

Inter-American Dialogue

LATIN AMERICA ADVISOR

BOARD OF ADVISORS

- | | |
|--|--|
| Bernard Aronson
Managing Partner,
ACON Investments LLC | Peter Hakim
President,
Inter-American
Dialogue |
| Diego Arria
Director,
Columbus Group | Donna Hrinak
Director for Corporate
and Govt. Affairs,
Kraft Foods Inc. |
| Genaro Arriagada
Board Member, Banco
del Estado de Chile | Jon Huenemann
Principal,
International
Department,
Miller & Chevalier |
| Joyce Chang
Global Head of
Emerging Markets
Research, J.P. Morgan
Chase & Co. | James R. Jones
Co-chair,
Manatt Jones
Global Strategies LLC |
| Adrian Cruz
Founder and Senior
Partner,
Crisis Simulations
International, LLC | Nicolás Mariscal
Chairman,
Grupo Marhnos |
| W. Bowman Cutter
Partner,
E.M. Warburg
Pincus | Juan Felipe Muñoz
President,
The Otun Group |
| Rui da Costa
Managing Director,
Latin America & the
Caribbean,
Hewlett-Packard Co. | Thomas F. McLarty III
President,
Kissinger McLarty
Associates |
| Dirk Donath
Managing Director,
Eton Park Capital
Management | Carlos Paz-Soldan
Partner,
Saul Ewing, LLP |
| Jane Eddy
Managing Director,
Corporate & Govt.
Ratings Group,
Standard & Poor's | Beatrice Rangel
President & CEO,
AMLA Consulting |
| Jonathon Flott
Senior Economist for
Latin America, Africa
and the Middle East,
General Motors | José Antonio Ríos
International President,
Global Crossing |
| Wallace Gardner
Vice President,
Worldwide Sales,
Chubb & Son | Andrés Rozental
Chairman of the
Board of Trustees,
Mexican Council on
Foreign Relations |
| George W. Grayson
Professor of Govt.,
The College of
William & Mary | Everett Santos
President,
DALEC LLC |
| | Roger Scher
Head of Latin
American
Sovereign Ratings,
Fitch Ratings |

Featured Q&A With Our Board of Advisors

Q Edmond Mulet, head of the UN Stabilization Mission in Haiti, or MINUSTAH, said last week that Haiti has made some strides in the past year, pointing to improvements in dealing with violence and rampant crime. What other improvements do you see in Haiti? Where has the international community failed? How much longer do you think MINUSTAH will be needed in Haiti?

A **Guest Comment: Mark Schneider:** "The lessons learned from past post-conflict experiences and in Haiti itself argue strongly for everyone to plan for MINUSTAH to be in Haiti for at least the entire Preval term and the international community to remain a committed partner for a generation. There can be some transition from UN military to more UN police and more rather than less civilian support, but not yet. The violence and crime has not declined sufficiently for any major changes, with kidnappings in December the second highest in Haiti's history, police reform just starting with the vetting of the first 40 top officers of more than 4,000 Haitian National Police, and justice reform still at a planning stage. The good news is that the Preval administration actually gave the green light to those reforms, and both the president and the prime minister continue to engage across the political spectrum. The US needs to do more to help Haiti deal with organized crime, corruption, and drug traffickers, all of which helps finance

the urban gangs. Haiti's poverty, governance, and development challenges remain daunting; so too are the challenges for private business. But insecurity remains a huge drag on everyone's efforts to respond to those challenges."

A **Guest Comment: James Morrell:** "Indubitably, MINUSTAH has made progress, and Ambassador Mulet looks forward to the liberation of all neighborhoods, including Cite Soleil, by summer. Similarly, the success of the last round of elections has given Haiti legitimate government at all levels. Finally, US congressional passage of HOPE puts out the message that Haiti is open for busi-

Continued on page 3

PHOTO OF THE DAY



Argentine President Nestor Kirchner denied Tuesday that his government was manipulating inflation data. See story on page 2.

Photo: Casa Rosada.

