

Inter-American Dialogue

LATIN AMERICA ADVISOR

BOARD OF ADVISORS

- | | |
|--|--|
| Bernard Aronson
Managing Partner,
ACON Investments LLC | Donna Hrinak
Director for Corporate
and Govt. Affairs,
Kraft Foods Inc. |
| Diego Arria
Director,
Columbus Group | Jon Huenemann
Principal,
International
Department,
Miller & Chevalier |
| Genaro Arriagada
Board Member, Banco
del Estado de Chile | James R. Jones
Co-chair,
Manatt Jones
Global Strategies LLC |
| Joyce Chang
Global Head of
Emerging Markets
Research, J.P. Morgan
Chase & Co. | Nicolás Mariscal
Chairman,
Grupo Marhnos |
| Adrian Cruz
Founder and Senior
Partner,
Crisis Simulations
International, LLC | Juan Felipe Munoz
President,
The Otun Group |
| W. Bowman Cutter
Partner,
E.M. Warburg
Pincus | Thomas F. McLarty III
President,
Kissinger McLarty
Associates |
| Rui da Costa
Managing Director,
Latin America & the
Caribbean,
Hewlett-Packard Co. | Carlos Paz-Soldan
Partner,
Saul Ewing, LLP |
| Dirk Donath
Managing Director,
Eton Park Capital
Management | 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
President,
Mexican Council on
Foreign Relations |
| George W. Grayson
Professor of Govt.,
The College of
William & Mary | Everett Santos
President,
DALEC LLC |
| Peter Hakim
President,
Inter-American
Dialogue | Roger Scher
Head of Latin
American
Sovereign Ratings,
Fitch Ratings |

Featured Q&A With Our Board of Advisors

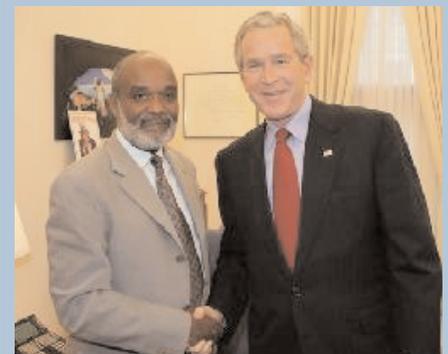
Q It has been six months since Rene Preval took office as president of Haiti. How well are efforts going for political and economic stabilization in the impoverished Caribbean nation? Is badly needed aid and investment returning? Is violence or the threat of violence still an important problem? What is the outlook for Haiti?

A **Guest Comment: James Morrell:** "Haiti has made good use of the gift of legitimacy granted by the voters earlier this year. The government has passed a budget, a pluralistic parliament is functioning, and Haiti collected well at the most recent international donors' meeting. Moreover, the country is on track toward a good third round of elections on December 3. President Preval has focused on security like a laser beam and has made good appointments in the police and judiciary. Steps to cleanse the police of kidnappers are underway, although, given the lucrateness of this 'business,' they are resisted ... Overall, security has improved, although not to an acceptable level. Likewise, Transparency International's anointment of Haiti as the most corrupt country on earth—even if a bit exaggerated—illustrates the dreadfully long way Haiti must go, for such corruption condemns the mass of Haitians to abject poverty. In this regard, the Preval government's neglect of the lawsuit filed by the previous government to recover Haiti's stolen assets is disturbing. Haitian officials,

including presidents, are only human. If they can steal with impunity, they will keep on doing so. Internationally, the continued difficulty of passing the minimal HOPE apparel bill for Haiti illustrates once again the weaknesses of the US political system in contriving a concerted, purposeful Haiti policy. This watered-down concession could nevertheless breathe life into one of the few remaining viable industries in Haiti. Further illustrating the disabilities of the US approach is the absorption with Iraq, which has meant the outsourcing of vital Haitian security to third countries with no interests in Haiti. The accession of the Democrats means that more lawmakers who care about the poor will be in a position to help. But the Democrats' past vul-

Continued on page 4

PHOTO OF THE DAY



Preval with US President George W. Bush at the White House in March.

