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Featured Q&A With Our Board of Advisors

Q Haiti's Council of Wisemen, a US-backed advisory council that oversees Haiti's interim government, on Saturday recommended that exiled former President Jean-Bertrand Aristide's Lavalas Family Party be barred from participating in elections because of its alleged support of violence. Will Lavalas be kept out of elections? If so, what impact would that have on political stability in Haiti?

A **Guest Comment: James Morrell:** "The sponsorship of violence by Aristide and the Lavalas party is not merely an allegation, it is a salient, defining fact. The Conseil des Sages is on solid ground in recommending the party's exclusion. The electoral commission, however, which has the final word, says the party is still eligible to run. The party itself has refused to run, and this is likely to continue as a case of self-exclusion rather than disqualification. The threat to stability isn't coming from the exclusion of Lavalas by anybody, but from Aristide's own decision, joined in by the most violent elements of Lavalas, to wreak maximum chaos and mayhem in Haiti so as to demonstrate that the place is ungovernable without him. Although a long shot, this is his only feasible strategy for returning to power. If Haiti achieves political normalization, he is out for good. The strategy, although nefarious, is cut from the cloth of Haitian history and has been executed dozens of times. You first undermine the

incumbent, which in Haiti is usually easy to do. Then you wait for his forces to melt away or defect to you. This time around, its only the presence of a more modern-minded democratic movement in Haiti, with civic organizations like the Group of 184, plus the dissuasive presence of the UN mission, that gives hope of breaking this deadly cycle."

A **Guest Comment: Dan Erikson:** "Banning major political groupings from Haiti's upcoming elections will only undermine the democratic legitimacy of the result. Members of Haiti's Council of Wisemen—

Continued on page 3

PHOTO OF THE DAY



Colombian Vice President Francisco Santos and Foreign Minister Carolina Barco said Wednesday the international community has a responsibility to support Colombia's peace process. See related Special Report on page 2.

Photo: Latin America Advisor.

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NEWS BRIEFS

Brazilian Central Bank Maintains Selic at 19.75 Percent

In a widely expected move, Brazil's Central Bank on Wednesday held its benchmark Selic interest rate steady for the second straight month at 19.75 percent amid signs of slowing inflation. Analysts believe the Bank's monetary policy committee may start lowering the Selic as early as next month after raising it 350 basis points between September 2004 and May 2005.

Source: *Brazilian Central Bank*.

Former Mexican Official in Running for Top Post at OECD

The Organization for Economic Cooperation and Development (OECD) said Wednesday it was considering six candidates to fill the post of secretary general, including former Mexican Finance Minister and economist Jose Angel Gurria. An occasional *Advisor* commentator, Gurria served as finance minister from January 1998 to December 2000, and was minister of foreign affairs from December 1994 until January 1998. He was part of the team that negotiated Mexico's admission to the OECD in 1994.

Source: *OECD press release*.

Darby to Invest Another \$100 Million in Brazil

Darby Overseas Investments, the Washington, DC-based investment firm founded by former US Treasury Secretary Nicholas Brady, plans to increase investments in Brazil by \$100 million over the next two years to acquire companies in the country. Potential acquisitions include agricultural and publishing companies, according to Chief Executive Richard Frank. Darby already has \$145 million invested in Brazil.

Source: *Bloomberg News*.

Political News

Former PT Treasurer Admits to Illegal Campaign Financing Scheme

The former treasurer of Brazil's ruling Workers' Party (PT) told a congressional investigating committee on Wednesday that he ran an illegal campaign financing scheme, but said none of the illegal funds were used to finance President Luiz Inacio "Lula" da Silva's 2002 presidential campaign, the Associated Press reported. Delubio Soares, who stepped down as PT treasurer earlier this month, said he ran the campaign financing scheme without the knowledge of other party officials. He refused to say who benefited from the



Delubio Soares

Photo: *Agencia Brasil*

scheme except to say they were members of the PT and its coalition allies. The money, which was not reported to electoral authorities as required under Brazilian law, came in the form of loans by advertising executive Marcos Valerio, who gave the PT almost \$17 million after the 2002 presidential contest. Soares' testimony before the committee was seen as an attempt to take the blame for the PT's misdeeds and shield Lula from the growing scandal, according to the AP. In an interview aired on Monday, Lula admitted that the PT had engaged in irregular campaign financing, but said the practice was common in Brazil. Some of Lula's political opponents have suggested the PT is admitting to a smaller crime for which it will not likely be punished to take the focus off allegations—first made last month by Deputy Roberto Jefferson—that the PT paid some lawmakers \$13,000 per month in exchange for their political support. Jefferson said top officials in Lula's government were aware of the payments, but that Lula did not know about the payments and put an end to the practice after he found about it in January. Last week, the leader of the opposition PSDB party in the Senate, Arthur Virgilio, said Lula was either "corrupt" or an "idiot" if he was not aware of the bribes-for-votes scheme.