Inside This Issue

FEATURED Q&A: How Much Longer Will MINUSTAH be Needed in Haiti?.....	1	News Briefs: Calderon Has Majority Support; Toyota in Venezuela; Telcel Service Outage	2
Kirchner Denies Government is Manipulating Inflation Data.....	2	Venezuela Dismisses Cut in US Counterdrug Assistance	3
Brazil's Lula Blames Rich Countries for Global Warming.....	2	Ecuador to Sue Colombia Over Border Drug Crop Spraying	3

NEWS BRIEFS

Calderon Has Majority Support Among Mexicans—Poll

Mexican President Felipe Calderon, who took office in December after narrowly beating rival candidate Andres Manuel Lopez Obrador in last July's presidential election, has a majority of Mexicans' support, according to a poll published Tuesday by local daily *El Universal*. Fifty-eight percent of Mexicans approve of Calderon's first two months in office. However, only 32 percent are satisfied with his administration's work on economic, political, and social issues.

Toyota's Venezuelan Unit May Have to Halt Production

The Venezuelan unit of Japanese automaker **Toyota** may halt production as early as next week because of a government ban on the sale of dollars needed by suppliers to import raw materials, Bloomberg News reported on Tuesday. "We're very worried that by mid-February or March we'll have to shut down our plant if our suppliers can't get dollars," Enrique Pinochet, an executive at the unit, was quoted as saying. "This is affecting the entire Venezuelan car industry."

Mexican Mobile Operator Telcel's Network Temporarily Crashes

The wireless network operated by **Telcel**, Mexico's biggest mobile operator, temporarily crashed on Tuesday, leaving millions of customers in Mexico City and surrounding areas without service for hours, Reuters reported. The company said the service disruption was caused by a technical fault that saturated its network. Telcel, a unit of regional mobile giant **America Movil**, has some 40 million mobile subscribers—or about 70 percent of the market—in Mexico.

Economic News

Kirchner Denies Government is Manipulating Inflation Data

Argentine President Nestor Kirchner on Tuesday defended his government from accusations it was manipulating inflation data, accusing the media and political opposition of creating the controversy. On Monday, the economy ministry's statistics institute, Indec, reported consumer price inflation of 1.1 percent in January. Although the figure was in line with some analysts' estimates and was the biggest monthly jump since March 2005, many analysts questioned it, noting that it did not factor in increases in health insurance and that inflation in the tourist sector was unusually low, at 3.7 percent in January versus 16.5 percent during the same month of 2006, local daily *La Nacion* reported. Some Indec officials say the

posting growth rates of around 9 percent the past three years, but inflation has remained high, with consumer prices rising 9.8 percent last year and 12.3 percent in 2005, prompting the government to pressure retailers to agree to keep a lid on prices. Kirchner credited such agreements with keeping price increases relatively low in the tourism sector last month.

Brazil's Lula Blames Rich Countries for Global Warming

Brazilian President Luiz Inacio Lula da Silva on Tuesday blamed rich countries for global warming, saying they should stop calling on Brazil to halt deforestation of the Amazon rainforest, Reuters reported. "The wealthy countries are very smart, approving protocols, holding big speeches on the need to avoid deforestation, but they already deforested everything," Lula was quoted as saying during the announcement of a public works project

“They are not going to scare us or push us around with two newspaper front pages because we make a change.”

— Nestor Kirchner

January figure was in fact closer to 1.5 or 2.0 percent. Suspicion has been further raised by the Kirchner government's replacement—prior to the release of the January inflation figure—of the top official in charge of overseeing consumer price data at Indec with another official considered a loyalist. Kirchner, however, dismissed the criticism and said the personnel change was meant to improve Indec's work. "If we have to make changes, we are going to make them," the president was quoted as saying by *La Nacion*. "They are not going to scare us or push us around with two newspaper front pages because we make a change," referring to front-page banner headlines about the controversy in local newspapers on Tuesday. Opposition politicians were seeking to exploit the controversy ahead of elections later this year, Kirchner said. Argentina's economy has been booming,

in Rio de Janeiro. He said Brazil had reduced deforestation of the Amazon by 52 percent over the past three years. "There are few countries in the world that have the moral authority to talk about deforestation with Brazil," Lula said. However, some analysts note that the annual rate of deforestation in Brazil is still very large, and say the recent slowdown in rates is also due to declines in international prices for agricultural goods [Editor's note: see related Q&A in the November 6, 2006 issue of the *Advisor*]. Lula's comments came a few days after a United Nations panel of scientists issued a report that concluded for the first time that global warming is "unequivocal" and that human activity is the main culprit [look for Q&A on global warming and Latin America's potential role in stopping it in tomorrow's issue of the *Advisor*]. Lula said that instead of telling Brazil what to

