

Indeed, a strategy of bond-market appeasement may turn out to be futile, because it places a huge bet on the rationality of global financial markets. But the

people in New York and London who set interest rates know little about Brazil. They know that Ipanema is a beach, that the Amazon is a river, that ex-US treasury secretary Paul O'Neill worried that money loaned to Brazil would re-appear in numbered European bank accounts, and that Lula is a President without administrative experience who heads a party with "workers" in its name.

Remember, these are the type of people who once thought that selling dog food over the internet was a brilliant business strategy, and that by 2010 Qualcomm would be able to sell two mobile phones a year to everyone in the northern hemisphere. If such people cannot be appeased, or if they panic for no particular reason, then everything goes down the drain. Lula becomes a failure and Brazil loses another decade as its economy sinks into a depression of uncertain length and suffers inflation of uncertain magnitude.

Once upon a time, Lula would have been able to rely on broad international support, as Cardoso did. The Clinton administration and the IMF educated financial markets about countries that they believed were following sound policies and that had bright long-run growth prospects. The US treasury under Robert Rubin and Larry Summers was unafraid to join the IMF in betting the store on Mexico, Thailand, Korea, and Brazil when they thought the odds were favourable.

Perhaps this assurance of broad international support made it prudent — or at least less imprudent — to appease the financial markets first. It is not at all clear that the Bush administration and today's IMF can offer similar support. So Lula's odds do not look particularly high. But they still look better than the odds attached to any alternative political-economic strategy — and certainly than anything being offered by khaki-clad would-be *commandantés*.

(The author is professor of economics at the University of California at Berkeley, and a former assistant US treasury secretary)

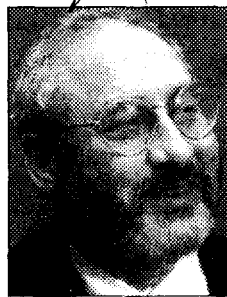
(C): Project Syndicate, February 2005

25 FEB 2003

The Economic Time

# The truth behind trade treaties

The new US-Chile trade agreement may inhibit Chile's ability to protect itself against the vagaries of capital markets and it may not lead to either truly free or fair trade, warns **Joseph Stiglitz**



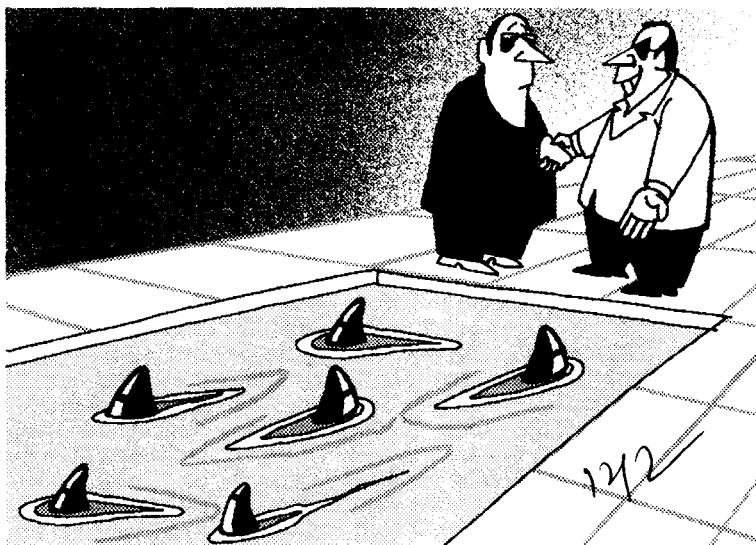
THE RECENT trade agreement between Chile and the United States is being praised as the first significant agreement in the western hemisphere since the North

American Free Trade Agreement (NAFTA) was signed a decade ago. But while it is celebrated in certain American circles, it displays many of the problems that characterise past trade agreements, problems that generate much discontent about globalisation. Indeed, in some ways it is a step backwards.

One source of discontent with globalisation is that it deprives countries of their freedom to protect their economy and citizens. Special interests in industrial countries, it seems, take precedence over broader interests. Moreover, these trade agreements are often asymmetric — the North insists on the South opening markets and eliminating subsidies, while it maintains trade barriers and subsidises its own farmers. In some ways, the agreement with Chile broke new ground — in the wrong direction. It failed to take advantage of opportunities afforded by more open trade with an emerging market that has a sophisticated and highly qualified public service.

