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Subscribers may pose questions to the Board of Advisors for the Featured Q&A by contacting the Editor at rsimpson@thedialogue.org

Featured Q&A With Our Board of Advisors

Q Violence in Haiti appears to have worsened in recent weeks, with the US and French governments issuing travel warnings for their countries' citizens and the US ordering the departure of all non-essential diplomatic personnel and their relatives. What accounts for the increase in violence? Does the violence have the potential to derail elections planned for later this year? Do you foresee an expanded peace-keeping force, including the redeployment of US troops to the troubled Caribbean nation?

A Guest Comment: Dan Erikson: "Haiti's recent upswing in violence is driven by a combination of economic desperation, inadequate policing, and the prevalence of small arms throughout the country. The near-total breakdown of the judicial system has left many criminals on the streets and contributed to the impression that there are no legal consequences for violent behavior. In addition, the Haitian government has declined to pursue many of the gang members and former military leaders who killed dozens of police officers during the ouster of Aristide last year, thereby setting the overall tone of impunity. The US decision to evacuate embassy personnel from Haiti delivered a distinct vote of 'no confidence' to the Brazil-led peacekeeping mission that has patrolled the country since last year. This is doubly unfortunate because it undermines the UN position in Haiti while

signaling that the US is seeking to disengage even further from the single most important democracy-building effort in this Hemisphere. Washington has apparently decided that shielding the US military from another foreign adventure trumps a renewed effort to help stabilize this troubled neighbor. Still, the vote is likely to proceed on schedule despite Haiti's chaotic political environment. Brazil never promised a rose garden, and the Latin American peacekeepers know that electing a new government will help to expedite their eventual exit strategy."

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PHOTO OF THE DAY



US Ambassador to Haiti James Foley said Wednesday the US is working on a plan to permit weapons sales to the Haitian government. See related story on page 2.

Photo: US State Department.

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NEWS BRIEFS

PT Treasurer Denies Paying Brazilian Lawmakers for Votes

The treasurer of Brazil's ruling Workers' Party denied Wednesday that he paid some members of Congress 30,000 reais (\$US 12,000) per month to support the government's policies. "The Workers' Party does not buy votes or support from lawmakers," Delubio Soares told reporters. "The Workers Party will not accept blackmail and will not stop in its fight on corruption." Delubio said he would open his own and the party's bank accounts to scrutiny.

Source: Reuters.

IMF Board Approves \$1.13 Billion Loan Accord with Uruguay

The International Monetary Fund's executive board on Wednesday approved a three-year \$1.13 billion loan agreement with Uruguay. The loan program is "aimed at supporting the country's economic stabilization through mid-2008 and helping to foster sustainable growth while reducing vulnerabilities related to high public debt," the IMF said. A key goal of the program is to re-establish Uruguay's access to international capital markets, according to the IMF.

Source: IMF press release.

Petroecuador Increases 2005 Budget to \$2.65 Billion

Ecuadorean state-owned oil company **Petroecuador** said Wednesday it had increased its annual budget for 2005 by about 24 percent to \$2.65 billion to pay for imports of petroleum products. Petroecuador had originally budgeted \$2.13 billion for this year, but said high world oil prices had forced it to increase the budget.

Source: Reuters.

Political News

Bolivian Congress to Decide Crisis-Torn Country's Leadership Today

Bolivian lawmakers are expected to vote today to accept the resignation of President Carlos Mesa before taking up the potentially explosive issue of who will succeed him. If Congress decides to accept Mesa's offer to resign, which he submitted on Monday, Senate President Hormando Vaca Diez would be first in line to succeed him, according to the country's Constitution. However, Indian groups and protesters who have put a stranglehold on the capital, La Paz, with demonstrations and roadblocks in recent weeks, are opposed to Vaca Diez, a wealthy rancher they see as representing Bolivia's traditional political class. If Vaca Diez and Lower House president Mario Cossio are

one of the largest foreign investors in Bolivia, said its operations have not been affected so far. Protesters are calling for the nationalization of Bolivia's vast hydrocarbon resources, a constituent assembly, and rejection of autonomy for wealthy Santa Cruz province. Santa Cruz plans to hold a unilateral referendum on autonomy in August, a vote many Bolivians fear will divide the country.

