INTER-AMERICAN DIALOGUE'S
LATIN AMERICA ADVISOR

FEATURED Q&A

Where Does Haiti Stand Now, Two Years After the Earthquake?

Q **Jan. 12 marked the two-year anniversary of Haiti's devastating earthquake, which killed more than 300,000 people and displaced 1.5 million. In the aftermath, governments and international agencies pledged $8.4 billion to aid in the recovery effort. Brazil also took a leadership role, heading the Minustah security forces and sending the largest group of soldiers. How successful has Haiti's recovery been and where does the country stand now? What strategies should the government and private sector undertake to rebuild the country successfully? How has Brazil's role in Haiti evolved and what does it indicate about the South American nation's regional leadership?**

A **Raymond A. Joseph, former ambassador of Haiti to the United States:** "Although only one-fifth of Haiti's land mass was hit by the earthquake, the economic damages amounted to 80 percent of GNP. The sight of faded tent cities around the capital—two years later—indicates that the recovery has moved at a snail's pace. The earthquake was a wake-up call for decentralization. That seems to be taking place, since the government has announced major projects in the provinces, such as an industrial park in northern Haiti that will employ about 25,000. The Jan. 12 inauguration of Henry Christophe University, a gift from the Dominican Republic, in the northern town of Limonade is another telling sign. The international airport in Cap-Haïtien in the north is scheduled to be opened next year and work is underway at the Cayes airport in the south. Rebuilding and refurbishing the various seaports will speed up decentralization. A big push for investors is underway, as evidenced by a business conference last November sponsored by the Inter-American Development Bank that drew some 500 foreign investors. But not much can be accomplished until the government tackles infrastructure—roads, electricity and water. Reviving

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Peruvian Vice President Quits Amid Corruption Allegations

Omar Chehade, one of Peru's two vice presidents, has stepped down from the post amid corruption allegations. Chehade was able to retain his seat in Congress, however, after winning an expulsion vote. See story on page 2.

File Photo: TV Perú.

Inside This Issue

NEWS BRIEFS

Facebook Beats Out Google's Orkut in Brazil in December

Social networking Web site **Facebook** attracted 36.1 million unique visitors in December in Brazil, beating out Orkut's 34.4 million visitors, the BBC reported, citing **Comscore**. Brazil, where **Google**'s Orkut has been dominant in the past, has the fifth largest social networking population in the world. Facebook's growth saw a 192 percent rise year-on-year. Microblogging platform **Tumblr** and social gaming company **Vostu** also hit triple digit growth.

Mexico Regulator Eyeing New Rules Aimed at América Móvil

Mexico's Federal Telecommunications Commission is considering new rules that would apply to any dominant carrier in the mobile phone market, a designation **América Móvil** received in 2010, Bloomberg News reported. Among the rules, which the agency may propose by February, would be restrictions on prices such as the difference in fees for calls within and outside the network. América Móvil has a 70 percent share of the wireless market in Mexico, which is the biggest market of the countries in which it operates.

Bolivia Sees Record Level of Mining Exports

Mining exports from Bolivia increased 42 percent to $3.4 billion last year, a record level, Bloomberg News reported Wednesday, citing the country's mining minister, José Pimentel. The country's mining exports increased from $2.4 percent in 2010, Pimentel told Cochamamba-based newspaper *Los Tiempos*. Bolivia's mining industry paid $272 million in taxes and $164 million in royalties in 2011.

Political News

Peruvian Vice President Quits Amid Corruption Allegations

Omar Chehade, one of Peru's two largely ceremonial vice presidents, has resigned from that position amid a corruption allegation, Reuters reported late Tuesday. Despite stepping down from the vice presidential post, Chehade was able to retain his seat in Congress after the legislature's Permanent Commission decided by a one-vote margin not to expel him. Chehade's resignation is not expected to harm the stability of President Ollanta Humala's government and could help the government by distancing Chehade from Humala, who campaigned on promises to fight corruption. "I don't want to cause disruptions for President Humala, his image or the government," Chehade told lawmakers, Reuters reported. For his part, Humala had already virtually cut off ties with Chehade, saying, "We don't have any relationship with him." Chehade has been accused of asking a police general to help his brother by evicting workers at a sugar plantation in an effort to help a company that is eyeing its takeover. Chehade has denied the allegation. Chehade's resignation follows a vote last month in which lawmakers overwhelmingly decided to suspend Chehade from Congress for 120 days. Humala was unable to fire Chehade because Peru's constitution reserves for Congress the power to dismiss a vice president.