Particularly ironic was the provision designed to restrict Chile's use of capital controls for short-term speculative capital flows. Chile used these measures efficiently and effectively during the first part of the 1990s. Research suggests that these restrictions did not affect the flow of long-term capital. On the contrary, they probably encouraged inward flows, as funds that otherwise might have been provided on a short-term basis were induced to remain for longer.

During this period of restrictions on capital flows, Chile grew rapidly, by 7%



MANJUL

per year on average. More importantly, capital restrictions meant that when Latin America was sent into recession and depression later in the decade, as speculative capital fled most Latin American countries, Chile was largely spared. (Of course, it still suffered the consequences of the downturn in copper prices — capital controls can't solve all problems).

Today, Chile imposes no barriers to the inflow of capital. Why, then, be concerned that the new trade agreement restricts what Chile is not doing? Indeed, the problem today is not excessive capital inflows; international markets have largely turned against emerging markets. So restricting capital inflows is not necessary now.

In the future, however, that may change. Much evidence, meanwhile, suggests that such flows present risk without reward: they lead to increased instability, not increased growth.

Moreover, countries with heavy short-term indebtedness risk their political autonomy. If a leader that is not to Wall Street's liking emerges, markets may raise interest rates to exorbitant levels, threat-

ening to bankrupt the country unless the people choose a leader more to the financial community's liking. The recent scare in Brazil before President Lula's election is a good example of this.

THE new treaty between America and Chile also represented an opportunity. Free-trade agreements do not ensure free trade. This is because the US uses many other protectionist measures to block foreign goods. After NAFTA was signed, America took actions to restrict tomatoes, avocados, corn brooms, and truck transportation. Chile now faces similar actions, as it has in the past, concerning some important exports, such as wine and salmon. Should Chile find other products that can compete against American producers, these too will likely face restrictions.

The underlying US government philosophy is that American producers are better than those of any country. Therefore, if a country out-competes American firms, it must be because it engaged in some unfair practice. But this line of reasoning flies in the face of basic economic

theory and common sense, which hold that trade is based on each country exporting goods that reflect its relative (or comparative) advantage. Too many Americans believe that while trade is good, imports are bad!

A true free-trade agreement would begin with the premise that it makes no difference where a good is produced: an unfair trade practice is unfair, whether the producer is an American or Chilean. Over the years, America has developed a well formulated body of law to determine what is an unfair trade practice inside the US; for instance, what is predatory pricing and how to decide whether it has occurred.

This law is based on economic principles. While imperfect, it is far better than the so-called "fair trade" laws that apply to international trade, but are nothing more than blatant protectionism. If those laws were applied within America, most companies would be found to be engaged in unfair trade practices.

The idea is not merely academic: Australia and New Zealand, in their free-trade agreement, did something along these lines. The reason that it was not done in the case of the US and Chile is also clear: protectionist interests in America have little interest in an agreement embodying true free and fair trade.

(While Chile might, in principle, undertake similar protectionist measures against the US, there is a complete asymmetry in power. American dumping duties on Chilean salmon could devastate that industry; Chile could take no action against a US industry that would have more than a minuscule impact on American firms.)

So those who celebrate the new US-Chile trade agreement should be cautious. It may inhibit Chile's ability to protect itself against the vagaries of capital markets, and it may not lead to either truly free or fair trade.

(The author is Professor of Economics and Finance at Columbia University)  
(C): Project Syndicate, January 2003

HD-8  
7/2

# Central Asia is our extended neighbourhood, says Sinha

925  
Central Asia

By Atul Aneja

**MANAMA (BAHRAIN), FEB. 1.** In reaching out to Central Asia, India is not competing with any of the international players that are engaging the strategically important region, the External Affairs Minister, Yashwant Sinha, has said.