Photo: White House.

Inside This Issue

FEATURED Q&A: What is the Outlook for Political and Economic Stability in Haiti?.....1	Argentine Economy Expanded 8.0 Percent YoY in September.....3
Colombian Government to Invest \$98 Billion Over Next Four Years2	Ex-Uruguayan President Arrested in Connection with Human Rights Case3
Bolivia Cutting Gas Supplies to Argentina, Brazil for Pipeline Repairs2	US Ambassador to Nicaragua to Meet with Daniel Ortega3

NEWS BRIEFS

Venezuelan Economy Grew 10.2 Percent YoY in Third Quarter

Venezuela's economy, the fastest growing in Latin America, expanded 10.2 percent in the third quarter compared to a year earlier, boosted by government spending on government employee salaries and public works, Bloomberg News reported on Thursday. Inflation, however, remains high, having reached a one-year peak of 15.5 percent in October.

Mexican Steelworkers Threaten Strike for Calderon's First Day

Mexican steelworkers on Thursday threatened to launch a strike to coincide with the first day of President-elect Felipe Calderon's new government on December 1, Reuters reported. Two union sections representing workers from Mexico's Sicartsa and Mittal steel plants at the Lazaro Cardenas port in western Mexico said they would stop work and block port traffic if the government did not reinstate union boss Napoleon Gomez, who was ousted in February.

Credicorp Posts 7.9 Percent Increase in Third-Quarter Profit

Peru's **Credicorp** on Thursday reported a \$51.3 million third-quarter profit, up 7.9 percent from the same period a year ago, Bloomberg News reported. It was the slowest pace of growth in 14 quarters, and came amid reductions in interest rates at Credicorp's banking unit **Banco de Credito**, in the face of greater competition. Credicorp, Peru's biggest financial holding, said lending rose 20 percent from a year ago to \$5.59 billion. However, its share of the Peruvian loan market declined for a second quarter, dropping 0.4 percentage point to 30.8 percent, Bloomberg News reported.

Economic News

Colombian Government to Invest \$98 Billion Over Next Four Years

The government of Colombian President Alvaro Uribe on Thursday announced a plan to invest 222.2 trillion pesos (\$US 98 billion) in the country over the next four years, double the amount spent during the previous four years, state news service SNE reported. Under the 2006-2010 National Development Plan, the government will spend 50 trillion pesos on education and 45 trillion pesos on "social protection," which includes healthcare and other programs. It also aims to invest 66.5 trillion pesos in improving transportation infrastructure, including roads and highways, railways, and ports. The goals of the investment plan include achieving growth ranging from 5.0 to 5.3 percent over the

repairs began on Saturday and are expected to be completed by December 3. The company did not specify the amount of the reductions. Currently, Bolivia exports an average of 27.7 million cubic meters of gas per day to Brazil and 7.7 million cubic meters per day to Argentina. Bolivia is seeking to renegotiate the prices for natural gas exports to Brazil, which buys about half of its total natural gas supplies from Bolivia. Last month, Bolivia signed a 20-year gas supply agreement with Argentina that is expected to result in \$17 billion in revenues for Bolivia, which has the second-largest natural gas reserves in South America.

Mexico's Cofetel Pushes Back Mobile Number Portability Plan Six Months

A plan allowing Mexican mobile phone subscribers to keep their old numbers when they switch carriers has been pushed

Under the 2006-2010 National Development Plan, the government will spend 50 trillion pesos on education and 45 trillion pesos on "social protection," which includes healthcare and other programs.

next four years, reducing the poverty rate from 51 percent to 39 percent, lowering unemployment from 13 percent to 8.6 percent, and providing universal education and healthcare, SNE reported. In other Colombia economic news, the head of the National Planning Department, Carolina Renteria, said Thursday the country is expected to have grown 6.1 percent in the third quarter of this year due to strong private investment and domestic consumption, Reuters reported.