Humala

File Photo: Peruvian Government.

Economic News

Brazil's Central Bank Cuts Interest Rate for Fourth Time

Brazil's central bank cut the country's benchmark interest rate for the fourth consecutive time on Wednesday and signaled that it may continue the loosening cycle amid concerns that global economic woes will cause problems for Latin America's largest economy, Dow Jones reported. The bank's monetary policy committee voted unanimously to cut the Selic interest rate 50 basis points, to 10.5 percent from 11 percent. In a statement accompanying the decision, the bank said inflation would be reduced through "moderate adjustments" to the benchmark rate. That statement indicated another possible half-point cut the next time the committee meets in March. "If they wanted to send a different signal, they would have taken advantage of this to start doing it," Alfredo Barbutti, a São Paulo-based economist at **Liquidez Brokerage**, told the news service. Makers of industrial products and unions in Brazil had called for the interest rate cut. The National Confederation of Industry had said before the cut was announced that there is "space for more reductions." Also, the head of the Forca Sindical union said Wednesday's cut should have been larger. "Unfortunately, the technocrats of the Copom aren't listening to society," Paulo Pereira da Silva said in a statement. Policymakers "lost a great opportunity" to make an even larger cut, he added. The bank began cutting the Selic rate last August in what was a surprise move following a series of rate increases. President Dilma Rousseff and Finance Minister Guido Mantega have said they hope to reduce the benchmark interest rate to levels common in emerging markets. In the past few weeks, economic data in Brazil have shown that the country may have begun a strong recovery in the fourth quarter. A robust economic rebound could place more pressure on inflation.

Brazil's central bank began cutting its benchmark interest rate in August.

Company News

Scotiabank Closes Deal to Purchase Control of Colombia's Colpatria

Canada's **Bank of Nova Scotia**, or Scotiabank, announced Wednesday that it has closed its transaction to acquire 51 percent of Colombia's **Banco Colpatria** for $1 billion in cash and stock. Scotiabank will share ownership with **Mercantil Colpatria**, which will retain 48.7 percent ownership of the bank, said the Toronto-based lender. The deal was originally announced in October. "We are pleased to be partnering with Mercantil Colpatria and Banco Colpatria's strong management team to leverage our joint expertise and accelerate the bank's growth in Colombia," Scotiabank's group head of international banking, Brian Porter, said Wednesday in a statement. "We look forward to the success we will achieve by combining the unique strengths of our two companies and focusing on the significant growth opportunities in the Colombian market." Banco Colpatria, which maintains 175 branches and 308 ATMs, has $6.4 billion in assets and is the South American country's fifth-largest financial services company. It is also Colombia's second-largest credit card issuer and provides consumer and business loans and mortgages. "The approval from the regulators for this transaction is proof of the country's confidence and marks the beginning of a great future for the bank, its employees and its customers," Santiago Perdomo, Banco Colpatria's president, said in a statement.

Banco Colpatria is Colombia's second-largest credit card issuer and has $6.4 billion in assets.

Featured Q&A

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Haiti's agriculture and fishing industry should be among the priorities. The aim should be a self-sufficient Haiti in food production, with a vision for export of certain products, especially to the United States. The country must take advantage of the U.S. HOPE Act, now HELP and in force until 2020, which provides Haiti preferential tariff treatment. Brazil has always played an important role in Haiti; Haitians are more fanatical about Brazilian soccer than Brazilians themselves. When Brazil assumed the leadership of Minustah, I wrote that soccer diplomacy stood a good chance of success in Haiti. However, some unfortunate and reprehensible events have tarnished the U.N. image. The spread of cholera, attributed to Nepalese soldiers, and sexual predators among some of the troops have greatly angered Haitians. They now call for the departure of the foreign troops. Interestingly, Brazil itself is not seen in bad light. Will Brazil—and Latin America in general—benefit from the new South-South policy of the Haitian government? It's too early to tell."