In an exclusive conversation with *The Hindu* over the phone from Almaty, Kazakhstan, Mr. Sinha said, "we are not in Central Asia to replace anyone. We see Central Asia as part of India's extended neighbourhood and our presence there is to promote a mutually inclusive relationship." Mr. Sinha made these observations when asked to comment on India's approach to Central Asia, at a time when countries such as China, the United States and Russia were maintaining a high profile in the region. Mr. Sinha, who returned to India via Almaty after visiting Tajikistan and Kyrgyzstan, is the first External Affairs Minister to visit Dushanbe.

Central Asia began to acquire increasing

international focus after it became the western flank for a military offensive against the Taliban regime in Afghanistan, following the September 11 terror attacks in the United States. The U.S. established military bases in Kyrgyzstan and Uzbekistan, while Russia continues to position nearly 30,000 troops in Tajikistan. India's interest in the region acquired a sharper focus after these incidents, and the Prime Minister, Atal Behari Vajpayee, visited Almaty in June last year.

"I wanted to assure at a political level the leaderships of the countries I visited that India continued to be deeply interested in building a close relationship with Central Asia," Mr. Sinha said. With the Central Asian countries viewing India as a factor of stability and development, New Delhi was getting ready to foster deeper trade and investment ties with the region. It had already held talks with Iran and Afghanistan for developing the Iranian port of Chah Bahar as the lynchpin of a new trade corridor in Afghanistan. Since Afghanistan and Tajikistan share contiguous

borders, the extension of this route into Central Asia from Afghanistan is becoming a distinct possibility. India, not surprisingly, is now looking at the scope of developing roads in Tajikistan.

Mr. Sinha pointed out that his visit to Tajikistan and Kyrgyzstan was also meant to provide more institutional content to the relationship with them. India would now push for regular meetings of the Joint Economic Commission with the two countries. With abundant water resources, both

Tajikistan and Kyrgyzstan were looking for Indian investment in the hydropower sector. India would also study the possibility of participating in mining silver in Tajikistan.

Aware that Central Asia is part of its energy security calculus, India and Kazakhstan are negotiating the former's participation in extracting oil from the promising Kurmangazy oil field in the Caspian Sea area. Mr. Sinha met the Kazakh Energy Minister prior to his departure for India and discussed the project.

THE HINDU

2 FEB 2003

# Leftist Lula takes over as Brazil's President

Brasilia (Brazil): Cheered by tens of thousands of jubilant supporters, Luiz Inacio Lula da Silva became Brazil's first working-class President on Wednesday, realising the "dreams of generations and generations" of Brazilians.

Promising to "recover the dignity of the Brazilian people," the former metalworker received the presidential sash after taking the oath of office as the capital, Brasilia, exploded into a huge street party of music and dance.

"I am not the result of one election, I am the result of a history," the 57-year-old socialist told crowds outside the presidential palace of Latin America's largest country. "I am realising the dreams of generations and generations before me who tried and failed."

As Mr Lula rode in a convertible Rolls Royce to congress to take the oath, hundreds of people ran down the massive lawns in front of the modernist building, thronging around the car to see Brazil's first elected leftist leader. Many jumped into the moat-like lakes in front of the Congress.

"Since 1500 an exploiting elite has governed Brazil," said Jason Ferreira, 37, one of the thousands who traveled to Brasilia from across this continent-sized country for the inauguration party. "The people have dreamed of this."

Pledging to fight one of the worst income distribution gaps in the world and to end famine, Lula won a



Brazil's new President Luiz Inacio Lula da Silva greets thousands of followers as he rides away from Congress, where he was sworn in, in Brasilia, on Wednesday.

record 52 million votes in the October elections — his fourth bid for the presidency in this country of 170 million.

Security officials said about 70,000 people turned up for the inauguration, which Lula's Workers' Party turned into a "people's party" as Samba drummers and Amazon dance groups performed on the vast esplanade in front of the Congress.

Hopes are high that Lula can deliver on his promises of improving the plight of Brazil's 54 million poor at the

same time that the country's economy is constrained by high interest rates and strict fiscal goals under a \$30 billion IMF loan.

He pledged that if every Brazilian eats breakfast, lunch and dinner every day when his 4-year term ends, "my life mission will be accomplished."