Fox Government Intervening in Mexican Newspaper Dispute

The government of Mexican President Vicente Fox is intervening in a dispute between a Oaxaca state newspaper and union employees who the newspaper says are being directed by the state's governor in retaliation for criticism of his government, Reuters reported. The attorney general's office said Tuesday it was interviewing the editorial employees of *Noticias*, the largest circulation daily newspaper in Oaxaca state, about possible aggression against journalists—a federal crime—during a forcible eviction of the employees Monday night by masked men wielding ax handles. The 31 employees had been barricaded inside the newspaper's building ever since the building was surrounded a

“The assault on *Noticias* further rarifies the climate of violence against media and journalists under the tenure of Vicente Fox.”

— *Mexican press group CEPET*

month ago by members of a local union that went on strike demanding a 25 percent pay raise. *Noticias* claims the union strike was engineered by Oaxaca Governor Ulises Ruiz of the opposition PRI party in an effort to shut down the newspaper and quiet its criticism of his government. The standoff has prompted media groups to question Fox's commitment to press freedom and put pressure on the Mexican president to intervene. "The assault on *Noticias* further rarifies the climate of violence against media and journalists under the tenure of Vicente Fox," Mexican press group CEPET was quoted as saying by Reuters.

Company News

Brasil Telecom Posts 35 Percent Year-on-Year Increase in Q2 Profit

Brasil Telecom Participacoes, Brazil's third-largest fixed line telephone compa-

ny, on Wednesday reported a second-quarter net profit of 69 million reais (\$US 29 million), up 35.2 percent from the same period of 2004, on the back of a 295.4 million-real reversion of interest on shareholders' equity. Before the reversion, the company posted a loss of 226.3 million reais. Including an extraordinary accounting gain from the purchase of its CRT unit, Brasil Telecom Participacoes' net profit increased 22 percent to 100 million reais. The company reported a 19.9 percent increase in gross revenues to 3.642 billion reais, as income from its fixed telephony business grew 10.7 percent to 3.040 billion reais. Revenues from data services grew 54.9 percent year-on-year to 451.6 million reais, as the number of its ADSL broadband subscribers nearly doubled from a year ago to 747,000. Brasil Telecom Participacoes also reported second-quarter revenue of 150.7 million reais from its nine month-old mobile business, **Brasil Telecom GSM**, up 2.5 percent from the first quarter, while the number of mobile customers rose 34 percent to 1.345 million quarter-on-quarter. Brasil Telecom Participacoes' EBITDA (earnings before interest, tax, depreciation, and amortization) declined 10.2 percent in the second quarter from a year ago to 827.6 million reais, as the company's costs increased 36.6 percent to 1.695 billion reais. Brasil Telecom has been the subject of an intense dispute among investors for control of the company in recent months. Last month, US financial giant **Citigroup** and a group of Brazilian pension funds took control of a holding company that is key to control of Brasil Telecom. However, in their fight to wrest control of Brasil Telecom from private equity group **Opportunity**, Citigroup and the pension funds must still change several other boards in the chain of holding companies that control Brasil Telecom, according to Reuters. In April, Opportunity announced it was selling its stake in Brasil Telecom to **Telecom Italia** for 341 million euros (\$US 432 million). However, last month a US judge issued an injunction against the sale in response to a request by Citigroup to block the deal, through which Telecom Italia would increase its stake in Brasil Telecom and merge Brasil Telecom GSM with its own mobile unit in Brazil.

Special Advisor Report

Colombian Officials Appeal for International Support

By Devin Finn

WASHINGTON - As consumers of much of the drugs that finance Colombia's illegal armed groups, the international community has a responsibility to support the paramilitary demobilization process in Colombia, Colombian officials said Wednesday.

Without the demand for drugs from the United States and European countries, guerrilla and paramilitary groups would not exist in the country, Colombian Vice President Francisco Santos told an audience at the Woodrow Wilson International Center for Scholars at an event sponsored in part by the Inter-American Dialogue.

"Drugs [are] an element ingrained in Colombia's conflict," said Santos, accompanied by Minister of Foreign Affairs Carolina Barco and Mario Iguaran, who was appointed attorney general on Tuesday by the Andean nation's Supreme Court.