do about the Amazon, rich countries should reduce their reliance on fossil fuels and use more non-fossil fuels, such as ethanol and biodiesel. Brazil is the world's biggest producer of ethanol, which is derived from sugar cane, and has launched a program to increase production of biodiesel. Last month, the government announced it would invest 17.4 billion reais (\$US 8.18 billion) in renewable fuels over the next four years. Energy Minister Silas Rondeau forecast that under the plan Brazil's ethanol output would grow 40 percent to 23.3 billion liters by 2010, while biodiesel production would increase to 3.3 billion liters from about 800 million liters currently. "No country is revolutionizing its energy matrix as we are," Lula said. "The so-called carbon credits they invented—so far, we haven't seen a cent of that," he added, referring to compensation for preserving carbon-absorbing forests.

Political News

Venezuela Dismisses Cut in US Counterdrug Assistance

Venezuelan Foreign Minister Nicolas Maduro on Tuesday dismissed the US government's decision, announced the day before, to cut counternarcotics assistance to the South American nation, asserting his country would continue to fight drug trafficking regardless, the Associated Press reported. "Venezuela is a sovereign country. [US officials] can take their resources and do whatever they think they need to do," Maduro was quoted as telling reporters. "We will continue fighting against drug-trafficking." He accused the US of offering assistance only to countries that "submit to its commands." On Monday, US Undersecretary of State Nicholas Burns said that the Bush's administration's proposed 2007-2008 budget eliminated \$2.2 million in counternarcotics assistance originally requested for Venezuela. President Hugo Chavez ended cooperation with the US Drug Enforcement Administration in August 2005 accusing DEA agents of espionage. The US government, which considers Venezuela a major transit route for

Featured Q&A

Continued from page 1

ness. Yet the government, so well protected by MINUSTAH and so buoyed by elections and HOPE, remains a government in little more than name. President

“... The government, so well protected by MINUSTAH and so buoyed by elections and HOPE, remains a government in little more than name.”

- James Morrell

Preval set the example himself when last February he accepted election without the constitutionally required majority. His prime minister, Jacques E. Alexis, went further by insisting on negotiating

with kidnapers. Soon, one of the gang leaders popped up on a government commission. Parliament was not far behind. Beginning with a resolution against a rare customs official who actually tried to collect customs, it has now immersed itself in scandal after a number of senators were caught taking bribes from bankers. The senators can perhaps be forgiven, since scarcely anyone is effectively prosecuted in today's Haiti. One of the first acts of the new government was to get rid of its leading anti-corruption official. Prospects for justice then briefly improved when the government named Judge Claudy Gassant, the brave prosecutor of a previous case, as chief prosecutor in Port-au-Prince. Since then, Judge Gassant has had his office ransacked and finds himself at odds with both the police and his own minister of justice. One could cite similar shenanigans within the electoral commission, which seemed to be inert except when an

Continued on page 4

cocaine from neighboring Colombia, responded a month later by decertifying Venezuela as an ally in the war on drugs. Venezuelan officials say they are enjoying growing success against drug trafficking, but Washington asserts that the amount of drugs smuggled through Venezuela is increasing because of corruption and a weak judicial system, according to Reuters. [Editor's note: see related Q&A in the August 10, 2005 issue of the *Advisor*.]

Ecuador to Sue Colombia Over Border Drug Crop Spraying

The government of Ecuador said Tuesday it would sue neighboring Colombia in international court over fumigation of illicit crops along their border, Reuters reported. Ecuadorean Foreign Minister Maria Espinosa said her government would move forward with plans to sue Colombia at the International Court of Justice and the Inter-American Commission on Human Rights after Colombia restarted its fumigation pro-

gram along the border without informing Ecuador, per an agreement reached between the two Andean countries last month. "We know that yesterday fumigation restarted ... They did not inform us and that really complicates matters," Espinosa was quoted as saying. Colombian President Alvaro Uribe, who was in New York on Tuesday for a meeting with new United Nations Secretary General Ban Ki-moon, said that Colombia respected its neighbors, but insisted the spraying was necessary. "We have to destroy drugs in our territory, but we respect the territory of our neighbors," Uribe told reporters, according to Reuters. The Ecuadorean government, which in December recalled its ambassador from Bogota to protest continued spraying, says the fumigation poses a hazard to human health and the environment. The Colombian government says the glyphosate herbicides used in the sprayings are safe. [Editor's note: see related Q&A in the January 5, 2007 issue of the *Advisor*.]

