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Featured Q&A With Our Board of Advisors

Q Rene Preval took office as president of Haiti on Sunday, calling for unity and an end to the violence that has plagued the impoverished Caribbean nation. What are the prospects for peace and stability under Preval? What future does former President Jean-Bertrand Aristide have in Haiti?

A **Guest Comment: James Morrell**
"The Haitian government goes forward with the precious gift of legitimacy. The long, patient lines of voters delivered it this inestimable advantage. With this gift, the prospects for stability are good. President Preval has touched all the right bases, visiting eight key countries and major domestic constituencies. As important, Haiti has a diverse parliament whose parties are pledged to cooperate. The parliament is not yet whole. Virtually an entire department, the Nord-Est, has so far been denied representation. This and the miscount of presidential blank ballots are the two flaws in an election that otherwise came out quite well. In light of this favorable outcome, the Bush administration needs no longer treat Haiti as an annoyance to be flicked away but as a country that can be put on the road to success. The United States should engage not merely with the president but with all of Haiti's institutions: parliament, ministries, judiciary, electoral machinery. It should spare a few of its own forces for security rather than solely outsourcing to countries whose

interests are less than its own. It should make the infinitesimal concession on textiles that would revive a job-creating industry in Haiti—jobs which long ago left America. Haiti does have the personnel in its civil society and diaspora who can make the institutions work. Getting them in position to do that is the trick, as always in Haiti. Here is a useful focus for US policy. The return of Aristide, on the contrary, would be as helpful to Haiti as would the return of Charles Taylor and all his warlords to Liberia. Since Aristide is currently in the hands of foreigners, the natural Haitian impulse is to leave the issue to them. That, however, could be disastrous if the foreigners' attention wanders. The pre-

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PHOTO OF THE DAY



Ecuador's interior minister, Felipe Vega, on Wednesday called the US decision to suspend free trade talks "unacceptable blackmail." See related story on page 2.

Photo: Ecuadorean government.

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NEWS BRIEFS

Latin American Currencies Slide on US Inflation News

Major Latin American currencies fell versus the dollar on Wednesday after a surge in US consumer prices sent US debt yields higher, Reuters reported. Brazil's currency, the real, lost 2.06 percent to end at 2.179 reals per dollar, while the Mexican peso weakened 0.63 percent to 11.050 to the dollar and the Colombian peso declined 0.56 percent to 2,428 pesos to the dollar. The fall in the currencies came on the tail of news that the US consumer price index jumped 0.6 percent in April, while core inflation rose an unexpectedly high 0.3 percent.

Death Toll from Sao Paulo Violence Rises to 156

The death toll from five days of violence in Sao Paulo state rose to 156 on Wednesday, as police killed some 55 presumed gang members and suspected criminals since Tuesday, the Associated Press reported. The killings by the police, who have lost 41 officers since the powerful PCC gang first launched coordinated attacks on police stations across the state on Friday and organized revolts at more than half of Brazil's prisons, have raised concerns among human rights groups worried the police are taking revenge.

Retail Sales Growth in Brazil Continues Slowing Trend in March

Year-on-year growth in retail sales in Brazil slowed for the second straight month in March. Retail, supermarket, and grocery store sales, as measured by units sold, increased 3 percent in March from a year earlier, the slowest pace in 10 months, Bloomberg News noted. Sales increased a revised 5.7 percent in February, according to state statistics agency IBGE.

Economic News

US Suspends Free Trade Talks with Ecuador over Oil Contract Flap

The United States said Wednesday it was suspending free trade talks with Ecuador because of Ecuador's cancellation of its contract with US oil firm **Occidental** and its seizure of the company's assets. "For a country to attract investment, and certainly to be a prospective FTA partner of the United States, it must obey the rule of law with respect to foreign investors," Neena Moorjani, a spokeswoman for the US Trade Representative's office, told the *Advisor* in an email. "At this time no further FTA discussions are scheduled." Moorjani also said the US would seek an immediate clarification from Ecuador

Investment Disputes (ICSID) in Washington DC, invoking protections under a US-Ecuador investment treaty. The company also said it requested interim relief from the ICSID "by restoring its rights in Ecuador and preventing Ecuador from replacing Occidental with another third party operator in Block 15 until its claims can be decided, a process that could take well over a year." Reacting to the US decision to suspend free trade negotiations, Ecuadorean Interior Minister Felipe Vega on Wednesday called it "unacceptable blackmail." However, the talks had been in trouble already in part because of the dispute with Occidental and because of the Ecuadorean government's approval last month of a new tax on windfall profits by foreign oil companies. The US launched free trade talks with Colombia, Ecuador, and Peru two years ago. It concluded an