US Moving to Allow Weapons Sales to Haitian Government

US Ambassador to Haiti James Foley said Wednesday the US is drafting a plan to allow the Haitian government to purchase weapons for the country's under-equipped 4,000-strong police force, Reuters reported. "Finally, the State Department and the US Congress are now working on a supervision and training program that would allow the Haitian government to purchase

Indian groups and protesters who have put a stranglehold on the capital, La Paz, with demonstrations and roadblocks in recent weeks, are opposed to Senate President Hormando Vaca Diez becoming president of the country.

not tapped to take over, the presidency would then fall to the head of the Supreme Court, Justice Eduardo Rodriguez. Opposition leaders and head of the Movement Toward Socialism (MAS) party Evo Morales said he does not support Vaca Diez's claim to the presidency and is calling for early elections. Mesa and the Catholic Church, which has been trying to negotiate an end to the crisis, also support early elections. Three weeks of road blockades by an impoverished Indian majority have caused food and gasoline shortages in La Paz and other cities. Transport workers are on strike in the capital, and Chile's LAN airline and American Airlines on Wednesday cancelled flights to La Paz due to the high level of unrest. Spanish oil and gas company **Repsol** said Wednesday that protesters had halted production at three of its natural gas and condensate fields in eastern Santa Cruz province, according to Reuters. Brazil's state-owned **Petrobras**,

weapons in the US," Foley was quoted as saying. "Those weapons are a very important element in the capacity of the Haitian police to ensure security." Under a 14 year-old US embargo, weapons sales to Haiti are currently only allowed "in a case of exceptional or undue hardship, or when it is otherwise in the interest of the United States government." Last year, the US donated around 2,600 handguns and 21 semi-automatic rifles and submachine guns to the Haitian police. Human rights groups have accused Haiti's police of human rights abuses, including summary executions, and fear the weapons sales would only worsen the situation. Last weekend, as many as 25 people were killed during raids by Haitian police on slums in the capital of Port-au-Prince that have been strongholds of support for exiled former President Jean-Bertrand Aristide. A slum-based human rights group demanded an investigation into the raids, in which

several homes were burned. [Editor's note: see related Q&A on page 1.]

New Proposal on UN Sec. Council Expansion Drops Veto Rights

Brazil, Germany, Japan, and India, on Wednesday dropped from their proposal to expand the United Nations Security Council a demand that new permanent members enjoy immediate veto rights, Reuters reported. In a cover letter for a new draft resolution, the four countries said they would agree to postpone consideration of veto rights for new permanent Council members for 15 years. The four countries are leading an effort to expand the Council from five permanent seats and 10 nonpermanent seats to 11 permanent seats and 14 nonpermanent seats. The existing five permanent seats on the Council have been occupied by the major victors of World War II—Britain, China, France, Russia, and the United States—since the United Nations' creation, with all five permanent members having veto power. Brazil has been lobbying for a permanent seat on the Security Council as part of its more ambitious foreign policy strategy under President Luiz Inacio "Lula" da Silva [Editor's note: see related Q&A in the May 26, 2005 issue of the *Latin America Advisor*].

Company News

France's Carrefour Buys 10 Sao Paulo Hypermarkets from Sonae

French supermarket giant **Carrefour** said Wednesday it had bought 10 hypermarket stores in Sao Paulo from Portugal's **Sonae** for 317 million reais (\$US 129 million). "With this transaction, Carrefour strengthens its position in the Sao Paulo area," Carrefour said in a statement. "This operation is part of Carrefour Group's overall strategy to establish market leadership in all key markets where it chooses to be present, and to optimize the asset portfolio in each of its markets." In March, Carrefour announced the sale of its stores in Mexico as part of a program "to divest non-strategic or underperforming activities." Carrefour, the second-largest retail-

Capitol Hill Watch

A weekly look at US congressional activity on Latin America

Senators Urge Changes to Colombian Bill on Paramilitary Demobilization

Future US support for Colombia's struggle against rebel and paramilitary violence depends on a tougher stand against the paramilitaries, six Democratic senators said in a letter sent to President Alvaro Uribe last Friday. In the letter, the senators—Edward Kennedy (MA), Joseph Biden (Del), Barack Obama (IL), Patrick Leahy (VT), Christopher Dodd (CT) and Russell Feingold (WI)—said they would not support continued funding for the process of paramilitary demobilization if Uribe's proposed justice program is approved in Congress. They said a bill that does not demand that combatants reveal all the information they have about the operating structure and finances of the so-called "paras," confess to illegal activities, and comply with the terms of a ceasefire is unacceptable. "Through the years our governments have developed an active relationship based on common interests," wrote the senators. "It would be very regrettable to see this relationship affected at the root of this process." The US has earmarked some \$5 million in its current budget specifically to aid in demobilization efforts in Colombia, which may be adjusted depending on the final terms of Colombia's peace and justice law, which the Colombian Congress is expected to vote on by the end of this week. Uribe said Wednesday there will be "corrections" to the law during the final debate, and that he asked the foreign minister and high commissioner for peace to travel to the US to explain the law to US lawmakers.