Everywhere in Brasilia the signs of hope offered by Lula were on display as the crowds sang out "Lula, Lula, Lula" and waved deep red flags of his Workers' Party. Agencies

## Protesters march on military base

CARACAS (VENEZUELA), JAN. 13.

Soldiers fired tear gas at tens of thousands of President Hugo Chavez's opponents who marched on Sunday on a park outside a military base to demand the support of the armed forces for a 42-day-old strike.

Protesters regrouped as the gas clouds lifted, shouting "cowards" at hundreds of soldiers who faced them with armoured personnel carriers.

Troops also kept back dozens of Mr. Chavez supporters protesting nearby.

The first marchers to arrive at Los Proceres park, which is outside the Fort Tiuna military base, had stamped down barbed wire blocking the entrance, but didn't try to break past security lines. The park is one of eight security zones in Caracas decreed by Mr. Chavez. Protests are banned in those areas unless authorized by the Defence Ministry.

"All of this show of force is absurd," said Henrique Capriles, the Opposition Mayor of an eastern Caracas district. "People are tired of being assaulted and repressed."

Hector Castillo, a photographer for the local newspaper *El Mundo*, was injured by rubber bullets fired into the air by soldiers, said Caracas Fire Chief, Rodolfo Briceno. Eighteen other people were treated for asphyxiation from the tear gas, he said.

The military — purged of dissidents after a brief April coup — has supported Mr. Chavez during the strike, which has paralysed the world's fifth-largest oil exporter but hasn't rattled the President's resolve to stay in power. Troops have seized oil tankers, commandeered gasoline trucks and locked striking workers out of oil installations. Top commanders have professed their loyalty to the Government.



An opponent of the Venezuelan President, Hugo Chavez, waves the national flag while others join the protest in front of a military base in Caracas on Sunday. — AP

Speaking in his weekly radio and television address on Sunday, Mr. Chavez dismissed his opponents as "fascists" manipulated by the media.

Venezuela's main television stations aren't broadcasting any commercials except opposition advertisements promoting the strike. Media owners say they have been pushed into this stance because Mr. Chavez incites followers to attack reporters.

Mr. Chavez threatened to revoke the broadcasting licenses of TV and radio stations if they "continue with their irrational insistence on destabilizing the country by supporting this fascist subversion."

The President also said he has ordered the military to transfer salary deposits out of

banks that are participating in the strike by opening only three hours a day.

Venezuela's largest labour confederation, business chamber and opposition parties called for the strike on December 2 to demand that Mr. Chavez resign and call early elections if he loses a nonbinding referendum on his rule.

The National Elections Council scheduled the referendum for Feb. 2 after accepting an opposition petition signed by 2 million people.

Mr. Chavez says the vote would be unconstitutional, and his supporters have challenged it in the Supreme Court.

He was elected in 1998 and re-elected in 2000, and his term ends in 2007. Venezuela's constitution allows a recall referen-

dum halfway through a President's term — which would be August, in Mr. Chavez's case.

On January 3, Mr. Chavez supporters and opponents clashed while police fired tear gas to keep the sides apart during an opposition march on Los Proceres.

Two Chavez supporters died after being shot and at least 78 were injured, five with gunshot wounds. It was unclear who fired on marchers.

Opponents accuse the President of running roughshod over democratic institutions and wrecking the economy with leftist policies.

The opposition has staged dozens of street marches, called for a tax boycott and held a two-day bank strike last week.

Mr. Chavez has threatened to order troops to seize food production plants participating in the strike and to fire or jail striking teachers and have soldiers take over their duties.

He already has fired 1,000 oil workers after some 30,000 of 40,000 workers joined the strike, which has caused fuel shortages and slowed oil exports to a trickle.

The strike is costing the country an estimated US\$70 million a day.

The country's crude output is estimated at about 400,000 barrels a day, compared with the pre-strike level of 3 million barrels.

Exports are a fifth of the 2.5 million barrels a day the country usually produces.

The country's \$100 billion economy shrank an estimated 8 per cent in 2002, largely due to constant political instability.

Inflation has surpassed 30 per cent while unemployment reaches 17 per cent.

