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ARGENTINA: Government Targets Iranian Funds to Limit Presence of Hezbollah

Summary: The Argentine government will likely continue to apply economic pressure to Iran by freezing the funds of Iranians due to their connections with Hezbollah and the bombing of the AMIA in 1994.

Development: On 18 July, the Argentine Financial Information Unit (UIF) ordered the freezing of any account linked to Hezbollah within the country, including the International Relations Advisor of the Supreme Leader and six other Iranians. This directive falls on the 25th anniversary of the 1994 attack on the Argentine Israelite Mutual Association (AMIA) center in Buenos Aires. An ongoing investigation unveiled evidence that suggests Hezbollah involvement in that attack, which killed 85 people and injured hundreds more. Hezbollah currently operates within the tri-border area, comprising the borders of Argentina, Brazil, and Paraguay, where it generates a large amount of its revenue from Latin America among the Lebanese population in the region. The UIF calls for an asset freeze affecting Iranian officials coincides with other instances of growing tensions between Argentina and Iran. Argentine diplomat, Rafael Grossi, a top candidate for Director General of the United Nations International Atomic Energy Agency (IAEA), recently critiqued Iran for its lack of nuclear transparency.

Analysis: Buenos Aires will probably continue to freeze assets of suspected members of Hezbollah to stem the flow of Hezbollah's criminal activity in the tri-border area. The UIF likely anticipates that freezing Iranian assets in Argentina will result in less funding to Hezbollah operations also in Argentina, so it will continuously seek out funds linked to Iranian officials. If the UIF identifies more Iranians linked to Hezbollah, or specifically the 1994 AMIA attack, it will almost certainly add those individuals' accounts to the list of funds to freeze. To supplement its potential economic blow and indicate the importance it places on expelling Iran-backed Hezbollah from the country, Argentina may also seek to increase pressure on Iran regarding nuclear policy. Should Grossi become Director General of the IAEA, Argentina could apply more direct diplomatic pressure on Iran, possibly leading to a diminished presence of Hezbollah within Argentina.

[Charles Riess]

CHILE: FTA With China Likely to Increase Chile's Regional Profile

Summary: Chile and China signed an updated free trade agreement increasing the economic relations between the two countries. Chile's growing trade partnership with China will likely attract further economic investment from Western nations seeking to keep pace with Chinese influence in Latin America.

Background: Chile's stable economy centers on exports and international trade, with 26 trade agreements covering over 60 countries. As the first Latin American country to formally recognize the People's Republic of China in 1970, Chile maintains close diplomatic and economic relations with China. Chile and China established a free trade agreement (FTA) in 2005, boosting bilateral trade's worth to \$7 billion USD that year. Trade between China and Chile reached \$42.8 billion USD in 2018 and increased by an average of 24% yearly from 2013-2018. Chile now sends 32% of its exports to China. In 2018, Santiago signed on to China's "One Belt, One Road" initiative designed to bring Chinese investment to foreign infrastructure development.

Upgraded Free Trade Agreement: On 1 March, Chile and China signed a new FTA designed to increase bilateral trade between the countries. The new agreement exempts 98% of trade items from tariffs and opens previously unavailable trade sectors in both countries. This FTA outlines needs and prioritized trade items, including the Chinese need to cheaply import food.

Outlook and Implications: The new FTA will almost certainly strengthen Chile's economy and foster further growth. The FTA will increase opportunities in Chile's agricultural sector because of China's need to import food. If Chile's economy continues to attract Chinese investment, Chile will likely become a hub for Chinese-Latin American trade. China's growing influence in Chile will likely cause other Western nations to focus on economic relations with Chile to counter China's growing presence in Chile. If the FTA strengthens Chile's economy, other Latin American countries may pursue trade opportunities with China.

[Robert B. Lundgren]

CUBA: New Constitution Seeks Limited Economic Improvements

Summary: Despite Cuba's adoption of a new constitution that modifies governance structures while preserving the socialist economy and PCC's hold on power, it probably will not alter the status quo of Cuban life.

Background: On 24 February, Cubans approved a referendum on a new constitution. The national electoral commission reported that 86.85% of voters approved the new constitution after Havana made a significant push to convince voters to support the referendum leading up to the vote. The constitution preserves the Communist Party of Cuba (PCC) as the only legal political party in Cuba and maintains the socialist nature of the economy, but new provisions will introduce the legal basis for private ownership. Market privatization follows recent attempts by Havana to cautiously liberalize certain sectors of the economy like agriculture and real estate. The new constitution also added the inclusion of sexual orientation into categories that cannot be discriminated against.

Only Limited Change Allowed: Havana has moderated economic liberalization to keep the economy afloat without transitioning to a fully democratic government. Havana did, however, allow the citizens to publicly dissent the new constitution resulting in religious groups, artists, and private business owners all publicly expressing disagreement with provisions. The creation of the role of prime minister likely represents an attempt to pass governance off to younger generations especially with its maximum age limit of 60 years of age at inauguration. The president will appoint the prime minister, who must still be a member of the PCC. Havana only cautiously expanded private property rights and accepted private markets beginning with Raul Castro's attempted reforms. Castro still maintains control of the Cuban military and remains head of the PCC.