A **Ernest H. Preeg, chairman of the Haiti Democracy Project and former U.S. ambassador to Haiti:** "Recovery from the human suffering and economic destruction in Haiti from the earthquake two years ago has been tragically slow, despite the $8.4 billion of assistance pledged by international donors. A principal cause of this failure has been the fraudulent elections and related pervasive corruption by the Haitian government, together with the lack of sufficient will by aid donors to curb these political abuses. The highly fraudulent elections in 2010 were rectified for the presidency, thanks to evidence of fraud presented by private observers, but the fraudulently elected legislators are still in place, principally supporters of the former Préval regime. As a result, President Michel Martelly faces legislative impasse for appointments and executive decisions, involving corruption at all levels of government, while economic aid programs languish. Another major cause of the failed economic recovery is the low priority, both within the Haitian government and by aid donors, given to private-sector investment and job creation. Haiti has a hard-working, low-cost labor force and able business leaders, as evident in a recently established industrial zone on the north coast by Korean private investors, and the Chinese may not be far behind. But where is the facilitation and encouragement for U.S. investors? A greatly strengthened recovery strategy and performance is needed, and this can happen in 2012. Senate elections in the second half of the year should be closely monitored to avoid fraud as a condition for economic aid to the government. President Martelly's proposals to support private-sector, job-creating investment should receive priority international technical and financial support. And the Haitian-American community should be more prominently engaged, as it was in the Haiti Democracy Project's election observer team that provided poll-watching, detailed evidence of election fraud in 2010."

A **Anton Edmunds, president and CEO of The Edmunds Group:** "The Haiti recovery effort leaves much to be desired at the two-year anniversary mark. The country remains badly scarred physically and hundreds of thousands continue to live in poor conditions. Many argue that the slow pace of action was not helpful after the initial relief efforts. Whether, as some argue, this was as a result of a genuine fear of becoming responsible for nation building by the United States and the international community, or a more selfish interest by some in influencing Haitian elections and politics, the rebuilding effort stumbled badly. The scrum for donor funds including groups with little in terms of a track record in emerging markets and questionable long-term commitment to the country has, at

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times, further exacerbated the situation, resulting in the siphoning of human resources and funds away from viable projects. Unfortunately, the trickling in of new monies that we see today threatens to stop the most successful efforts. Haitian politics itself has not been helpful, with the length of time between presidential run-off elections and the confirmation of a prime minister leaving many, including the local Haitian and external investing and development community, unsure as to how to proceed. Credit must be given however to the banking community, which was providing service very soon after the tragedy, and in some instances is now expanding product offerings; and to the maritime community, which is reporting trade figures consistent with pre-earthquake levels despite working with a public port infrastructure that needs to be rebuilt. While plans to develop the north of the country, which include the building out of new manufacturing facilities and infrastructure, give hope for the future, still missing is a robust plan and funding to rebuild the nation's capital and the damaged infrastructure there. Brazil's role in Haiti is one that has to be highlighted. Its commitments of troops and aid legitimized its role as a hemispheric leader and recent policies regarding the granting of visas to Haitians to work in Brazil further cements its position."

A **Jocelyn McCalla, president of JMC Strategies:** "Haiti's recovery barely got off the ground in 2010, in spite of the significant amounts pledged at the International Donors Conference held in March 2010. First, it took several more months to develop the terms of reference for joint oversight of the recovery efforts through the Interim Haiti Reconstruction Commission (IHRC). Second, neither the international community nor the Haitian government committed to the IHRC being the driving engine behind the recovery efforts. Third, frustrations with political management of Haitian affairs and the recovery efforts led both Haitians and their international allies to turn to electoral politics. A disaster was only averted by heavy-handed management of the process by the United States and its key allies. Port-au-Prince remains home to more than half a million internally displaced earthquake refugees. Many have returned to homes that will not withstand another major catastrophe. International funds are starting to move through the pipeline, but little of it is trickling down to Haitians, who should be put to work rebuilding their homeland. The government should focus on building up the country's infrastructure so that both domestic and international capital can successfully develop the Haitian market and take advantage of trade preferences. While Haiti may be one of the poorest countries in the Western Hemisphere, it is one of the most expensive places to develop business, with government red tape and inefficiencies, insufficient property rights protections, a corrupt and antiquated legal system and weak road, potable water, sanitation and telecommunications infrastructure. The Haitian private sector should invest more of its capital in bringing home-grown goods to market. Brazil's involvement with Haiti dates from 2004 with its decision to lead the U.N. Mission to Stabilize Haiti (Minustah). It has since led to commitments to financing some infrastructure projects and providing college scholarships for dozens of Haitian students. However, Brazil has not had as high a profile as Venezuela, which has provided direct aid through PetroCaribe subsidies. Brazil appears to pick its battles carefully and, in Haiti's case, has treaded lightly on turf that has long been managed by the United States."

The Advisor *welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.*

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Erik Brand
General Manager, Publishing
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Rachel Sadon
Reporter, Assistant Editor
rsadon@thedialogue.org

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Subscription Inquiries are welcomed at freetrial@thedialogue.org