Featured Q&A*Continued from page 3*

experienced businessman, Jacques Bernard, was at the reins. What the vignettes point to is government institutions that aren't going to work for Haiti, but only for the individuals within them. But what one also sees is the enormous difference competent individuals make when, improbably, they are put in positions of authority. Eighty-three percent of Haiti's trained professionals live abroad. Recruiting among them and those remaining in Haiti and giving them actual authority is the key to Haiti's emergence."

A Guest Comment: Stanley Lucas: "For real progress, I would actually point to the strong development of the NGOs working in the health area in Haiti to provide effective services needed by thousands of Haitians. There is good partnership and ownership of the program by the private and public sector. Haitians are leading the initiative and have really stepped up to make a difference in this area. It is remarkable. This is the sixth United Nations mission to Haiti in less than 10 years at the request of the Lavalas party. Previous missions and the current missions have failed in two areas: 1) holding the Haitian government accountable to follow through on its promises to bring stability to the country; and 2) not taking into account the nine principles of reconstruction and development proposed by Andrew Natsios. These principles, including ownership, capacity building, sustainability, selectivity, assessment, results, partnership, flexibility, and accountability, should serve as a checklist against all programs that are developed to target issues in Haiti. The length of MINUSTAH's tenure lies squarely in the hands of the Haitian government and its ability to bring about real stability. Currently, MINUSTAH's strategy is not to strengthen institutions and build capacity; rather, they are managing the process themselves versus giving the Haitians the tools to build a sustainable system. Haiti deserves better."

A Guest Comment: Eddy Lagroue: "The length of MINUSTAH's stay in Haiti is not as important as what it is successfully doing and who pays the final bill ... There is no doubt the international community is doing its best to stabilize Haiti in what looks like *déjà vu* for the last two centuries. Reducing a vicious cycle by establishing a virtuous circle is no easy task in this highly polarized environment. After establishing new judicial reforms, a logical step after the Duvalier era would have been the national security system and governance. But it is difficult to please everyone. Nonetheless, the World Bank's country director for the Caribbean, Caroline Anstey, suggested Tuesday that this choice to establish security before nation-building could result in jeopardizing the previous judicial milestones achieved during the past Preval and Aristide terms. According to that report, nation-building and a security plan working hand in hand and side by side could become an obvious and longer-term winner, while reducing the presence of MINUSTAH in Haiti gradually. In other terms, there is no need to try to disarm thugs if they are not disarmed from their survival-minded endeavors, the real source of insecurity and concentrated in the Republic of Cite Soleil, which is not even the size of Dolphin Stadium in Miami."

Mark Schneider is Senior Vice President at the International Crisis Group.

James Morrell is Executive Director of the Haiti Democracy Project.

Stanley Lucas is Senior Program Officer for Latin America and the Caribbean at the International Republican Institute.

Eddy Lagroue is Executive Vice President of Haiti Bel S.A.

Latin America Advisor

is published every business day by the Inter-American Dialogue, Copyright © 2007

Erik Brand,
General Manager, Publishing

Robert Simpson,
Editor

Elisabeth Burgess,
Reporter

Danielle Jetton,
Computer Services Coordinator

Inter-American Dialogue:

Peter Hakim,
President

Michael Shifter,
Vice President, Policy

Joan Caivano,
Director, Special Projects

Dan Erikson,
Senior Associate, US Policy

Claudio Loser,
Senior Fellow

Manuel Orozco,
Executive Director, Remittances and Rural Development Project

Marifeli Pérez-Stable,
Vice President, Democratic Governance

Jeffrey M. Puryear,
Vice President, Social Policy

Viron Vaky,
Senior Fellow

Subscription Inquiries are welcomed at freetrial@thedialogue.org

Latin America Advisor is published every business day by the Inter-American Dialogue 1211 Connecticut Avenue, Suite 510 Washington, DC 20036 Phone: 202-822-9002 Fax: 202-822-9553

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each Advisor and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.