The high-level officials called for the international community to support Colombia's controversial Justice and Peace Law. The law, approved June 24 in Colombia's Congress, requires the cease of all illegal activities by armed groups and their dismantling, full disclosure of their assets, and confession of their crimes.

However, the law, which President Alvaro Uribe is expected to sign in the next few days, would limit prison sentences for paramilitary fighters accused of killings and other crimes to five to eight years, prompting critics and human rights groups to say it is too soft on the paramilitaries.

"The law is not a perfect law," Santos acknowledged, "but it guarantees a net gain on all fronts."

The short sentences of five to eight years for disarmed combatants, he added, is "the price a society pays for peace."

The Colombian vice president noted that the law, part of an effort to persuade the country's some 20,000 paramilitary fighters to lay down their arms, was negotiated in Congress over a two-year span and debated by citizens through public fora and in the media, Barco explained.

"The final product reflects the will of a clear majority of the Colombian nation," Santos said

Some members of the US Congress have threatened to withdraw financial support for the paramilitary peace process if Uribe does not require terrorist groups to fully disclose their operating structures and financing sources as conditions for peace.

However, *The Miami Herald* reported this morning that the Bush administration has decided to support the Justice and Peace Law, despite initial misgivings.

In addition, US Senator Richard Lugar (R-IND), chairman of the Senate Foreign Relations Committee, has agreed to support the law as long as US officials ensure that human rights violators and drug traffickers do not get off scot-free, the *Herald* reported.

Featured Q&A*Continued from page 3*

whose very name reflects Haitians' well-tuned sense of irony—surely know this, and their latest pronouncement merely indicates that the group has probably outlived its usefulness. Certainly Haiti's electoral commission and even some opposition leaders have steered a wiser course by distancing themselves from this proposal. The worrying phenomenon of Lavalas-related violence merely reflects the larger pattern of disintegrating law and order in Haiti. A more robust UN peacekeeping presence, especially in terms of civilian police, would help to keep the violence under control. But legitimate party leaders from Lavalas should be encouraged to run in the elections by Haitian actors and the international community. Opponents of Aristide should remember that his party has remarkably little to show for its many years at or near the top of power in Haiti. Any nostalgia for Lavalas rule may quickly evaporate if other candidates put forward compelling and viable proposals to move Haiti forward. Haitian leaders should spend less time maneuvering to block Lavalas candidates and instead focus on this historic opportunity to defeat this once-dominant party fair-and-square at the polls."

A **Guest Comment: Eddy Lagroue:** "When one looks at the Haitian political arena and its destroyed economy, the first question that rises is, is Haiti ready for elections at all? Haiti cannot be compared to Iraq, which has a strong economy and ongoing resource exploitation, or to any other country at war where elections were successfully held, these countries having a different geopolitical set of interests converging to win-win situations at last. If any party in Haiti is powerful enough to just destroy or block the democratic process in Haiti to the point that it is banned from the electoral process, then something is wrong. It only tells that a war is on and that any further exclusion may continue the planned destruction that has started. The bottom line is whether it is really necessary to ban one or any of the political parties

causing the troubles and chaos in Haiti if the reason why they are doing so is because they're losing support and popularity. All Haitian parties that are not structured or identified destroying this country would just eliminate themselves with the actual structure in place and especially with law enforcement measures that would pinpoint and bring the faulty players to justice, if this is finally wished. It would be elusive and even a mistake to try to publicly point to a party itself since the trouble in Haiti is proven to be caused by a wide spectrum of political tendencies desperate to draw attention to the easy target—the former party in power. This would cause unnecessary polarization and self-destruction of the Haitian economy and its society, and even jeopardize the democratic process itself. Is it what the international community wishes, when it can easily correct the past mistakes with the forces present? Blocking a political party with other than law enforcement would just give more strength to any faulty player. In the end, isn't democracy the participation of all tendencies in a society? If it is proven that the entire Haitian society is so corrupt, can blocking a political party solve the poverty problem that seems to be attached to it? Or do the officials have to declare a state of emergency and adopt the appropriate measures to stop the killings and start real nation-building projects that can finally put all Haitians at work, which is the real dilemma?"

James Morrell is Executive Director of the Haiti Democracy Project.

Dan Erikson is Director for Caribbean Projects at the Inter-American Dialogue.

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

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Erik Brand,
General Manager, Publishing

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Viron Vaky,
Senior Fellow

Subscription Inquiries are welcomed at
freetrial@thedialogue.org

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