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– USTR spokeswoman Neena Moorjani

regarding the contract cancellation, including whether it intends to fully compensate Occidental as required under a bilateral investment treaty. Ecuador's energy and mines minister, Ivan Rodriguez, on Monday announced the revocation of the contract with Occidental to operate the Block 15 oil field, the latest move in a long-running dispute between the government and the company. The government took the action after the attorney general and state-owned oil company **Petroecuador** recommended the cancellation of the contract, which was set to expire in 2012, because of what they said was Occidental's unauthorized sale in 2000 of a 40 percent stake in an Amazon oil block to Canadian oil company **Encana**. Occidental, which produced about one-fifth of Ecuador's total oil output of about 500,000 barrels per day, denies any wrongdoing. On Wednesday, the company said it filed a claim with the International Centre for Settlement of

agreement with Peru in December of last year and with Colombia in February.

Company News

Funds Agree to Transfer Shares in Energy Companies to Bolivian Govt.

Two private Bolivian pension funds operated by Spain's **BBVA** and Switzerland's **Zurich Financial Services** have agreed to comply with the government's demands and surrender shares they hold in three energy companies as part of the nationalization of Bolivia's oil and gas sector, according to media reports. Ildefonso Nunez, general manager of BBVA's **Prevision** pension fund, and Gonzalo Bedoya, the head of Zurich's unit, **Futuro de Bolivia**, said they were ready to meet the government's demands, Bloomberg News reported. On Monday, the government gave the funds three days to transfer

the shares they hold in **Andina**, which is controlled by Spain's **Repsol YPF**, and **Chaco**, run by **BP Plc**, and in gas transport company **Transredes**, controlled by **Royal Dutch Shell Plc** and an **Enron Corp.** affiliate named **Prisma Energy**, according to Reuters. Transfer of the shares, worth an estimated \$1.5 billion, would give the Bolivian government control over a minority block of shares in the three companies, which were privatized in the 1990s. It is not clear what if any compensation the government plans to offer for the share transfers.

Political News

Early Results Show Fernandez's PLD Ahead in DR Legislative Elections

President Leonel Fernandez's Dominican Liberation Party, or PLD, is ahead in vote counting from the Dominican Republic's legislative and municipal elections on Tuesday, according to preliminary results released Wednesday. With less than 300,000 ballots counted, the PLD leads in 22 of 32 provinces, the Associated Press reported. The Dominican Revolutionary Party, or PRD, which currently holds majorities in both houses of Congress, led in six provinces, while the Social Christian Reformist Party was ahead in three. One province had not begun counting votes. There are no estimates yet on how many of the Caribbean nation's 5.4 million registered voters turned out on Tuesday. The Organization of American States has reported no voting irregularities. Fernandez, who defeated former President Hipolito Mejia two years ago, is hoping to boost his support in Congress. The PLD currently holds just one Senate seat and about a quarter of the seats in the House. A total of 210 legislative seats and 151 mayoral spots were up for grabs in Tuesday's election. [Editor's note: look for Q&A on Tuesday's election in the Dominican Republic in tomorrow's issue of the *Latin America Advisor*.]



Fernandez voting on Tuesday.
Photo: Dom. Govt.

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Capitol Hill Watch

A weekly look at US congressional activity on Latin America

Senate Approves 370 Miles of Fencing Along US-Mexico Border

The Senate on Wednesday approved a proposal for the construction of 370 miles of fencing along the US-Mexico border. In an 83-16 vote, senators passed an amendment proposed by Sen. Jeff Sessions (R-AL) to strengthen 70 miles of existing fences near San Diego and parts of Arizona and to build 300 miles of additional fencing through the Arizona desert, *The Washington Post* reported. The amendment also calls for the immediate construction of 500 miles of vehicle barriers in areas identified as prime entry points for smugglers and illegal immigrants. "Good fences make good neighbors," Sessions was quoted as saying. "Fences don't make bad neighbors." The Senate-proposed fence is about half the length of a fence included in the House immigration bill in December. Critics say building a fence is costly and impractical, will not deter immigrants, and result in increased deaths as would-be immigrants take more dangerous routes. While moving ahead on some of the pro-border security and law enforcement of the bill, the Senate also on Wednesday kept intact a provision that would put some of the estimated 12 million illegal immigrants on a path toward citizenship, rejecting in a 66-33 vote a proposal by Republican David Vitter of Louisiana to strike the provision. In a nationally televised address Monday night, President Bush urged Congress to pass a comprehensive immigration bill. While Bush's efforts are seen as helping propel legislation in the Senate, many political observers are skeptical the White House can overcome the strong opposition in the House to Bush's proposal for a temporary guest worker program or to any proposal that smacks of "amnesty" for illegal immigrants.