Source: El Tiempo.

Thomas Links Passage in House of CAFTA-DR to China Trade Issues

House Republican leaders may have to back legislation prodding China toward a more flexible exchange rate as a means to garner votes for a free trade accord with five Central American countries and the Dominican Republic (CAFTA-DR), House Ways and Means Committee Chairman Bill Thomas (R-CA) said Tuesday. It's become "very difficult for (many lawmakers) to vote on a trade package without getting some kind of meaningful response on the issue of China," Thomas told the US Chamber of Commerce. Concern about the huge US trade deficit with China—exacerbated by China's pegging its currency at 8.28 yuan to the dollar—has hurt CAFTA-DR's chances in Congress. Thomas did not elaborate on the specific nature of legislation regarding China's economic policy that might be needed, but he said Congress may have to consider other issues in passing CAFTA-DR, namely immigration and aid to Central America. CAFTA-DR would eliminate tariffs on US exports to Guatemala, El Salvador, Nicaragua, Costa Rica, Honduras, and the Dominican Republic and provide trade benefits for those countries' products in the US market. The Bush administration has initiated a comprehensive effort to generate lawmakers' votes for CAFTA-DR amid unmoving opposition from labor unions and the sugar industry.

Source: Reuters.

Featured Q&A*Continued from page 1*

A **Guest Comment: Steve Johnson:** "It's hard to imagine how Haiti's security situation can improve in time for elections without functioning public institutions: a larger, better trained police force; a judiciary that works; and a satisfactory penal system resistant to raids and breakouts. The political will is there within the interim government. But the contributions from donor nations have been woefully inadequate since pledges were made nearly a year ago. Once again, interested parties have regarded Haiti as a turn-key operation instead of a long-term project. Supervision and follow-through of assistance efforts as well as advice to incipient governing authorities are crucial. After a competent rescue from the wreckage that former President Jean Bertrand-Aristide left behind, donors have shirked some of their responsibilities."

A **Guest Comment: James Morrell:** "This time around, most of the violence is the work of the pro-Aristide gangs. He is sending the word from his all-too-vocal exile in South Africa that he must be dealt in as a major player or he will

drown the elections in violence. The response of the United Nations and Bush administration is to send a few hundred more soldiers—an incremental decision that avoids more fundamental issues. The US ambassador, James B. Foley, recently said of MINUSTAH, "a plan is needed, a strategy, there is also a need for action." Exactly the same could be said of US policy. Last November, the International Crisis Group recommended clamping down on the conditions of Aristide's exile. Foreign diplomats in Haiti wonder out loud what happened to the US prosecution of him on drug-trafficking charges. While this is being decided, MINUSTAH is left holding the bag, containing the problem but unable to reach the source. Mr. Aristide should be given a vacation on a game ranch well out of cell-phone range."

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

Steve Johnson is Latin America Policy Analyst at The Heritage Foundation.

James Morrell is Executive Director of the Haiti Democracy Project.

er in Brazil after **Companhia Brasileira de Distribuicao**, had \$3.3 billion in net sales in the South American country last year. It operated 85 hypermarkets, 97 supermarkets, and 208 hard discount stores as of the end of 2004. The 10 hypermarkets in Sao Paulo purchased from Sonae, which operate under the name BIG, reported 2004 net sales of 455 million reais.

Celulosa Arauco Shuts Down Plant Amid Pollution Concerns

Chilean wood pulp producer **Celulosa Arauco** on Wednesday shut down its \$1.2 billion Valdivia plant amid concerns the plant was polluting nearby wetlands in violation of environmental regulations, Reuters reported. "This shutdown

will go on as long as it takes to clarify with the authorities the technical and judicial conditions under which the plant can operate," Celulosa Arauco, a unit of Chile's biggest industrial conglomerate, **Copec**, was quoted as saying in a statement. The company also announced that Chief Executive Alejandro Perez had resigned. The president of Celulosa Arauco's board of directors, Alberto Etchegaray, said he did not know how long the Valdivia plant would be closed, but said it would cost the company \$1 million per day in lost revenue. The closure of the plant and Perez's resignation came in the wake of an apology by the company last week for casting an in-house environmental impact study as an independent university study.

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