Bolivia Cutting Gas Supplies to Argentina, Brazil for Pipeline Repairs

Bolivia's state-owned oil and gas company **YPFB** said Thursday it had reduced natural gas supplies to Brazil and Argentina in order to complete needed pipeline repairs, state news service ABI reported. YPFB said it was declaring force majeure for the duration of the repairs on pipelines that were damaged by flooding in April. The

back six months, the head of telecommunications regulator Cofetel said Thursday, according to Reuters. Cofetel President Hector Osuna said number portability for mobile users would go into effect in November 2007, rather than May 2007 as originally planned, in order to resolve several technical issues and ensure quality of service. The industry had sought a delay to have more time to make the necessary technical preparations. Number portability, which is seen as a means of increasing competition in telecom markets, has gained increasing attention in Latin America, as several countries, including Brazil and Chile, seek to implement it. However, analysts say number portability's potential to spur competition is limited, especially among pre-paid mobile phone users, who make up the bulk of mobile subscribers in the region. [Editor's note: see related Q&A in the September 8, 2006 issue of the weekly *Latin America Telecom Advisor*].

Political News

Ex-Uruguayan President Arrested in Connection with Human Rights Case

Uruguayan authorities this morning detained ex-dictator Juan Maria Bordaberry, a day after a local judge ordered his arrest in connection with the killings 30 years ago of two lawmakers and two suspected guerrillas. Local daily *El Pais* reported that Bordaberry was brought to a jail in the capital, Montevideo, by police. Bordaberry, who was elected democratically in 1971, only to dissolve Congress and ban political parties a year later at the urging of military leaders, had come under intense scrutiny in the past year by investigators probing the deaths of Zelmar Michelini and Hector Gutierrez, two prominent lawmakers who fled the dictatorship, and suspected guerrillas William Whitelaw and Rosario Barredo, according to the Associated Press. Michelini and Gutierrez were taken from their homes in Buenos Aires, Argentina, on May 18, 1976. Their bodies, laced with bullet holes, were found days later along with those of Whitelaw and Barredo, according to Reuters. Human rights groups have alleged that the killings were the result of secret cooperation by the two countries' military dictatorships, according to the AP. Bordaberry's foreign minister, Juan Carlos Blanco, was arrested on Thursday in connection with the case. Bordaberry was eventually forced out of office in 1976 by the military, which ruled the country until 1985. Commenting on the arrest orders for Bordaberry and Blanco, Uruguayan President Tabare Vazquez told reporters Thursday that "the justice system has spoken," but made no other comment.

US Ambassador to Nicaragua to Meet with Daniel Ortega

The United States' ambassador to Nicaragua, Paul Trivelli, plans on meeting with incoming Nicaraguan President Daniel Ortega, despite earlier expressions of concern about Ortega's respect for democracy, the Associated Press reported this morning. "Obviously, there will be a

Argentine Economy Expanded 8.0 Percent YoY in September

Argentina's economy grew 8.0 percent in September compared to the same month of 2005, government statistics agency INDEC said Thursday.

Growth in September was below analysts' expectations and the lowest pace of monthly growth since December 2005.

On a seasonally adjusted basis, economic activity expanded 0.4 percent in September from the previous month, the slowest pace since a 0.2 percent expansion in June,

J.P. Morgan said in a research note Thursday that the Argentine economy grew 8.5 percent in the third quarter compared to the same three months a year earlier and a "torrid" 10.3 percent from the previous quarter.

"Domestic spending continues to be the driver behind the expansion, as the former has been underpinned by strong labor income gains," JP Morgan said. "More recently, also, additional fuel for domestic spending is coming from the external sector through a terms of trade improvement which is boosting national income."

J.P. Morgan noted that prices for Argentina's agricultural commodities rose 5.0 percent month-on-month in October.

It predicts Argentina will end the year with 8.5 percent GDP growth and post growth of 7.5 percent next year.