Sessions
Photo: Office of Sen. Jeff Sessions.

Republican Lawmakers Blast Venezuelan Threat to Sell F-16s to Iran

A pair of Republican congressmen this week pounced on a Venezuelan official's threat to sell the country's US-made F-16 fighter jets to Iran. In a press release, Rep. Dan Burton of Indiana, chairman of the House International Relations Subcommittee, said the government of Venezuelan President Hugo Chavez would "seriously damage" relations with the US and the rest of the world if it sold the jets to Iran. "The United States can't stand idly by while Venezuela arms America's enemies in the Global War on Terror," Burton said in a press release. "I urge President Chavez to publicly denounce this speculation and prohibit any military/defense sales to known terrorist states like Iran." Rep. Connie Mack of Florida, an ardent critic of the Chavez government, said in a press release that the "proposed sale must be stopped" and called for a "full investigation into the breadth and depth of Hugo Chavez's relationship with Iran and other enemies of freedom." The comments were in response to comments by a Chavez advisor, Gen. Alberto Muller, who said he had recommended to the defense ministry that Venezuela consider selling the jets to Iran. Muller's remarks came after the US on Monday designated Venezuela as uncooperative in the war on terror and imposed a ban on arms sales to the South American country. However, Defense Minister Adm. Orlando Maniglia later said there were no plans to sell Venezuela's 21 F-16s. The idea of selling the jets to Iran was the personal opinion of Muller, who "is not a spokesman of the armed forces," Maniglia said.

Featured Q&A*Continued from page 1*

vious Haitian government took the essential step of filing a detailed embezzlement lawsuit against Aristide in Miami federal court last November. This lawsuit and the parallel process in Haiti contain more than enough damning evidence to deter any thought of a return. But at this writing, the case appears to be suffering from the neglect that is the usual fate of fine initiatives in Haiti."

A **Guest Comment: Riordan Roett:** "The international community is once again assuming that elections will 'solve' the governance challenge in failed states. They will not. What Haiti desperately needs is a long period of institution-building, preferably with the support and participation of the appropriate international organizations. Preval inherits all of the problems that confronted his predecessors, including Aristide. There is no infrastructure—physical or social—that will support even a modest development program. There is not much of a natural resource base that might serve as a basis for the structuring of an export economy. The country will continue to rely on international aid and subsidies that may buy time—for what? Aristide will continue to play a 'spoiler' role in Haitian politics, further complicating the Preval regime as it attempts to overcome years of polarization and breakdown."

A **Guest Comment: Adam Minson:** "The prospects for peace and stability under Preval are better than they have been under any other figure in Haiti's modern history. He is the rare politician who, for now at least, can hold court in the Haitian slums, in many elite salons of Petionville, and in the company of conservative leaders from donor countries. Still, any peace in Haiti is tenuous at best.

The record shows that the country is nearly impossible to govern democratically. Preval will inevitably make mistakes. Figures at the far right of Haiti's elite or the international community may be able to seize upon his missteps to undermine him. But the loaded gun for Preval is the question of Aristide's return to Haiti, which polarizes Preval's own supporters. Aristide partisans delivered Preval to victory in this election, expecting that he would allow the former president to return from exile. But Preval has intimated to his supporters in the Haitian elite and donor countries that he

“... The loaded gun for Preval is the question of Aristide's return to Haiti ...”

— Adam Minson

does not favor Aristide's return. The new president cannot afford to alienate either constituency. While he tells the poor that Aristide is constitutionally free to return—which is true—Preval will use back channels to persuade Aristide to remain in South Africa for as much of the next five years as possible. The question is whether Aristide will be willing to wait for the end of Preval's term to launch a third presidential campaign."

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