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LADB Staff

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Chilean President Frei Overhauls Cabinet for Last Six Months in Office

by LADB Staff

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Following the defeat of the Partido Demócrata Cristiano (PCD) in primary elections (see NotiSur, 1999-06-11), Chilean President Eduardo Frei unexpectedly changed five Cabinet ministers and launched measures to reactivate the economy. Some analysts saw the measures, which include a jobs-creation program, as groundwork for a possible re-election bid in 2005. "Frei is just concentrating on what is called Operation Exodus," said Ricardo Israel, director of the Instituto de Ciencias Políticas at the University of Chile. "His chances [of re-election] depend on what government he leaves behind."

Under Chilean law, presidents serve six years and cannot be re-elected to a consecutive term. Chileans will elect a president in December 1999 who will assume power March 11, 2000. Frei's economic and political moves were also designed to shore up the government's credibility and to aid the presidential campaign of Concertación candidate Ricardo Lagos to succeed Frei.

President implements economic changes

As Frei approaches the end of his term, his coalition government faces serious economic problems at least partly the result of a persistent drought and low international copper prices. Unemployment during March-May reached 9.8% compared with 5.6% in the same period last year, the state-run Instituto Nacional de Estadísticas said on June 28. The figure was much higher than market expectations. In the Santiago metropolitan area, unemployment was 10.5% in March-May, up from 6.1% a year ago.

This year, the number of jobless people exceeded 500,000, 140,000 more than last year. Frei announced on June 28 that he would create jobs and help small and medium-sized companies with their debts. The Banco Central also cut its key lending rate to an inflation-adjusted annualized 5.0% from 5.75%. Among the new economic measures, Frei said the Banco del Estado would help 60,000 debtors with annual sales of less than about US\$1.5 million by maintaining current credit lines, suspending payments until January 2000, or allowing them to capitalize up to half of their interest payments.

Frei also called on Congress to quickly pass a bill to implement unemployment insurance, considered urgent with the increased unemployment. But economists expected few results in the short term. "These are mainly useless for the purpose of increasing growth," said private international financial consultant Armen Kouyoumdjian. "They are also going to do little for unemployment in the short run."

The decision to implement measures to combat Chile's recession was reinforced by the Banco Central's announcement that economic activity dropped 6% in April compared with the same

month a year earlier. It was the worst monthly economic decline in Chile since the institution started measuring the country's monthly economic performance in 1986, and it was the seventh consecutive month of negative numbers.

Frei changes key Cabinet posts

In Frei's new Cabinet, Juan Gabriel Valdes, formerly a top Foreign Ministry official responsible for international economic relations, replaces Jose Miguel Insulza as foreign minister. Insulza will replace John Biehl as the president's chief of staff. This is a promotion for Insulza and a reward for his loyalty in carrying out government efforts to win the release of former dictator Gen. Augusto Pinochet (1973-1990). Pinochet was arrested in London last October and faces extradition to Spain on charges of human rights violations (see NotiSur, 1998-10-23, 1999-04-23). Carlos Mladinic, who was minister of agriculture, becomes secretary general of government, replacing Jorge Arrate. Angel Sartori will replace Mladinic in agriculture.

In his most important change, Frei brought back former defense minister Edmundo Perez Yoma, who had good relations with the armed forces. He moves from his post as ambassador to Argentina to replace Jose Florencio Guzman as defense minister. "Without a doubt, Perez will revitalize civil-military relations, allowing advances in the question of human rights," said Partido Socialista president Ricardo Nunez. Perez Yoma's return to the Ministry of Defense is key to the success of the new Cabinet. Relations between the Frei administration and the military have been strained since Pinochet's arrest because of by the military's perception that the administration has not done enough to win the general's release.

The military has also been increasingly uneasy regarding the reopening of many human rights cases, which has led to the arrests of 25 former military and secret police (see NotiSur, 1999-06-11). The military says the amnesty, put in place in 1978 under Pinochet, is being ignored. Earlier in June, Frei called again for changes to the Constitution to eliminate designated senators. Frei said it is "vital" that citizens determine the future direction of the country. Frei sent Congress a bill to modify the Constitution to allow the president to call a referendum (see NotiSur, 1999-05-28).

In recent weeks, the armed forces have shown signs of a possible willingness to accept some reforms to reduce the military's power in political matters in exchange for a guarantee that officers would not face human rights trials. Whether this would be acceptable to human rights groups is in doubt. But a political accord has seemed more possible since the courts have more actively prosecuted human rights violations committed by the military during Pinochet's rule.

"There is a political operation that is seeking to negotiate constitutional reforms...in exchange for total impunity for the military," said Fabiola Letelier, a human rights advocate, whose brother Orlando was assassinated by Chilean secret services in Washington in 1976. "If these deeds are not tried before the courts, there will never be reconciliation in this country."

Failure to free Pinochet angers military and business

During the Latin American and Caribbean-European Union (EU) Summit in Rio de Janeiro, Brazil, Frei met with Spain's President Jose Maria Aznar, who ruled out interfering with Spanish Judge

Baltasar Garzon's efforts to extradite Pinochet. Aznar, however, suggested appealing to British Foreign Secretary Robin Cook to release the former dictator for humanitarian reasons, given his advanced age and deteriorating health.

Foreign Minister Valdes met with Cook in Rio, but Cook said humanitarian reasons could only be considered once the extradition process and sentencing have concluded. Pinochet said in London, through his lawyers, that he would not accept a humanitarian release because he is innocent of the crimes of which he is accused, and he said he should return to Chile "for reasons of justice and national dignity."

The Chilean business community, meanwhile, has called for the suspension of diplomatic relations with Britain. [Sources: CNN, 06/21/99; Associated Press, Notimex, 06/12/99, 06/22/99; Clarin (Argentina), 06/22/99; The New York Times, 06/23/99; The Miami Herald, 06/24/99; El Nuevo Herald (Miami), 06/14/99, 06/29/99; Reuters, 06/21-23/99, 06/28/99, 06/30/99; Inter Press Service, 06/30/99]

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