Argentina has posted strong economic growth in the four years since its 2001-2002 economic collapse. Analysts caution, however, that the country still faces important challenges, such as limiting inflation and attracting investment to its energy sector [Editor's note: see related Q&A in the July 3, 2006 issue of the *Advisor*.]

new administration, and as the representative of my government in Nicaragua, we are going to talk with the former commander of the revolution," Trivelli said late Wednesday. "We have said that obviously Mr. Ortega won, and we are willing to work with him within the framework that he respect and work for the future democratization of this country." It was the US ambassador's first public comments since Ortega's November 5 electoral victory. A year ago, shortly after arriving in Managua, Trivelli called Ortega's democratic credentials "very

Argentine Economic Growth Dec 2005-Sept 2006 (yoy)



Source: INDEC.

doubtful," and was one of several US officials who all but urged Nicaraguans not to vote for the Sandinista and former US Cold War foe. Trivelli said the leadership of the Liberal Constitutionalist Party (PLC), whose candidate finished third in the presidential election, should "reflect a little more deeply about the cause of its defeat in November." The PLC is "not a democratic option for the country" as long as it is led by ex-President Arnoldo Aleman, who is serving 20 years of house arrest for fraud and money laundering, Trivelli said.

Featured Q&A*Continued from page 1*

nerability to Aristidian corruption augurs poorly for their effectiveness. The liberal-left sector could help guide such lawmakers, but it too fell under the spell, depriving Haiti of what should have been its strongest support. Until an outraged public demands better of the politicians, US effectiveness in addressing Haiti's extraordinary problems will remain severely limited."

A Guest Comment: Dan Erikson:

"... It is true that Haiti is an extremely fragile state, if not a failed state, and it is easy to provide all the numbers and analysis to affirm this. But there is now a slight break in the clouds. President Rene Preval is widely accepted as the country's democratically elected leader, a new parliament has been installed, and Haiti is on the verge of completing long-awaited local and municipal elections. The divisive partisanship in Washington over the legitimacy of Aristide, and subsequently Latortue, has given way to a broader bipartisan *détente*, even if interest is waning. International donors, including the US, Canada, and the major multilateral banks, have made substantial commitments to Haiti, and the Latin American countries have vowed to maintain their peacekeeping presence there, at least in the short term. The UN and the OAS both appear committed to staying engaged in Haiti over the long term, although of course that may change. Without question, the goal of advancing democracy in Haiti will require moderating expectations in pursuit of modest, gradual success. Haiti needs sustained international attention toward a state-building strategy that can develop functional government ministries, a workable legal and judicial system, and some form of democratic politics. The international community has vowed to stay engaged, and a new meeting of foreign donors will occur in Madrid at the end of November. However, the combination of Haiti's zero-sum politics and the episodic attention of the international community will continue to cast a shadow over the country's future progress."

A Guest Comment: Johanna Mendelson Forman:

"... The insecurity in Haiti is not only about the absence of police, but more a statement of the lack of economic opportunities, both in Port au Prince and in the countryside. President Preval and his ministers are very much aware of the need to move stabilization on a two-track approach: short-term economic opportunities through visible projects and the medium to long-term projects that can advance a stabilizing agenda. Donors recognize this connection, and the outcome of Madrid may give the government of Haiti some short-term relief with quick impact projects that can demonstrate there is hope. What is also promising is that there is growing interest in the potential to develop small-scale renewable energy projects in the countryside as a way to address both the environmental and energy deficits that continue to hobble Haiti's progress. And more talk is taking place around a 'Hispaniola' approach, meaning that the Dominican foreign minister has made overtures to MINUSTAH to meet and discuss ways to solve common problems, such as border security and illegal activities, that plague both halves of the island. But the clock is ticking. Local elections on December 3 should help further demonstrate that participatory processes can advance political development. But only when combined with economic projects will the circle be closed. MINUSTAH is well-aware of this need and is working closely with donors and the Haitian government to ensure that these elements of rebuilding are incorporated into a mission that inevitably needs to remain on the ground for quite some time."

James Morrell is Executive Director of the Haiti Democracy Project.

Dan Erikson is Senior Associate for US Policy at the Inter-American Dialogue.

Johanna Mendelson Forman is a Senior Associate at the Center for Strategic & International Studies.

Latin America Advisor

is published every business day by the Inter-American Dialogue, Copyright © 2006

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 fretrial@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 nor do they represent any consensus of belief. 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.