Negotiations sponsored by the Organization of American States have produced few results. — AP

THE HINDU

14 JAN 2003

## Violence flares again in Venezuela

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**CARACAS (VENEZUELA), JAN. 5.** Two Venezuelan police officers were wounded on Saturday when supporters of the Venezuelan President, Hugo Chavez, fired on a police post in Caracas one day after two people were killed in street clashes, police said.

Metropolitan Police Chief, Henry Vivas, said Saturday's shooting broke out during a wake held by followers of the leftist President in eastern Caracas for one of the two people killed on Friday.

Supporters of Mr. Chavez blamed police for the deaths that occurred when gunfire erupted during violent street clashes in-

volving rival demonstrators, troops and police on Friday. The shootings raised tensions during a five-week-old opposition strike which has crippled oil exports by the world's No. 5 petroleum exporter. Opposition leaders have vowed to keep up the shutdown until Mr. Chavez resigns or calls early elections.

Mr. Vivas said some of those taking part in the wake on Saturday opened fire on police officers with handguns. Police officers replied with tear gas and shotgun pellets.

"They were shooting at us and we have two officers injured," Mr. Vivas said. He

said a male officer was hit in the thigh by a bullet and a female inspector was hit by fragments when a bullet ricocheted off a wall. Vice-President, Jose Vicente Rangel, a close ally of Mr. Chavez, accused the metropolitan police of firing at those attending the wake. The pro-Chavez mayor of Caracas' Libertador District, Freddy Bernal, said two people were hurt by plastic riot-control pellets fired by police.

Mr. Bernal also said a woman died from the effects of tear gas but this could not be confirmed by police or firefighters.

— Reuters

6 JAN 2003



**VENEZUELA / TWO KILLED, DOZENS HURT IN VIOLENCE**

## Chavez threatens to impose martial law

**CARACAS (VENEZUELA), JAN. 4.** The President of Venezuela, Hugo Chavez, said he would consider imposing martial law to quell the country's internal crisis after two people died and dozens were wounded during a march aimed at ousting him.

Mr. Chavez's supporters planned a street march on Saturday "to defend" state-run oil company against the five-week-long strike that has paralysed the oil industry and forced the Government to import gasoline.

Gunfire erupted on Friday during an Opposition march on the headquarters of the armed forces, the Caracas Fire Chief, Rodolfo Briceno, said. Two people died of gunshot wounds and at least 78 others were injured — five of them by gunshots.

It was unclear who fired on the demonstrators, who faced hundreds of Chavez supporters throwing rocks and bottles at security forces trying to keep the two sides apart.

"I am obligated to protect the people. I am obligated to protect public order," Mr. Chavez said. "If they force me to (decree martial law), I'd have to do it."

But, he added, "so far, despite everything that has happened, there has been no need to apply any exceptional measures."

Mr. Chavez made his comments after meeting with Cesar Gaviria, Secretary General of the Organisation of American States, who is trying to negotiate a settlement between the Government and the Opposition.

Daily street protests by Mr. Chavez's opponents and supporters have been common since the Opposition declared a general strike on Dec. 2 in an attempt to oust the Left-leaning Mr. Chavez.

Friday's anti-Chavez march deteriorated into a melee after the National Guard fired tear gas and rubber bullets at a few hundred Chavez supporters, who were throwing rocks at security forces while



**An Opposition protester hits a police officer who was firing tear gas, during clashes at a military base in Caracas, Venezuela, on Friday. — AP**

waiting for marchers to arrive at a park near the military base entrance.

When the marchers arrived and moved toward a security line, guardsmen fired more tear gas into the crowd. Shots then rang out. The protest lasted several hours in the park, under a veil of tear gas, before marchers dispersed.

An Opposition marcher, Maria Arismendi, crouched behind an ambulance, pouring water over the face of her small, howling dog. "We're peaceful, but you see what they

do," she said through her own tears. "We just want our country back. Chavez has ruined everything."

The injured included seven police officers, the Police Chief, Henry Vivas, said. The Opposition leader, Leopoldo Lopez, said 11 people were hurt in a stampede.

The Vice-President, Jose Vicente Rangel, on Friday blamed the "irresponsible" march leaders for trying to enter the park, which the Government has declared a security zone — AP

5 JAN 2003