Outlook and Implications: The new constitution probably will not radically alter the status quo in Cuba. Elite members of the PCC will likely treat the prime minister as a rubber stamp function for the party, only allowing the prime minister to govern and pursue PCC-approved initiatives. The new role of prime minister will move daily political power away from the Castro family and more towards the institutions of the PCC itself. With Raul Castro aging, Havana is likely working to gain increased legitimacy through an improved economy while US sanctions and reduced support from Venezuela restrict the economy. The new constitution will require several restructurings and law passages, which will likely occupy most of the National Assembly's time for the remainder of the year. The PCC's moves on the economic front have long been cautious. While these provisions demonstrate the PCC's willingness to support some privatization, it would likely prioritize regime stability before economic advances. Smaller changes to local governance in the National Assembly and municipalities will develop throughout 2019.

[Paul Chambers]

MEXICO: New President's Policies May Prove Counterproductive

Summary: President Andres Manuel Lopez Obrador's 2018 election win signaled a desire of the Mexican people to reduce crime and corruption in the country. The manner in which Lopez Obrador is now pursuing his anti-corruption policy, however, will likely require more public trust and security force buy-in to find success within the next few years.

Background: In July 2018, Lopez Obrador won the Mexican presidential elections with over 50% of the popular vote after promising to combat crime, corruption, and security scandals. During his campaign, many observers considered him as unqualified and not talented enough to carry out his proposed reforms because of what he did during his time as governor. Lopez Obrador's 2017 gubernatorial campaign misused public funds, and after he took office, he hired corrupt advisors. For example, he hired Bernard Kerik, a police officer, to battle corruption and advise on the topic. After receiving tenure from Lopez Obrador, Kerik accepted an interest-free loan from a member of the Israeli elite as well as bribes in the past from companies connected to organized crime.

Corruption and Crime: The Rule of Law Index places Mexico in the top ten most corrupt countries in the world, according to the World Justice Project. The Organization for Economic Cooperation and Development points out that Mexico has had no foreign bribery prosecutions, indicating that Mexico's political community is likely not placing pressure on the judiciary for prosecution, since Mexico is the eighth largest exporter internationally.

Domestically, Mexican law enforcement's nationally recognized reputation for under-trained and poorly compensated workers drives officers to find other ways of making money, such as joining gangs. An example of this includes the disarming of 205 municipal police officers in the state of Puebla because of corruption in 2018. A press release from the State's Secretariat of Public Security stated that 113 other officers, including the police director, disappeared and went "on the run." Additionally, in 2014, a police department in the town of Guerrero, kidnapped 43 students and gave them to a drug gang that killed, burned, and hid their bodies. International experts think that federal police and military were also involved in the murders.

New Policies: Lopez Obrador is undertaking anti-corruption measures, but critics claim he is doing so without considering repercussions. To demonstrate his commitment to battling corruption, he sold off government aircraft, committed to flying economy, and turned the presidential residence into a cultural center, committing to live in an apartment. He slashed his personal monthly salary to \$5,600 and enforced a rule stating that no politicians could earn more than him, significantly decreasing pay. Lopez Obrador also cut thousands of jobs, like those of judges, public health workers, and firefighters, stating that, "We can't have a rich government in a poor country." He took these drastic anti-corruption measures but did not plan for retaliation, which consisted of judges rebelling, public hospitals canceling services, and forest fires burning without end. Long term, this policy could lead to instability in the country.

One of the most significant moves of Lopez Obrador's presidency is the creation of the Mexican National Guard, which he implemented in July 2019. Lopez Obrador has expressed hope for the National Guard to stand as a professional, disciplined security force without the corruption that the police and government have had. He aims for the National Guard to prevent delinquency and preserve public security through their military and police authorities. The Mexican public fears, however, that this blending of both military and law enforcement roles will result in undertrained personnel.

Outlook and Implications: Despite Lopez Obrador's initiatives to combat crime and corruption, Mexico likely will not experience a safer, more stable society within the next few years. Not only will it take time for the National Guard to establish itself and sufficiently train personnel in both military and law enforcement matters, but it will also take time to change the culture of existing security forces. It may even prove more difficult for Lopez Obrador to inspire a shift in security force culture, as the public has expressed worry in what it views as an authoritarian leadership style reminiscent of former, unfavored Mexican leaders. It will likely take many years to decrease significantly crime and corruption among security forces, as the public does not fully support Lopez Obrador and his initiatives are of great intensity and depth.

[Katherine Badman]

This is a global intelligence briefing prepared by the students of the Global Security and Intelligence Studies program at Embry-Riddle Aeronautical University in Prescott, Arizona. The views expressed in this briefing are those of the students, not the university.

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